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To:

Councillors: Glyn Banks, Haydn Bateman, Ian Dunbar, Alison Halford,
Tim Newhouse, Ian Roberts and Arnold Woolley

Co-opted Member:

Paul Williams

5 July 2016

Dear Councillor

You are invited to attend a meeting of the Audit Committee which will be held at 10.00 am on Wednesday, 13th July, 2016 in the Clwyd Committee Room, County Hall, Mold CH7 6NA to consider the following items

A G E N D A

1 APPOINTMENT OF CHAIR

To appoint a Chair of the Committee.

2 APPOINTMENT OF VICE-CHAIR

To appoint a Vice-Chair of the Committee.

3 APOLOGIES

Purpose: To receive any apologies.

4 DECLARATIONS OF INTEREST (INCLUDING WHIPPING DECLARATIONS)

Purpose: To receive any Declarations and advise Members accordingly.

5 MINUTES (Pages 5 - 16)

Purpose: To confirm as a correct record the minutes of the meeting held on 16 March 2016 (copy enclosed).

6 CONSULTANCY FOLLOW UP (Pages 17 - 32)

Report of Internal Audit Manager enclosed.

Purpose: To inform members of the results of the audit into the new system for managing the use of consultants.

7 DRAFT STATEMENT OF ACCOUNTS 2015/16 (Pages 33 - 198)

Report of Corporate Finance Manager enclosed.

Purpose: Presenting the draft Statement of Accounts 2015/16 for Members information only at this stage.

8 SUPPLEMENTARY FINANCIAL INFORMATION TO DRAFT STATEMENT OF ACCOUNTS 2015/16 (Pages 199 - 204)

Report of Corporate Finance Manager enclosed.

Purpose: This report contains the information on salaries over £60,000 for all Council employees, non-permanent posts and short term professional advisors requested in a Notice of Motion approved by Council in January 2013 for financial year 2015/16.

9 ANNUAL GOVERNANCE STATEMENT (Pages 205 - 208)

Report of Internal Audit Manager enclosed.

Purpose: For the committee to consider and approve the draft Annual Governance Statement (AGS) for 2015/16.

10 TREASURY MANAGEMENT ANNUAL REPORT 2015/16; TREASURY MANAGEMENT UPDATE QUARTER 1 2016/17 (Pages 209 - 234)

Report of Corporate Finance Manager enclosed.

Purpose: Presents the draft treasury management outturn report for 2015/16 for Audit Committee's recommendation to Cabinet, and an update of treasury management activity during the first quarter of 2016/17.

11 **ASSET DISPOSAL AND CAPITAL RECEIPTS GENERATED 2015/16**
(Pages 235 - 240)

Report of Chief Officer (Organisational Change) enclosed.

Purpose: Report provides a summary of assets disposed of during the financial year 2015/16 and the Capital Receipts generated as a result.

12 **CERTIFICATION OF GRANT CLAIMS AND RETURNS 2014/15** (Pages 241 - 264)

Report of Corporate Finance Manager enclosed.

Purpose: To inform Members of the grant claim certification for the year ended 31st March 2014.

13 **RISK MANAGEMENT UPDATE** (Pages 265 - 320)

Report of Chief Executive enclosed.

Purpose: To note the status of the end of year 2015/16 strategic risks within the Improvement Plan.

14 **INTERNAL AUDIT ANNUAL REPORT** (Pages 321 - 334)

Report of Internal Audit Manager enclosed.

Purpose: To inform members of the outcome of all audit work carried out during 2015/16 and to give the annual Internal Audit opinion on the standard of internal control, risk management and governance within the Council.

15 **INTERNAL AUDIT PROGRESS REPORT** (Pages 335 - 368)

Report of Internal Audit Manager enclosed.

Purpose: To present to the Committee an update on the progress of the Internal Audit department.

16 **WALES AUDIT OFFICE - REGULATORY PROGRAMME - PERFORMANCE WORK 2016/17** (Pages 369 - 378)

Report of Chief Executive enclosed.

Purpose: To note the regulatory programme for 2016/17 as published by the Auditor General for Wales.

17 **ACTION TRACKING** (Pages 379 - 384)

Report of Internal Audit Manager enclosed.

Purpose: To inform the Committee of the actions resulting from points raised at previous Audit Committee meetings.

18 **FORWARD WORK PROGRAMME** (Pages 385 - 392)

Report of Internal Audit Manager enclosed.

Purpose: To consider the Forward Work Programme for the Audit Committee.

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985 - TO CONSIDER THE EXCLUSION OF THE PRESS AND PUBLIC

The following item is considered to be exempt by virtue of Paragraph 15 of Part 4 of Schedule 12A of the Local Government Act 1972 (as amended).

The item relates to negotiations on labour relations matters that are currently underway with Trade Unions. The public interest favours not disclosing the details of those negotiations until after they have been concluded.

19 **CAR USER ALLOWANCES**

To receive a verbal report on car user allowances.

Yours faithfully



Peter Evans
Democracy & Governance Manager

AUDIT COMMITTEE
16 MARCH 2016

Minutes of the meeting of the Audit Committee of Flintshire County Council held in the Clwyd Committee Room, County Hall, Mold on Wednesday, 16 March 2016

PRESENT: Councillor Tim Newhouse (Chairman)

Councillors: Haydn Bateman, Ian Dunbar, Ian Roberts and Arnold Woolley

CO-OPTED MEMBER: Mr. Paul Williams

SUBSTITUTE: Councillor: Ron Hampson (for Glyn Banks)

APOLOGY: Councillor Alison Halford

ALSO PRESENT: Leader and Deputy Leader of the Council

IN ATTENDANCE:

Chief Executive, Chief Officer (Governance), Internal Audit Manager, Finance Manager - Technical Accountancy and Committee Officer

Mr. Paul Goodlad and Ms. Amanda Hughes of Wales Audit Office

Senior Manager (Safeguarding & Commissioning) and Business Manager for minute number 63

Interim Human Resources & Organisational Development Manager and Employment Services Manager for minute number 64

53. SUBSTITUTION

In line with the Constitutional requirement, the Committee agreed to allow Councillor Ron Hampson to substitute for Councillor Glyn Banks. It was confirmed that Councillor Hampson had undertaken the necessary audit training.

RESOLVED:

That Councillor Ron Hampson be permitted as a substitute for the meeting.

54. DECLARATIONS OF INTEREST (INCLUDING WHIPPING DECLARATIONS)

The Chairman declared a personal and prejudicial interest on Agenda Item 12 'Internal Audit Progress Report - Supplementary Report' as his wife is a supply teacher. The Chief Officer (Governance) explained that having been granted dispensation from the Standards Committee, the Chairman was permitted to speak and to answer any questions put to him on the item, but was required to leave the room for the debate.

55. MINUTES

The minutes of the meeting held on 27 January 2016 were submitted.

Accuracy

Minute number 43: Consultants - Councillor Arnold Woolley pointed out a typographical error in the eighth paragraph which should read 'other Members indicated their agreement'.

Matters Arising

Minute number 43: Consultants - Councillor Woolley referred to his comments on the need to demand rigorous answers to any actions which remained outstanding from their due date.

The Chief Executive said that the Chairman had circulated to the Committee the report on consultants submitted to the Corporate Resources Overview & Scrutiny Committee, which focussed on value for money. The report gave details of consultants of £25K or more in value engaged during 2015/16, totalling just over £400K. All had supporting business cases in place to meet objectives and to demonstrate value for money. Whilst the Chief Executive had undertaken work on key controls such as business case approvals, the Internal Audit Manager had focussed on operational details and general controls including improvements to accountancy coding. A full report on controls for the use of consultants would be brought to the Audit Committee in July, including the latest information on spend.

The Chief Officer (Governance) said that the report shared had demonstrated overall improved controls on the use of consultants, pointing out the roles of Overview & Scrutiny and the Audit Committee on their respective areas.

The Internal Audit Manager agreed, saying that some controls had already been introduced, such as the requisite approval according to contract value. He referred to the key findings of the officer group on the approval of business cases on clarifying the reasons for appointing a consultant and reviewing outcomes. The P2P system was now being used for appointing consultants, involving verification by the Procurement team on the supporting business cases and use of correct accounting codes, with any deficiencies referred back to the manager. The guidance on the controls of use of consultants circulated to officers and users of the P2P system had also been made available on the intranet, and this would form the basis of the report to be brought to the next meeting of the Committee. It was agreed that this guidance would also be shared with Members.

When asked by Councillor Ian Dunbar about the Overview & Scrutiny report, the Chairman explained that this had been circulated for information however Members were able to raise queries under this item if they wished.

The Chief Executive spoke about the different uses of terminology and provided clarity on the definition of agency workers, and interim appointments

which were used sparingly by the Council. He gave assurances that the sensitivity of the issue and need for accountability had been highlighted with officers, in response to the important issues identified by the Audit Committee. When asked about the miscoding errors, he explained that this had arisen from routine legitimate spend being allocated to generic codes, as indicated in the formal statement given by the Corporate Finance Manager.

The Chief Officer (Governance) gave a reminder that a follow-up report on the use of consultants would be received at the next meeting of the Committee.

RESOLVED:

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

56. TREASURY MANAGEMENT UPDATE 2015/16

The Finance Manager - Technical Accountancy introduced the quarterly update on matters relating to the Council's Treasury Management Policy, Strategy and Practices 2015/16 to the end of February 2016. Since the update given at the previous meeting, there had been no change to the Council's long-term borrowing. No significant change was reported on the Council's investments which, at the end of February 2016, totalled £40.5m spread over 20 counterparties with an average interest rate of 0.57%. Attention was drawn to the economic update which was based on information from the treasury management advisors and the agreed approach being taken to the suspension of a bank from the counterparty list.

In response to a question on the latter, the Finance Manager provided explanation on the intent to continue with the one investment with the affected bank whilst not entering into any new investments, based on the advice received.

Following a question from Councillor Ian Dunbar on the economic update, the Finance Manager explained that the predicted rise in the CPI inflation rate was not expected until at least 2017.

RESOLVED:

That the Treasury Management 2015/16 quarterly update be noted.

57. WALES AUDIT OFFICE – AUDIT PLAN 2016

The Chief Executive introduced the Wales Audit Office (WAO) Audit Plan for 2016 in respect of proposed audit work on the accounts for the Council and those of the Clwyd Pension Fund for 2015/16. The report detailed the legal requirements for work on financial and performance audits to be undertaken by WAO. It was explained that the audit fees were comparable with other councils and that audits on the Taith Joint Committee were no longer required.

Ms. Amanda Hughes of WAO explained that the conclusion of the financial audit work required an opinion to be given on the financial statements. This included consideration of the level of risks of material misstatement as set out in

Exhibit 2 of the WAO reports. A number of the risks highlighted were common across all councils. Specifically for Flintshire, there were a number of issues arising from the 2014/15 audit work including accounting for gross income and expenditure and allocation of internal costs. Whilst she was aware that the Council had completed work to address these issues in the year, this would be reviewed again as part of audit work for 2015/16. Financial audit work for the Clwyd Pension Fund would address the risks set out in Exhibit 2 of its audit plan, including the risks associated with the large percentage of unquoted investments in its portfolio. The WAO report on the certification of grants and returns for 2014/15 would be received at next meeting.

On performance there was some internal uncertainty over planning which meant that the specific programme could not yet be clarified at this point. Public service bodies would shortly be consulted on the approach to performance audit work by WAO. It was explained by Mr. Paul Goodlad that the uncertainty around performance work applied to all councils in Wales and was likely to focus on finance, governance and the transformation and change agenda. The final outcome would be shared and WAO would liaise with the Council on work within the Audit Plan to avoid any duplication of work, for example the Flintshire Connects audit planned for 2016/17.

The Chief Executive said that the refreshed approach to performance audit work would still need to identify major risk areas and seek value for money, and that there was no expectation of major increases in the work or fees of WAO.

On the financial audit, Councillor Arnold Woolley felt that two separate paragraphs in the WAO report contradicted the approach taken to not reporting misstatements below the relevant threshold whilst giving assurance that the financial statements were free from material misstatement.

Ms. Hughes provided explanation on the treatment of misstatements below the 'trivial' level, commenting that some elements were material by nature. This did not change the requirement to report an opinion, however she agreed to feedback the comments.

Councillor Woolley also enquired about any risks or required mitigation arising from the substantial reduction in the grant to subsidise performance audit work by WAO. Mr. Goodlad said that the reduction in the grant covered costs for the corporate assessment. There was no material impact on the Council as the assessment had already been carried out and the WAO was working to mitigate the risk for other councils for whom the assessment had not yet been completed.

RESOLVED:

That the Wales Audit Office reports be noted.

58. INTERNAL AUDIT STRATEGIC PLAN

The Internal Audit Manager presented the proposed Internal Audit plan for the three year period 2016/17 to 2018/19 and highlighted the key considerations for the Committee. The final Plan had incorporated the findings of consultation across the organisation and the Wales Audit Office (WAO), and would inform the

annual opinion on the adequacy of the Council's arrangements on risk management, control and corporate governance. Internal Audit resources remained around the same level as the previous year and were comparable with that of other councils. The risk levels for each audit had been assessed using a number of factors, as set out in paragraph 4.3 of the Plan. In some cases, this did not represent any real risk and helped to prioritise audits for the year, although some were rated as 'red' due to the nature of the risk.

Councillor Ian Dunbar referred to the red risk audit on Disabled Facilities Grants (DFGs) asking about performance in this area. The Chief Executive acknowledged that the Council's performance on DFGs needed some improvement and that the issue had been under scrutiny across Wales for some time. This was due to the various elements in the DFG process including demand, Occupational Health capacity and often involved complex issues relating to the individual. The Internal Audit Manager said that a cross-cutting review would be carried out on the service to look at the entire DFG process.

Mr. Paul Williams questioned whether the audit on income from fees and charges should be brought forward to the current year, in view of the budgetary pressures. It was explained that the audit had been scheduled in 2017/18 as work was currently being undertaken by the Finance section on fees and charges, and that the audit would focus more on performance in this area.

Mr. Williams referred to issues previously raised by the Committee on staff inductions and appraisals, and asked that these audits be brought forward to 2016/17. The Chief Executive gave assurance that all senior managers had been appraised in 2015 and that most appraisals were now being undertaken with the core issue being the updating of records on the iTrent system. He said that the Chief Officer (Governance) was leading work on the management of induction and briefing across the organisation on key controls.

Mr. Williams felt it would be useful for the Committee to receive details of the number of completed and outstanding appraisals for each section. He agreed to the suggestion made by the Chief Executive that the Internal Audit Manager be involved in checking appraisal data when next compiled for the workforce report of the Corporate Resources Overview & Scrutiny Committee, and for this to be shared with the Audit Committee.

Councillor Arnold Woolley asked for clarity on the auditable area of Theatr Clwyd. The Internal Audit Manager explained that at this stage, the wording reflected the possible scope of the review. The Chief Executive said that there would be more clarity on the scope, which should include controls, after consideration of the new business plan of the theatre at a forthcoming meeting of the Organisational Change Overview & Scrutiny Committee.

Councillor Woolley pointed out amendments to wording in the auditable areas for Flintshire Connects, Electronic Document Management, Staff Recruitment and Single Status Governance. Following discussion on the latter, Councillor Woolley asked that consideration be given to use of language to clarify that no local agreements should arise. In respect of the audit for Planning Enforcement, he had concerns about the level of resources required to deal with

the workload. The Internal Audit Manager confirmed that this would be part of the audit.

In answering a query from Councillor Haydn Bateman, it was explained that external resources could be needed to complete the technical ICT audit as this expertise was not available within Internal Audit.

Councillor Woolley indicated his uncertainty on the level of audit resources to which the Chief Executive and Internal Audit Manager replied that the Plan was subject to ongoing review. Councillor Woolley acknowledged the financial pressures faced by the Council and reiterated his concerns on the importance of retaining sufficient capacity to carry out the work required. It was explained by the Internal Audit Manager that a view was being sought on audit resources which had reduced only slightly since the previous year. He gave assurance that he would raise any concerns about this with the Committee, however there were no pressures to reduce audit resources as supported by the Chief Executive and Chief Officer (Governance). The Chief Executive spoke about the balance in streamlining structures and processes across the organisation to address financial pressures, as agreed by Members. Whilst this presented a risk, it was important to note that the Council's objectives were being met.

RESOLVED:

- (a) That the Committee agree that the Plan reflects the areas that should be covered, and the level of resources is acceptable; and
- (b) That the Internal Audit Strategic Plan be approved with the amendments raised.

59. AUDIT COMMITTEE SELF ASSESSMENT

The Internal Audit Manager introduced the results from the Committee's self-assessment carried out in February 2016 which helped to inform preparation of the Annual Governance Statement 2015/16 and any training/development needs of the Committee. He thanked the Committee members for completing the questionnaires, the results of which were appended to the report, indicating the averages and range of scores given compared to last year. In summarising the results, he pointed out the Committee's increased focus on value for money as reflected in audit reports.

In response to a question from the Chairman, the Internal Audit Manager explained that it was good practice to carry out the annual assessment, in accordance with guidance from the Chartered Institute of Public Finance & Accountancy (CIPFA), and to feed the results into the overall governance framework.

Following a query from Councillor Ian Dunbar on the outcome of the questionnaire, the Internal Audit Manager gave assurance that the results were noted and acted upon. He referred to a number of concerns about implementing actions - an area being addressed by the tracking system on the new audit software - and the agreement for more managers to attend the Audit Committee

to give explanations on non-implementation of recommendations for their respective areas.

The Chief Officer (Governance) advised that the findings of work on the Council's approach to compliance would be reported back to the Committee as part of the Audit Plan.

Mr. Paul Williams questioned the need to complete the questionnaire if the results were not debated. He felt that the results reflected the Committee's ongoing concerns about non-implementation of recommendations which needed to be further explored. In respect of the personal comments alluded to in some responses, it was his view that meetings were sometimes uncomfortable and that points should be raised in a valid way. He felt it was important to note the underlying issues behind personal comments and expressed concern that the credibility of the Committee could be brought into question.

The Chief Executive said that managers of red risk reports were asked to attend the Committee to be held accountable for their areas and that this practice would increase to help raise awareness of recognised levels of responsibility and to give the Committee greater assurance on controls and accountability.

In commenting on this approach, Councillor Ian Roberts urged caution that managers being asked to attend the Committee should be treated and questioned appropriately.

Ms. Hughes felt it was a worthwhile exercise for the results of the questionnaire to identify any training needs for the Committee.

Councillor Arnold Woolley referred to comments previously made about the need to update job descriptions to reflect changing structures and appropriate training to enable roles to be carried out. He commented on the practice at Standards Committee for a training session to be held before each meeting.

The Chief Executive confirmed that support and mentoring were available for transitions to new roles and that a period of adjustment was necessary in such periods of change.

RESOLVED:

- (a) That the report be noted; and
- (b) That the new approach of asking managers to attend the Committee be noted.

60. PUBLIC SECTOR INTERNAL AUDIT STANDARDS

The Internal Audit Manager presented the results of the annual internal assessment of conformance with the Public Sector Internal Audit Standards (PSIAS). The checklist and summary of results appended to the report indicated that the Internal Audit section had achieved general conformance with the PSIAS. Also included was an update on progress against actions identified in the 2015 assessment, together with further actions taken and planned in compliance with

the standards. To meet the requirement for an external assessment to be undertaken at least once every five years, it was proposed that the Chief Internal Auditor of Ceredigion Council review Flintshire's Internal Audit in 2016/17 following agreement on a peer review approach by the Wales Chief Auditors Group.

Councillor Arnold Woolley queried the criteria for 'general conformance' with PSIAS as this did not necessarily require 'complete/perfect conformance'. The Internal Audit Manager explained that this definition was pre-set and that each Standard was deemed to have generally conformed if the vast majority of its elements met that criteria.

Councillor Woolley commented on the need for the checklist to use plain language so enable the reader to fully understand the meaning. The Internal Audit Manager understood that the Standards were currently under review.

RESOLVED:

- (a) That the report be noted; and
- (b) That the method of external assessment to be completed in 2016/17 be endorsed.

61. ACTION TRACKING

The Internal Audit Manager presented the progress update report on actions arising from points raised at previous meetings of the Committee.

RESOLVED:

That the report be accepted.

62. FORWARD WORK PROGRAMME

The Internal Audit Manager presented the report to consider the Forward Work Programme for the next year. In highlighting the items scheduled for July, he advised that an update on mobile phones would be added, as requested by the Chairman, and that the Committee would also need to appoint a new Chair and Vice-Chair at the meeting.

On mobile phones, Councillor Ian Roberts referred to the practice for Council Members to sign and pay for any personal use on their individual bills and asked whether this also applied to officers. He spoke about the postage involved in sending individual bills to each Member and felt that a different approach could be adopted for Members who never used their mobile for personal use. The Chief Officer (Governance) explained that officers' bills were subject to the same scrutiny. However, due to the number of mobile phones, designated officers known as 'mobile phone monitors' received itemised bills for their respective areas and liaised with the individual officers.

Mr. Paul Williams questioned whether there was sufficient meetings of the Committee during the year. The Chairman agreed to liaise with the Vice-Chair and Internal Audit Manager on this matter.

RESOLVED:

That the Forward Work Programme be accepted.

63. INTERNAL AUDIT PROGRESS REPORT

The Internal Audit Manager presented the update report on the work of the Internal Audit department. The move to the new integrated audit software was improving the tracking of recommendations but had affected progress against the Audit plan for 2015/16, however this was heading back on track. There had been a rise in the number of councils participating in the Wales Chief Auditors Group benchmarking exercise which showed Flintshire's performance to be mainly above average. On finalised reports, more detail was provided on the findings of the 'red' risk review on direct payments which had received a significant increase in service users.

The Senior Manager (Safeguarding & Commissioning) and Business Manager gave a detailed update on the completed actions in the red risk area which involved a number of controls and improvements to the process. Members were reminded that Flintshire had piloted direct payments and was leading implementation across Wales. Council officers were working closely with social workers and senior managers to assess the concerns and to increase robustness of the process. Whilst most actions had been addressed, the recommendation to add fields to the Lotus Notes database had not been done as requirements had been built into the P2P system. In respect of managing risks, consultation with other councils had not identified a monitoring tool and so the team were instead working with Accountancy colleagues to build their own system. Explanation was also given on the agreed system for closing direct payments and the implementation of direct payment cards. The Senior Manager felt that the findings of the audit had proved useful in giving an independent perspective on the service.

The Chief Executive reiterated that the implementation of direct payments was still a new initiative and that the Council's involvement in the pilot had been positive in testing the process and identifying improvements. He advised that progress would be reported to a future meeting of the Committee.

Mr. Paul Williams asked whether resources/training had been a barrier in implementing the existing procedures. The officers highlighted Flintshire's prominent role in working with Welsh Government (WG) to help shape direct payments. Initial take-up had been high, during a time when one employee had been responsible for processing. However, the recommendations by Internal Audit had helped to improve controls and resulted in expertise now being shared across the team.

When asked about the issue on financial monitoring, officers explained that help was being provided to the support agency to resolve the few outstanding issues which were manageable.

Concerns were raised by Councillor Arnold Woolley about the range of findings of the review. The Senior Manager reiterated that direct payments were a new system with an expected learning curve. Complex administration issues were involved and whilst WG guidance had been taken on board, there were no examples of best practice to draw from. The improvements being made would help to retain a degree of flexibility in direct payments with improved controls, and officers were continuing to develop the system with WG and other authorities.

Views from the Committee were sought on the update on action tracking, using the new integrated software, which gave an overall view of the status of actions in February. At that time only 13 actions out of 215 were outstanding from their due date, and some of these had since been completed.

Councillor Woolley pointed out that previous reports indicated the start dates to show how long actions had been outstanding and felt that this was important to help the Committee to focus on specific areas. Mr. Williams also referred to the previous format and said that supporting detail on the category of risk should be shown, along with how this was being managed and any new deadline. The Internal Audit Manager agreed to both requests.

On performance indicators for Internal Audit, a significant improvement was reported on the completion of audits within timescales. An increase in the time taken to issue reports had started to show some improvement in Quarter 3, however some required more meetings across the organisation which impacted on the outturn. The Internal Audit Manager would give some consideration to how this could be better reported in future.

In response to queries from Councillor Haydn Bateman, the Internal Audit Manager gave clarification on investigation issues and would provide further detail outside the meeting.

RESOLVED:

- (a) That the report be accepted; and
- (b) That the Committee is assured of the progress which has been made on direct payments.

64. INTERNAL AUDIT PROGRESS REPORT - SUPPLEMENTARY REPORT

The Committee received a summary of the findings and action plan from the finalised report on E-Teach which had been given a 'red' assurance level due to three high level recommendations.

As explained at the start of the meeting, the Chairman had declared a personal and prejudicial interest on the item but had been granted dispensation to speak and answer any questions.

The Employment Services Manager explained that E-Teach was software enabling schools to engage supply teachers and process claims. He advised that three of the four recommendations had been addressed, with the action to

establish the cost effectiveness of E-Teach compared to other options remaining outstanding. This would be resolved through a working group between Flintshire and Denbighshire, with concluding joint proposals going forward to both councils.

The Chairman explained that his wife was a supply teacher who had been registered with the E-Teach system for nine years but had gained only one day's work through it. He said that the model used in Wrexham was to engage supply teachers exclusively through agencies, however this involved a cut in their daily pay from £165 to £120 and those supply teachers who refused to join agencies were ineligible to work in Wrexham schools. The Chairman felt that a third model should be explored which excluded E-Teach but did not rely exclusively on agencies. As no questions were put to him, he left the room for the debate and returned following the item.

Councillor Ian Dunbar asked for details on the number of schools using E-Teach and whether it was used more effectively in some areas than others. The Employment Services Manager did not have this information to hand but advised that the Council made 79% of bookings through E-Teach, however most schools used the system for processing payments. He spoke about the advantages and disadvantages of E-Teach as opposed to agency suppliers.

Councillor Ian Roberts spoke about his experience in Wrexham where E-Teach had only been used previously as a payroll mechanism. He described the disparity in payments to supply teachers engaged through different sources and stressed the importance of quality teachers receiving the pay they were entitled to.

The Interim HR & OD Manager felt it was important to consider the alternative options identified by the working group, which comprised representatives from the Council as well as both Primary and Secondary Head Teachers' Federations. In response to a comment from Mr. Paul Williams, she explained the need to ensure the most cost-effective method was used whilst giving Head Teachers the flexibility to receive the resources they required. She added that the working group should consider a combination of sources and cited the Matrix system as an example of one system used to engage a number of different agencies.

Councillor Arnold Woolley questioned why E-Teach was still being used by the Council given the uncertainty on value for money in the Internal Audit review of 2010. When asked about the possibility of schools engaging supply teachers on zero hours contracts, the Chief Officer (Governance) said that this was feasible but that the organisation took a cautious approach to use of such contracts. He pointed out that responsibility for managing E-Teach had transferred to Employment Services and that the action described by the Manager would identify the preferred option. In respect of the Committee's considerations, he said that a process was in place and suggested that Members may wish to await the outcome of the working group which could then be reported to the portfolio holder and the Education & Youth Overview & Scrutiny Committee.

Mr. Williams proposed the suggested recommendation including ensuring the review considered options for alternative providers. Councillor Roberts

moved an amendment that the views of Head Teachers, supply teachers and professional associates also be sought. This was supported by the Committee.

RESOLVED:

That the Employment Services Manager report to the portfolio holder and the Education and Youth Overview & Scrutiny Committee following the conclusion of the current review of the E-Teach system. The review to incorporate alternative providers of supply teachers to schools and to seek the views of Head Teachers, supply teachers and professional associates.

65. ATTENDANCE BY MEMBERS OF THE PRESS AND PUBLIC

There were no members of the press or public in attendance.

(The meeting started at 10.00 am and ended at 12.55 pm)

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Chairman



AUDIT COMMITTEE

Date of Meeting	Wednesday, 13 July 2016
Report Subject	Consultancy Follow Up
Report Author	Internal Audit Manager

EXECUTIVE SUMMARY

A report on consultancy costs was presented to the Audit Committee in January 2016. At that time a new system for business cases was being introduced, including the authorisation of the procurement of consultants, and the definition and coding for consultants were being improved.

The committee resolved:

That additional information supplied as part of the annual accounts on individual consultants should include spend on all consultants;

That officers look at the reasons for any further non-compliance with corporate requirements and procedures and check appropriate management actions and accountability; and

That a separate report outside the usual follow-up update be brought to the Committee's meeting on 13 July 2016.

A review has therefore been undertaken of the new system. It has found that it has been effective in identifying spend on consultants, ensuring it is authorised and that it is monitored. The system became fully live with the changes to expenditure codes at the start of the financial year. Existing consultancy contracts are being monitored, but there has been little new expenditure on consultants since then. The system will need to be maintained throughout the future to ensure the ongoing control over expenditure.

RECOMMENDATIONS

1	That the committee be assured that expenditure on consultants is being controlled.
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REPORT DETAILS

1.00	EXPLAINING THE CONSULTANCY FOLLOW UP REPORT
1.01	<p>A report on Consultancy Costs was presented to the Audit Committee in January 2016. At that time action was already being taken to improve controls. The action points from that report resulted in a new process for procuring consultants.</p> <p>The committee requested that a report be brought back to this committee meeting outside of the usual follow up system.</p>
1.02	<p>The new processes, control form and definition were distributed to the members of the committee on 21st March 2016.</p>
1.03	<p>A follow up review has been completed, looking at the implementation of the new process. The conclusion is that the new process has been successfully introduced and disseminated across the County Council. All current consultancy projects have supporting Consultancy Control Forms.</p>
1.04	<p>As with all new systems there have been some minor teething problems, for example:</p> <p>Some expenditure and orders have continued to be coded to the previous consultancy codes. This has been analysed, found to be non-consultancy expenditure and transferred to the correct codes. The previous codes have now been closed so this cannot recur; and</p> <p>The third stage of the forms had not always been forwarded to the procurement team when the project end dates had passed. These have now been followed up by the procurement team, who will continue to monitor this.</p>
1.05	<p>The system needed to be set up quickly, so that manual forms were produced. These will be replaced by electronic forms in the future, with ICT resource available from August to computerise the forms. That will increase the efficiency of the control system.</p>
1.06	<p>The value of spend on consultants has been reported to Corporate Resources Overview and Scrutiny Committee in March 2016 and July 2016.</p>

2.00	RESOURCE IMPLICATIONS
2.01	<p>None as a result of this report.</p>

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	<p>None.</p>

4.00	RISK MANAGEMENT
4.01	The system is designed to ensure that all consultancy expenditure is authorised and controlled, and that business objectives are met.

5.00	APPENDICES
5.01	Appendix A – Consultancy Processes, Roles and Responsibilities Appendix B – Consultancy Control Form Appendix C – Consultancy Definition

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	Contact Officer: David Webster, Internal Audit Manager Telephone: 01352 702248 E-mail: david.webster@flintshire.gov.uk

7.00	GLOSSARY OF TERMS
7.01	<u>Consultancy</u> – The provision of objective advice relating to strategy, structure or management: Retained Consultant: contract in place for the periodic provision of objective advice around strategy, structure or management. Project Consultant: Work on defined and time limited strategic or operational projects relating to strategy, structure or management.

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New Consultancy Processes, Roles & Responsibilities – March 20



Trigger	Action	Responsibility
STAGE 1: CONSULTANCY CONTROL FORM / BUSINESS CASE		
Identified need for the engagement of an expert / professional:	The appointing officer will need to consider whether this engagement meets the new definition of a 'Consultancy' engagement (available on the 'Collaborative Procurement Service' pages of the Infonet).	Appointing Officer
Engagement meets the definition of 'Consultancy':	<p>If the engagement meets the definition of a consultancy engagement the Appointing Officer completes the first section of the 'Consultancy Control Form' template to assess the need and specify the requirements for the engagement.</p> <p>Consultancy Control Form templates must be completed for all proposed consultancy engagements, including those on Matrix.</p> <p>The Consultancy Control Form template can be found on the 'Collaborative Procurement Service' pages of the Infonet.</p>	Appointing Officer
Approval of Consultancy Control Form:	Consultancy Control Form signed off by the Chief Officer within the service.	Appointing Officer / Chief Officer
	If the Consultancy Control Form shows an expected cost of £25,000 or more the Control Form <u>must</u> also go to the Chief Executive for approval in principle.	Chief Officer / Chief Executive
Retention of hard copy:	<p>The Appointing Officer retains the original Consultancy Control Form document with Section 1 completed.</p> <p>An electronic copy of the Consultancy Control Form, with Section 1 fully completed must be forwarded to Andy Argyle / Lisa Price in the Procurement team.</p>	Appointing Officer

New Consultancy Processes, Roles & Responsibilities – March 20



Trigger	Action	Responsibility
STAGE 2: APPOINTMENT OF CONSULTANT		
Appointing Officer goes through the relevant procurement process to appoint the consultant:	Once the proposed spend has been fully approved, the Appointing Officer <u>must</u> contact Procurement (Andy Argyle ext. 1814 / Lisa Price ext. 1817) to discuss the procurement route to be used.	Appointing Officer / Procurement
	All consultancy contracts <u>must</u> be awarded in accordance with the Authority's Contract Procedure Rules.	Appointing Officer / Procurement
	Once the consultant has been engaged the Appointing Officer is required to update Section 2 of the Consultancy Control Form to reflect the details of the appointment (name of the Consultant, agreed price, etc.).	Appointing Officer
Order raised on P2P following the engagement of the consultant:	Appointing officer raises an up-front Purchase Order on P2P for the approved total value of the engagement (as detailed in the Consultancy Control Form). The P2P order must be raised on the 'Consultancy Order Template' within the P2P system. Orders must be raised on P2P <u>before</u> the contract commences.	P2P User (Order Originator)
	The 'type of supply' / 'Item' selected against the P2P order <u>must</u> show that this is consultancy spend.	P2P User (Order Originator)
	The detailed code used for the order <u>must</u> be one of the following; 424A – Retained Consultants or 424B – Project Consultant A description of each of the detailed codes is given in the new consultancy definition, available on the	P2P User (Order Originator)

New Consultancy Processes, Roles & Responsibilities – March 20



Trigger	Action	Responsibility
	'Collaborative Procurement Service' pages of the Infonet.	
	An electronic copy of the Consultancy Control Form, approved by the relevant Chief Officer (and approved by the Chief Executive if the appointment is for £25k and over) <u>must</u> be attached to the consultancy order template on P2P to support the Purchase Order raised.	P2P User (Order Originator) & Appointing Officer
Retention of hard copy:	The Appointing Officer retains the original Consultancy Control Form with Sections 1 & 2 completed.	Appointing Officer
P2P Order verified by Procurement:	<p>If the P2P Purchase Order shows the 'type of supply' / 'Item' as;</p> <ul style="list-style-type: none"> • Business & Management Consultants; • HR Consultants; or, • Project Management consultants <p>The Purchase Order will be work flowed to the Procurement team for validation of the order.</p> <p>Procurement will check the Purchase Order to ensure;</p> <ul style="list-style-type: none"> • The correct 'supply type' (PC code) has been selected for the order; • The correct detailed code has been used for the order; • A completed Consultancy Control Form has been provided to support the order. 	Procurement
	P2P users should recognise that the verification of P2P Purchase Orders for consultancy spend will invariably lead to some delay in the approval of the purchase order, and as such should allow additional time for the order verification and approval process.	P2P User / Procurement
P2P order is approved by the Budget Holder for the cost centre:	Once the Purchase Order has been validated by Procurement it will follow the normal authorisation rule for the cost centre against which it has been raised (i.e. the order will go to the relevant budget holder for approval of the spend).	P2P Authorising Officer

New Consultancy Processes, Roles & Responsibilities – March 20



Trigger	Action	Responsibility
Reporting to Programme Boards:	All consultancy engagements must be reported to one of the 6 Corporate Programme Boards (Chief Officers are responsible for determining which is the most appropriate Programme Board).	Chief Officers
Order amendments / extensions to contracts:	If significant amendments are made to order values (e.g. extension of contract) this must be supported by a new Consultancy Control Form, which must be signed off by the relevant Chief Officer or the Chief Executive as appropriate (based on the value of the additional work).	Appointing Officer / Procurement
Ongoing monitoring of the engagement:	There should be ongoing contract monitoring throughout the engagement as detailed in the 'Contract Monitoring' boxes within Section 1 of the Consultancy Control Form.	Appointing Officer
STAGE 3: POST ASSIGNMENT REVIEW		
Review carried out at the end of the engagement:	At the end of the project the Appointing Officer <u>must</u> complete Section 3 of the Consultancy Control Form (Post Assignment Review). The Post Assignment Review is completed; <ul style="list-style-type: none"> To determine whether the project objectives have been met; To ascertain whether expected benefits have been achieved; To identify any lessons learnt for future projects. 	Appointing Officer
	An electronic copy of the completed Post Assignment Review must be forwarded to the Procurement team (Andy Argyle / Lisa Price). The Procurement team will monitor receipt of Post Assignment reviews based on the project completion date included in the Consultancy Control Form.	Appointing Officer / Procurement
Retention of hard copy:	The Appointing Officer retains the original Consultancy Control Form with Sections 1, 2 & 3 completed.	Appointing Officer

New Consultancy Processes, Roles & Responsibilities – March 20



Trigger	Action	Responsibility
	Completed hard copy Consultancy Control Forms must be held for 6 years for review by Internal Audit and other cost management and monitoring purposes.	Appointing Officer
Monitoring of new processes:	Finance will review spend on the general ledger every quarter to ensure consultancy costs have been appropriately coded.	Finance
	Internal Audit will carry out periodic reviews of consultancy spend to ensure the accuracy of figures on the general ledger and compliance with the new processes and procedures.	Internal Audit
	Procurement will maintain a file of all authorised Consultancy Control Forms to ensure compliance with the new processes and Contract Procedure Rules.	Procurement

Page 25

Job Roles:			
Appointing Officer:	<i>The officer responsible for identifying the need for the consultant, and for procuring that consultant.</i>	P2P Authorising Officer:	<i>The officer responsible for authorising the purchase order on the P2P system (usually the Budget Holder).</i>
P2P User (Order Originator):	<i>The person responsible for raising the Purchase Order on the P2P system.</i>		

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CONSULTANCY CONTROL FORM



SECTION 1: TO BE COMPLETED AND AUTHORISED PRIOR TO THE ENGAGEMENT OF ALL CONSULTANTS		
Section 1, once completed and authorised, must be emailed to Lisa Price / Andy Argyle (Procurement team) <u>prior</u> to the procurement of the consultant.		
Portfolio & Service Area:		
Proposed contract start date:	Proposed contract end date:	
Agreed Consultancy hours per week / agreed hours across project		
Total estimated cost of engagement:	Budget code:	
£		
Reason for engagement of consultant: Summarise the resource requirements and provide a description of the key benefits that will be delivered as a result of this engagement.		
Objectives of the engagement: Outline SMART deliverables and Measures of Success for the engagement.		
Proposed procurement route: Indicate the proposed procurement route (with explanation as appropriate).		
Skills transfer & exit strategy: Outline how skills will be transferred to internal staff at the end of the engagement.		
Risks to the success of the engagement: What are the main risks to the success of the engagement and how will they be managed?		
Contract Monitoring		
Name of contract manager responsible for monitoring performance / delivery	Key performance measures	Frequency of measurement

CONSULTANCY CONTROL FORM

Programme Board to which progress will be reported (highlight as appropriate):	<ul style="list-style-type: none"> Asset Programme Board Planning and Environment Programme Board Modernising Social Services Board Education Modernisation Board Customer Programme Management Board HRA Steering Group Streetscene and Transportation Programme Board Procurement Board / Corporate Programme Board 		
What alternatives to the appointment of a consultant have been explored and what are the reasons for not pursuing them?			
Option	Reason for not pursuing		
Consultancy Control Form Completed by:			
Position	Name	Date	Signature
Contact number		Email address	

Consultancy Control Form Authorisation and Sign off:			
ALL CONSULTANCY ENGAGEMENTS UNDER £25K TO BE APPROVED BY THE CHIEF OFFICER, GOVERNANCE. ALL PROPOSED SPEND OF £25K AND OVER TO BE APPROVED BY THE CHIEF EXECUTIVE			
Case accepted or rejected?	Accepted	Rejected	
	<input style="width: 80px; height: 20px;" type="text"/>	<input style="width: 80px; height: 20px;" type="text"/>	
Position	Name	Date	Signature
Comments			

CONSULTANCY CONTROL FORM

SECTION 2:		
TO BE UPDATED FOLLOWING PROCUREMENT OF THE CONSULTANT		
Portfolio & Service Area:		
Post Procurement Information		
Project Name		
Consultant appointed		
Agreed price & budget code	£	
Is the agreed price in line with the estimated cost in the original business plan? If not then reasons to be provided.		
Agreed start and end date for contract	Start Date:	End Date:

SECTION 3:		
TO BE UPDATED ON COMPLETION OF THE CONSULTANCY PROJECT		
Post Assignment Review		
Total Cost Incurred	£	
State the reason for any increase in costs above the 'agreed price'.		
State the reason for any delay in project completion.		
Detail any efficiency savings delivered or secured by the project.		
Were the original business objectives met?		
Were any additional benefits identified?		
Will internal staff now be able to carry out this work in the future (transfer of skills)?		
Was formal contract monitoring undertaken as outlined at the planning stage?		
Please rate the overall service purchased (with explanations for any rating less than 'satisfactory').	<input type="checkbox"/> Very good <input type="checkbox"/> Good <input type="checkbox"/> Satisfactory	<input type="checkbox"/> Poor <input type="checkbox"/> Very Poor

CONSULTANCY CONTROL FORM

Comments:	
Completed by:	Date of Completion:
Consultant 360° review of engagement	
Summary of comments from consultant following the completion of the engagement (comments re procurement process / management of engagement, etc).	

These documents are to be retained for 6 years following the end of the consultancy engagement for review by Internal Audit and for other cost management and monitoring purposes.

New Consultancy Definition

With immediate effect we are using a new definition for Consultancy spend. Purchase Orders must only be coded to consultancy detailed codes if the spend meets the following definition.

Consultancy is;

The provision of objective advice relating to **strategy, structure or management**.
 Whilst Consultancy costs are likely to include the **identification of options with recommendations**, and may also include assistance with the **implementation of solutions**, the options, recommendation and solutions **must** relate to the **strategy, structure or management** of the Authority.

If proposed spend meets this definition it should be coded using the following detailed codes:

- 424A:** Retained Consultant: Contract in place for the periodic provision of objective advice around strategy, structure or management (e.g. advisors to the Pension Fund).
- 424B:** Project Consultant: Work on defined and time limited strategic or operational projects relating to strategy, structure or management (e.g. Consultants appointed to provide advice around Single Status or appointed to look at processes linked to the strategy, structure or management of the Authority).

Any proposed spend which does not meet the new definition of consultancy spend will have to be coded elsewhere on the ledger – some examples are given below;

<i>Type of spend:</i>	<i>Code to:</i>
<i>Food safety & standards testing</i>	4248 – Sample Analysis
<i>Legal Counsel Opinion</i>	422B – Legal / Counsel Fees
<i>Occupational Health contract costs</i>	7217 – Occupational Health
<i>Mediation services</i>	422B – Legal / Counsel Fees
<i>IT system implementation</i>	4331 – Purchase - Software
<i>Software support</i>	4353 – Software Maintenance
<i>Asbestos monitoring</i>	1268 – Asbestos Monitoring
<i>Technical services</i>	422F – Sub Contractors
<i>Provision of training</i>	422M – Training Providers
<i>Architects fees</i>	1259 – Service Agreements Architects
<i>Health and Safety advice & services</i>	1263 – Health & Safety Buildings
<i>Energy conservation advice & services</i>	1261 – Fuel Efficiency Buildings
<i>Site investigation contractors</i>	1251 – Architects R&M Maintenance
<i>Legal fees</i>	422B – Legal / Counsel Fees

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AUDIT COMMITTEE

Date of Meeting	Wednesday 13 July 2016
Report Subject	Draft Statement of Accounts 2015/16
Cabinet Member	Leader of the Council and Cabinet Member for Finance
Report Author	Corporate Finance Manager
Type of Report	Strategic

EXECUTIVE SUMMARY

The report presents the draft Statement of Accounts 2015/16 attached at Appendix 1 (subject to audit) for Members information only at this stage.

RECOMMENDATIONS

1	Members note the draft Statement of Accounts 2015/16 including the Annual Governance Statement.
2	Members note the ability to discuss any aspect of the Statement of Accounts with Officers or the Welsh Audit Office throughout July, August and September prior to the final audited version being brought back to the Committee for their recommendation to Council for final approval on 26 th September 2016.

REPORT DETAILS

1.00	EXPLAINING THE STATEMENT OF ACCOUNTS
1.01	The Accounts and Audit (Wales) Regulations 2014 specify the statutory deadline for the approval of the draft accounts by the Responsible Finance Officer, being 30 th June. The Council's draft accounts are attached at Appendix 1 for Members information. The draft accounts must now be audited. The statutory deadline for publishing the final audited Statement of Accounts for 2015/16 approved by Council is the 30 th September 2016.
1.02	At the completion of the audit, Wales Audit Office (WAO) will provide a report and opinion on the accounts. Any required adjustment to the accounts as a result of the audit will be incorporated into the final Statement of Accounts. The final version of the Statement will be presented to Audit Committee on the morning of 26 th September 2016, and recommended to Council on the afternoon of the same day.
1.03	The Flintshire County Council accounts have been prepared in accordance with the requirements of the 2015/16 Code of Practice on Local Authority Accounting – which is based on International Financial Reporting Standards (IFRS).
1.04	The Clwyd Pension Fund accounts have also been prepared to meet the requirements of the 2015/16 Code of Practice. The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year.
1.05	The 2015/16 Code has prompted no material changes in the accounting policies of the Council and there have been no changes in the adopted estimation techniques.
1.06	<p>The Council established North East Wales Homes and Property Management, a company limited by shares wholly owned by the Council, in April 2014 with the aim of increasing the quantity and quality of affordable housing across the county, whilst providing a professional service to landlords and tenants.</p> <p>2015/16 is the first year that NEW Homes' financial accounts have been incorporated with the Council's to produce Flintshire County Council's group accounts.</p>
1.07	<p>The Statement includes:</p> <ul style="list-style-type: none"> • The core financial statements and notes comprising – the movement in reserves statement, the comprehensive income and expenditure statement, balance sheet and cash flow statement. • The supplementary financial statements – the housing revenue account income and expenditure statement.

	<ul style="list-style-type: none"> • The group accounts – incorporating NEW Homes’ financial accounts with the Council’s. • The pension fund accounts.
1.08	<p>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.</p> <p>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 payment is shown separately of the face of the Housing Revenue Account and the Comprehensive Income and Expenditure Statement as a material item of expenditure.</p> <p>The agreement will 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.</p>
1.09	<p>The draft accounts also include the Annual Governance Statement which explains how the Council has complied with the Code of Corporate Governance and also meets the requirements of the Accounts and Audit (Wales) Regulations 2014. A separate report on this agenda provides more detail.</p>
1.10	<p>Members of the Committee will be aware that the Council has an action plan in place to address issues raised during the audit of the 2014/15 Statement of Accounts as reported in January 2016.</p> <p>Attached at Appendix 2 is an updated version of the action plan showing that the majority of the actions have been completed, and where completion has not been possible a significant amount of progress has been made during the year.</p>

2.00	RESOURCE IMPLICATIONS
2.01	Financial implications are as set out in the report.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	None required and none undertaken.

4.00	RISK MANAGEMENT
4.01	<p>The main risk was in not implementing the recommendations made following the audit of the 2014/15 accounts sufficiently leading to an adverse opinion being expressed by the WAO in relation to the 2015/16 accounts.</p> <p>Officers have worked with the WAO to develop and implement an action plan that addresses all of the issues raised.</p>

5.00	APPENDICES
5.01	<p>1. Draft Statement of Accounts 2015/16 2. Updated 2015/16 Statement of Accounts Action Plan</p>

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>Contact Officer: Liz Thomas – Technical Finance Manager Telephone: 01352 702289 E-mail: liz.thomas@flintshire.gov.uk</p>

7.00	GLOSSARY OF TERMS
7.01	<p>Financial Audit: The annual external audit of the Council’s Statement of Accounts.</p> <p>Financial Year: the period of 12 months commencing on 1 April.</p> <p>Material: A concept used to inform judgements regarding the accuracy of the Council’s Statement of Accounts. The basis could be quantitative with an assigned value or qualitative and affected by issues that are legal, regulatory, or politically sensitive.</p> <p>Statement of Accounts / Final Accounts / Financial Accounts or Statements: The Council’s annual finance report providing details of the Council’s financial performance and position at the end of the financial year. The format is prescribed to enable external comparison with other public and private entities.</p> <p>Wales Audit Office: works to support the Auditor General as the public sector watchdog for Wales. They aim to ensure that the people of Wales know whether public money is being managed wisely and that public bodies in Wales understand how to improve outcomes.</p>

STATEMENT OF ACCOUNTS

2015-16



CONTENTS

	Page
Flintshire County Council:	
Narrative Report	1 - 9
Statement of Responsibilities for the Statement of Accounts	10
Core Financial Statements:	
Movement in Reserves Statement for the year ended 31 st March 2016	11-12
Comprehensive Income and Expenditure Statement for the year ended 31 st March 2016	13
Balance Sheet as at 31 st March 2016	14-15
Cash Flow Statement for the year ended 31 st March 2016	16
Notes to the Core Financial Statements:	
1. Statement of Accounting Policies	17 - 35
2. Other Operating Expenditure	36
3. Financing and Investment Income and Expenditure	36
4. Local Taxation & Non Specific Grant Income	36 - 38
5. Adjustments between Accounting and Funding Basis Under Regulations	38 - 40
6. Property, Plant and Equipment	41 - 43
7. Investment Properties and Agricultural Estate	44 - 45
8. Assets Held For Sale	46 - 47
9. Intangible Assets	47
10. Material Item of Income and Expenditure	48
11. Long Term Debtors	49
12. Inventories	49
13. Short Term Debtors	50
14. Short Term Investments	50
15. Cash and Cash Equivalents	50
16. Borrowing Repayable On Demand Or Within 12 Months	50
17. Creditors	51
18. Grant Income	51 - 52
19. Provisions	53 - 54
20. Long Term Borrowing	55
21. Usable Reserves	55 - 56
22. Unusable Reserves	57 - 61
23. Cash Flow Statement – Operating Activities	62
24. Cash Flow Statement – Investment Activities	62
25. Cash Flow Statement – Financing Activities	62
26. Officers Remuneration (Including Exit Packages)	63 - 64
27. Members' Allowances	65
28. Related Parties	65 - 67
29. Audit Fees	67
30. Agency Services	68
31. National Health Services (Wales) Act 2006	68 - 69
32. Joint Arrangements	69 - 70
33. Other Funds Administered By The Authority	70

34. Contingent Liabilities	70 - 71
35. Contingent Asset	71
36. Provision for Repayment of External Loans	71
37. Segmental Reporting	71 - 73
38. Capital Expenditure and Capital Financing	74
39. Future Capital Commitments	74
40. Leasing	75 - 76
41. Financial Instruments	77 - 81
42. Pensions	81 - 85

Supplementary Financial Statements:

Housing Revenue Account Income and Expenditure Account for the Year Ended 31 st March 2016	86
Movement on the Housing Revenue Account Statement for the Year Ended 31 st March 2016	87
Notes to the Housing Revenue Account for the Year Ended 31 st March 2016	88 - 90

Group Accounts:

Flintshire County Council's Single Entity Financial Statements combined with its subsidiary North East Wales Homes	91 - 97
--	---------

Clwyd Pension Fund:

Clwyd Pension Fund Accounts for the Year Ended 31 st March 2016	98 - 125
--	----------

Flintshire County Council and Clwyd Pension Fund:

Independent Auditor's Report to the Members of Flintshire County Council	126 - 127
--	-----------

Annual Governance Statement:

	128 - 152
--	-----------

NARRATIVE REPORT

INTRODUCTION

Welcome to Flintshire County Council's Statement of Accounts for 2015/16 which details the income and expenditure on service provision for the year 1st April 2015 to 31st March 2016 and the value of the Council's assets and liabilities as at 31st March 2016.

The Accounts have been prepared in accordance with the requirements of the 2015/16 Code of Practice on Local Authority Accounting which is based on International Financial Reporting Standards (IFRS).

As always the production of this comprehensive and complex set of accounts has required an enormous effort from many people across the council, both within finance and within service portfolio areas. However, the Council has still managed to prepare and submit the Accounts to the Council's External Auditors by the legislative deadline of 30th June 2016.

The Council set its budget for the 2015/16 financial year in the context of a continuing reduction in public sector funding and a rising demand for its services. Despite facing significant challenges in-year such as an underachievement of £2,200k on its programme of efficiencies, the Council was still able to limit spend to £1,489k less than its approved budget, due to a combination of one-off savings and good financial management and control.

The revenue outturn position, explained below, is important to residents and rent payers, it records only those expenses which statute allows to be charged against the Council's annual budget and amounts collected from council tax and rents. Revenue outturn differs from the Comprehensive Income and Expenditure Statement (CIES) as it includes charges for items such as depreciation, impairment, capital grants and pension charges which are accounting adjustments not included in the outturn.

In addition to meeting the statutory deadline for producing the Accounts, the finance service also aspires to develop a Statement of Accounts that is more accessible to users. Flintshire County Council is a large and diverse organisation and the information contained in these Accounts is technical and complex. The aim of this narrative statement, therefore, is to provide a general guide to the items of interest and highlights some of the more significant matters that have determined this position for the financial year ending 31 March 2016.

COUNCIL PERFORMANCE DURING THE YEAR

The Council's Improvement Plan for 2015/16 set the Council's priorities for the year; the areas where service change or focus was needed. The Plan has eight 'standing' priorities and a changing number of sub-priorities dependent upon the focus of attention for the year. The plan is published on the Council's website and is a user friendly document which clearly explains for each sub-priority why it is a priority, what we intend to achieve and how we will measure those achievements. A separate linked document is also published which describes in more detail the actual measures and 'milestones' in making improvements or change throughout the year.

Public reports which measure our progress against this document is published quarterly, with the latest report for Quarter 3 (September to December) is available at.

<http://modgov:9070/documents/s36156/Quarter%203%20Improvement%20Plan%20Monitoring%20Report.pdf>.

The end of year report will be available mid July 2016 alongside a fuller assessment of achievements for the year.

NARRATIVE REPORT

FINANCIAL PERFORMANCE DURING THE YEAR

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. 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.

Economic climate

Approximately 75% of the budget requirement for Council services comes from Welsh Government through Aggregate External Funding (Revenue Support Grant and Non Domestic Rates). In 2015/16, there was a decrease in funding of 3.4% which combined with significant pressures from factors outside of the Council's control from policy directions or new legislation from UK and Welsh Government. These unfunded pressures are expected to be met by the Council without extra funds being set aside by Government and include; inflation, demographic growth, additional workforce cost pressures and a general increase in demand for Council services. 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 and this is reflected in our latest refresh of our Medium Term Financial Strategy.

Despite this financial challenge, portfolio business plans and corporate financing options enabled us to plan for £12,874k of new efficiencies in our 2015/16 budget, enabling the Council to invest in priorities such as school budgets social care and provide resources to re-shape services.

Revenue outturn compared to budget

The Council Fund budget for 2015/16 was set at £251,457k (including Outcome Agreement grant) and approved by Council on 17th February 2015. Budget monitoring information was reported to Cabinet on a monthly basis throughout the year, with final outturn reported on 19th July 2016.

The budget strategy for 2015/16 was based on an organisational strategy to reduce costs to shield and protect local services. It includes a package of measures and proposals which combine corporate financing options, portfolio level business plan proposals, review of pressures and workforce numbers, as well as maximisation of income generation and a review of reserves and balances.

Total net expenditure for 2015/16 amounted to £249,968k (expenditure of £250,681k reduced by £713k resources in excess of what was anticipated) against the budget of £251,457k.

NARRATIVE REPORT

	2015/16 Budget £000	2015/16 Actual £000	Variance £000
Corporate Services :			
Chief Executive	3,087	2,965	(122)
People and Resources	4,624	4,496	(128)
Governance	8,712	8,784	72
	<u>16,423</u>	<u>16,245</u>	<u>(178)</u>
Social Services	59,146	59,194	48
Community and Enterprise	12,923	12,535	(388)
Streetscene and Transportation	28,461	29,360	899
Planning and Environment	5,427	5,512	85
Education and Youth	97,114	97,174	60
Organisational Change	8,854	8,661	(193)
Net expenditure on services	<u>228,348</u>	<u>228,681</u>	<u>333</u>
Central loans and investment account	14,971	14,912	(59)
Central and Corporate Finance	9,138	8,088	(1,050)
Total net expenditure	<u>252,457</u>	<u>251,681</u>	<u>(776)</u>
Contribution from reserves	(1,000)	(1,000)	0
Budget requirement	<u>251,457</u>	<u>250,681</u>	<u>(776)</u>
Financed by			
Council tax (net of community council precepts expenditure)	63,560	64,273	(713)
General grants	144,021	144,021	0
Non-domestic rates redistribution	43,876	43,876	0
Total resources	<u>251,457</u>	<u>252,170</u>	<u>(713)</u>
Net variance - (underspend)	<u>0</u>	<u>(1,489)</u>	<u>(1,489)</u>

The underspend of £776k, increased to £1,489k by way of additional Council Tax income of £713k, served with other agreed funding transfers to produce a year-end Council fund transfer to revenue reserves of £39,406k.

NARRATIVE REPORT

The table below shows the position for the Housing Revenue Account for the year:

	2015/16 Budget	2015/16 Actual	Variance
	£000	£000	£000
Estate Management	1,634	1,521	(113)
Landlord Services	882	1,002	120
Repairs & Maintenance	8,394	8,105	(289)
Finance & Support	1,464	1,334	(130)
Housing Subsidy	0	122	122
Revenue contributions to fund Capital Expenditure	10,577	11,288	711
Net expenditure on services	22,951	23,372	421
Central loans and investment account	5,620	5,441	(179)
Support Services	1,040	1,080	40
Total net expenditure	29,611	29,893	282
Contribution from reserves	(234)	(293)	(59)
Budget requirement	29,377	29,600	223
Financed by			
Rents	28,746	29,019	(273)
Grants and Other Income	631	581	50
Total resources	29,377	29,600	(223)

During 2015/16 revenue contributions to fund capital expenditure were more than double that of 2014/15, as the Council embarked on the first of a 6 year programme of capital schemes to improve the quality of its housing stock and achieve the Welsh Housing Quality Standard. Overall a modest overspend of £223k was funded from higher than anticipated rents and a contribution from the HRA revenue reserve.

Capital Programme Budget, Outturn and Financing

Each year the Council approves a programme of capital works, which provides for investment in assets such as land, buildings and road improvements. The 2015/16 Capital Programme was approved in the sum of £71,599k (Housing Revenue Account £21,200k and Council Fund £50,359k); this figure moved during the course of the year to a final programme total of £142,161k, (Housing Revenue Account £99,626k and Council Fund £42,535k). Capital Programme budget monitoring information was reported to Cabinet on a quarterly basis throughout the year, with final outturn reported on 19th July 2016.

NARRATIVE REPORT

Expenditure incurred is set out in the table below 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. Schemes and projects include; the capital settlement payment to Welsh Government to end the negative Housing Revenue Account subsidy system (see note below for further details), investment in the Council's housing stock as part of the plan to achieve the Welsh Housing Quality Standard, and the 21st Century Schools building programme which includes building a new all through school for ages 3 to 16 at Holywell and a 'hub' for post 16 education in Deeside in partnership with Coleg Cambria.

	2016
	£000
Education	26,599
Transport	2,216
Housing	22,896
HRA Settlement Payment	79,248
Libraries, culture and heritage	26
Agriculture and fisheries *	145
Sport and recreation	943
Other environmental services	8,214
Outturn	<u>140,287</u>

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

The programme was financed as follows -

	2016
	£000
Supported borrowing *	4,316
Other borrowing (including Salix loans)	93,288
Capital receipts	2,066
Capital grants and contributions	28,982
Capital reserves/capital expenditure funded from revenue account	11,635
Core financing	<u>140,287</u>

* Cash reserves used in place of borrowing as detailed in Borrowing Facilities note on page 6.

Housing Revenue Account – Negative Subsidy Exit and Introduction of Self Financing

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.

NARRATIVE REPORT

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 payment is shown separately of the face of the Housing Revenue Account and the Comprehensive Income and Expenditure Statement as a material item of expenditure.

The agreement will 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.

Borrowing

With the exception of the £79,248k PWLB loans taken out to fund the HRA settlement payment above, no other major long term Public Works Loan Board (PWLB)/financial institution borrowing was undertaken during 2015/16 - the Council continues to use cash reserves to fund capital expenditure in place of new borrowing. The balance sheet (long term) borrowing total of £251,902k includes; the sum of £81k 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 £460k from Welsh Government for regeneration initiatives in Deeside under the Vibrant and Viable Places Scheme within the Capital Programme – repayable in 15 years.

Financial Position at 31st March 2016

Reserves and Provisions

The Council sets funding aside to meet future liabilities and service developments in provisions and reserves held on the Balance Sheet at 31st March 2016.

Provisions are based on past events that places an obligation on the Council which is likely to result in a future financial liability, but there is uncertainty over the timing and precise value of the liability. Provisions are disclosed in Note 19.

The Council has established a number of revenue reserves, falling outside the definition of a provision, which are summarised in the table below. The Council fund balance is a measure of the uncommitted reserves the Council holds prudently to meet cash flow requirements and unforeseen future events.

	2016	Net Underspend	Other	2015
	£000	£000	£000	£000
Council fund (unearmarked) balance	10,144	1,489	(1,860)	10,515
Earmarked council fund reserves	25,438	0	(2,415)	27,853
Locally managed schools	2,307	0	(72)	2,379
Housing Revenue Account reserves	1,517	(293)	300	1,510
Total revenue reserves	39,406	1,196	(4,047)	42,257

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 (£308,679k) 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 £252,805k (£252,805k at 31st March 2015).

NARRATIVE REPORT

Revaluation of Non-Current Assets

All non-current assets must be revalued every five years - the Council meets this requirement by revaluing a proportion of the total asset portfolio each year; during 2015/16 (the first year of the current cycle, commencing 1st April 2015) 15% of operational non-dwelling assets were revalued, and 100% of Council Dwellings. The overall impact of the 2015/16 revaluation process was a net increase in the value of non-current property assets - property, plant and equipment, investment properties and the agricultural estate - recorded in the balance sheet (from £747,640 to £794,379k).

GROUP ACCOUNTS INCORPORATING NORTH EAST WALES HOMES AND PROPERTY MANAGEMENT (NEW HOMES)

The Council established NEW Homes, a company limited by shares wholly owned by the Council, in April 2014 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 financial accounts for years ending 2016 and 2015 are available on their website www.northeastwaleshomes.co.uk.

2015/16 is the first year that NEW Homes' financial accounts have been incorporated with the Council's to produce Flintshire County Council's group accounts, for comparative purposes 2014/15 have also been produced.

CHANGE IN ACCOUNTING POLICIES

Minor changes to accounting policies have been made during 2015/16 to reflect changes in the Code of Practice and the way in which Council services are delivered. They included; the introduction of IFRS 13 – Fair Value, and the Council's accounting policy on subsidiaries reflecting that Flintshire's group accounts are being produced incorporating the accounts of NEW Homes as described above.

FUTURE CHANGES TO THE STATEMENT OF ACCOUNTS

2016/17 will see significant changes introduced to the Council's Statement of Accounts:

- The format of the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement. A new principal statement is being introduced – Expenditure and Funding Analysis. The statements will be presented on the same basis as the Council's reporting segments in revenue budget monitoring reports, strengthening the link between in year budget monitoring reports and the year-end Statement of Accounts.
- The valuation basis for Highways Infrastructure Assets which includes carriageways, footpaths, structures, street lights, street furniture and traffic management systems, will change from depreciated historical cost to depreciated replacement cost and will be separately classified on the Balance Sheet called the Highways Network Asset. The change in valuation basis will have the effect of increasing the Council's net worth significantly, as a revaluation gain will occur when changing from valuing the assets at the current cost of replacing them rather than the original historical costs of works which has built up over a significant time period.
- Affecting the Clwyd Pension Fund Accounts - to the format of the Pension Fund Account and the Net Assets Statement.

NARRATIVE REPORT

FINANCIAL OUTLOOK FOR THE COUNCIL

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 is under constant review to reflect budget developments at a national and local level. The Council has adopted a principled but high risk approach to finding solutions to the unprecedented level of budget savings to be found for 2016/17 and beyond and a revised version is due to be published later in 2016.

The Council was able to set a balanced budget for 2016/17 at its meeting in February 2016 although the latest forecast is that a further £20.6m will need to be found for 2017/18 – 2018/19, of which £14.4m relates to 2017/18. This forecast has been revised based on more recent budget developments at a national and local level.

Flintshire, as a low funded Council, has made the case that it is particularly exposed to the significant annual reductions to public sector funding to meet current and new cost burdens. The Council continues to work with Welsh Government to address this as part of its overall financial strategy.

Regular updates will be provided to Cabinet and relevant Scrutiny committees throughout the year as part of the budget process which will include public engagement and external stakeholder sessions.

PRINCIPAL RISKS AND UNCERTAINTIES

The Council has a comprehensive risk management policy and strategy. All the priority areas within the annual Improvement Plan identify the risks which may prevent or hinder successful deliver of our aims. These risks are assessed and then tracked throughout the year on a minimum quarterly basis. Risks are also embedded within our ways of working – for example, through partnerships, business plan efficiency reports and within each report submitted to Cabinet or Overview and Scrutiny Committee.

The Audit Committee receives a summary of the Council's strategic risks at both mid-year and end of year. The end of year risk register and report to Audit Committee will be available in early July.

EXPLAINING THE ACCOUNTING STATEMENTS

The Statement of Accounts sets out the Council's income and expenditure for the year (2015/16) and provides details of the Council's financial position at 31st March 2016. The Statement is comprised of core and supplementary statements, together with disclosure notes. The information presented on pages 11 - 97 is in accordance with the requirements of the 2015/16 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 core financial statements –
 - **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.

At 31st March 2016 usable reserves were £50,711k and unusable reserves were £202,094k;

NARRATIVE REPORT

- **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.

The 2015/16 deficit on the provision of services is £51,896k; 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'.

The net worth of the Council was £252,805k as at 31st March 2016 representing a decrease from the balance sheet total of £271,210k as at 31st March 2015.

- **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.

During 2015/16 the movement on the HRA balance was £1,510k to £1,517k

- The group accounts and associated notes, incorporating the financial accounts of North East Wales Homes and Property Management with the Council's.
- The pension fund accounts reports the contributions received, payments to pensioners and the value of net assets invested in the Local Government Pension Scheme on behalf of members of the Clwyd Pension Fund, presented in accordance with required guidance.
- The Annual Governance Statement sets out the governance structures of the Council and its key internal controls.

FURTHER INFORMATION

The Statement of Accounts is available on the internet (www.flintshire.gov.uk); with further information available on accounts and budgets available on request 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 :

**Cllr Peter Curtis
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 2016, 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 2016 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 2016

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.

	Council Fund Balance	Earmarked Council Fund Reserves	Housing Revenue Account Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves of the Authority
Note	£000	£000	£000	£000	£000	£000	£000	£000
At 31st March 2015	10,515	30,232	1,510	6,764	4,814	53,835	217,375	271,210
Surplus/(deficit) on the provision of services	(7,744)	0	(44,152)	0	0	(51,896)	0	(51,896)
Other comprehensive income and expenditure	0	0	0	0	0	0	33,491	33,491
Total comprehensive income and expenditure	(7,744)	0	(44,152)	0	0	(51,896)	33,491	(18,405)
Adjustments between accounting and funding basis under regulations	5 4,886	0	44,159	1,205	(1,478)	48,772	(48,772)	0
Net increase/(decrease) before transfers to earmarked reserves	(2,858)	0	7	1,205	(1,478)	(3,124)	(15,281)	(18,405)
Transfers to/(from) earmarked reserves	21 2,487	(2,487)	0	0	0	0	0	0
Increase/(decrease) in year	(371)	(2,487)	7	1,205	(1,478)	(3,124)	(15,281)	(18,405)
At 31st March 2016	10,144	27,745	1,517	7,969	3,336	50,711	202,094	252,805

MOVEMENT IN RESERVES STATEMENT

for the year ended 31st March 2015

	Council Fund Balance	Earmarked Council Fund Reserves	Housing Revenue Account Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves of the Authority
Note	£000	£000	£000	£000	£000	£000	£000	£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

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

for the year ended 31st March 2016

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.

		2016			2015		
	Note	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
Service Expenditure Analysis	37	£000	£000	£000	£000	£000	£000
Adult social care		62,528	(12,903)	49,625	58,420	(13,300)	45,120
Central services to the public		3,048	(1,759)	1,289	3,151	(1,410)	1,741
Education and children's services		164,227	(29,381)	134,846	157,926	(30,733)	127,193
Cultural and related services		27,167	(10,932)	16,235	21,135	(10,155)	10,980
Environmental and regulatory services		20,561	(6,132)	14,429	24,391	(7,821)	16,570
Planning services		7,479	(5,435)	2,044	12,176	(6,976)	5,200
Highways and transport services		27,940	(6,493)	21,447	28,715	(5,928)	22,787
Housing services :							
Housing - Council fund		58,992	(45,554)	13,438	62,284	(46,768)	15,516
Housing revenue account (HRA)		39,772	(30,065)	9,707	38,270	(28,627)	9,643
Housing revenue account (HRA) - Settlement	10	79,248	0	79,248	0	0	0
Housing revenue account (HRA) - Valuations	10	(49,730)	0	(49,730)	0	0	0
Corporate and democratic core		7,326	(360)	6,966	7,460	(435)	7,025
Non distributed costs		988	0	988	5,129	0	5,129
Cost of services		449,546	(149,014)	300,532	419,057	(152,153)	266,904
Other Operating Expenditure	2			23,467			23,323
Financing and Investment Income and Expenditure	3			20,761			20,617
Taxation and Non-Specific Grant Income	4			(292,864)			(288,916)
(Surplus)/deficit on the provision of services				51,896			21,928
(Surplus)/deficit arising on revaluation of non-current assets				336			(173)
(Surplus)/deficit arising on revaluation of available-for-sale financial assets				0			(3)
Actuarial (gains) or losses on pension assets and liabilities				(33,827)			69,424
Total comprehensive income and expenditure				18,405			91,176

BALANCE SHEET

as at 31st March 2016

		2016		2015	
	Note	£000	£000	£000	£000
NON-CURRENT ASSETS					
Property, Plant & Equipment					
	6				
Council dwellings		300,801		256,346	
Other land and buildings		259,963		271,696	
Vehicles, plant, furniture and equipment		14,962		16,272	
Surplus assets		8,693		7,426	
Infrastructure assets		153,549		156,781	
Community assets		4,711		4,543	
Assets under construction		21,089		3,771	
Total Property, Plant & Equipment			763,768		716,835
Investment properties and Agricultural Estate	7		30,611		30,805
Intangible assets	9		227		394
Long term debtors	11		2,111		2,072
NON-CURRENT ASSETS TOTAL			<u>796,717</u>		<u>750,106</u>
CURRENT ASSETS					
Inventories	12	1,069		1,038	
Short term debtors (net of impairment provision)	13	29,322		33,736	
Short term investments	14	6,014		2,115	
Cash and cash equivalents	15	25,063		42,679	
Assets held for sale	8	3,556		2,656	
CURRENT ASSETS TOTAL			<u>65,024</u>		<u>82,224</u>
CURRENT LIABILITIES					
Borrowing repayable on demand or within 12 months:	16	(2,785)		(1,555)	
Short term creditors	17	(28,221)		(31,151)	
Provision for accumulated absences	19	(1,891)		(3,296)	
Deferred liabilities	40	(580)		(529)	
Grants receipts in advance	18	(858)		(2,573)	
Provisions	19	(2,492)		(5,381)	
CURRENT LIABILITIES TOTAL			<u>(36,827)</u>		<u>(44,485)</u>
NON-CURRENT LIABILITIES					
Long term creditors	17	(2,266)		(1,016)	
Long term borrowing	20	(251,901)		(172,585)	
Deferred liabilities	40	(5,951)		(6,531)	
Provisions	19	(1,042)		(1,032)	
Other long term liabilities	42	(308,679)		(333,974)	
Grants receipts in advance	18	(2,270)		(1,497)	
NON-CURRENT LIABILITIES TOTAL			<u>(572,109)</u>		<u>(516,635)</u>
NET ASSETS			<u>252,805</u>		<u>271,210</u>

BALANCE SHEET

	Note	2016		2015	
		£000	£000	£000	£000
USABLE RESERVES	21				
Capital receipts reserve		7,969		6,764	
Capital grants unapplied		3,336		4,814	
Council fund		10,144		10,515	
Earmarked reserves		27,745		30,232	
Housing revenue account		1,517		1,510	
USABLE RESERVES TOTAL			50,711		53,835
UNUSABLE RESERVES	22				
Revaluation reserve		55,057		57,858	
Capital adjustment account		464,686		504,216	
Financial instruments adjustment account		(7,177)		(7,545)	
Pensions reserve		(308,679)		(333,974)	
Deferred capital receipts		98		116	
Accumulated absences account		(1,891)		(3,296)	
UNUSABLE RESERVES TOTAL			202,094		217,375
TOTAL RESERVES			<u>252,805</u>		<u>271,210</u>

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 2016

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.

	Note	2016		2015	
		£000	£000	£000	£000
Net surplus or (deficit) on the provision of services		(51,896)		(21,928)	
Adjustment to surplus or deficit on the provision of services for non-cash movements		8,116		50,171	
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		<u>(26,757)</u>		<u>(27,020)</u>	
Net cash outflows from operating activities	23		(70,537)		1,223
Net cash flows from investing activities	24	(25,468)		1,460	
Net cash flows from financing activities	25	<u>78,389</u>		<u>(509)</u>	
Net increase or decrease in cash and cash equivalents			<u>52,921</u> (17,616)		<u>951</u> 2,174
Cash and cash equivalents at the beginning of the reporting period	15		42,679		40,505
Cash and cash equivalents at the end of the reporting period	15		25,063		42,679

NOTES TO THE CORE FINANCIAL STATEMENTS

for the year ended 31st March 2016

INTRODUCTION

The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code) and the accounting policies set out at Note 1. The notes that follow (1 to 42) 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 2015/16 financial year and its position at the year end of 31 March 2016. 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 2015/16 (the Code) and the Service Reporting Code of Practice for Local Authorities 2015/16 (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 2016/17 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 2016 or later periods and will require changes to accounting policies in next years accounts, but the Council has chosen not to adopt them early.

If these had been adopted for the financial year 2015/16 there would be no material changes, as detailed below:

- Amendments to IAS 19 Employee Benefits. Changes to employee contributions in defined benefit plans.
- Amendments to IFRS 11 Joint Arrangements. Changes to the accounting for acquisitions of interests in joint operations.
- Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets. Changes to clarify acceptable methods of depreciation and amortisation.
- Annual Improvements to IFRS. These are minor changes to clarify existing IFRS and are not expected to have a material effect on the Council's accounts.
- Amendments to IAS 1 Presentation of Financial Statements. Changes to the format of the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement. A new principal statement is being introduced called the Expenditure and Funding Analysis. The statements will be presented on the same basis as the Council's reporting segments in revenue budget monitoring reports, strengthening the link between in year budget monitoring reports and the year-end Statement of Accounts.
- Changes to the format of the Pension Fund Account and the Net Assets Statement.

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

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

The critical accounting judgements made 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 has published a Medium Term Financial Strategy which can be found on the Council's website.
- 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.
- Investment Properties – The Council classifies investment properties in accordance with the requirements of the Code of Practice, that being that assets are held solely for rental income or capital appreciation. Assessment of such properties involves exercising judgement, which could be subject to a difference in interpretation.
- Asset Valuations – The Council values its Housing Stock by estimating the 'Existing Use Value – Social Housing'. The valuation methodology applied is the Adjusted Vacant Possession Value (known as the Beacon Approach). There is currently no guidance in Wales that specifically defines the components within the methodology, some of which rely on professional judgements particular to local circumstances.

The approach seeks to obtain a value for the asset, based on the Fair Value (market value) assuming 'vacant possession' of the asset which is then adjusted to reflect the asset's use for social housing with a sitting tenant. The underlying principles of this approach are:

- A representative asset is normally used as the basis for valuing a set of similar assets.
- The asset's Fair Value (market value) is determined from sales evidence relating to comparable properties. This provides a 'vacant possession' value.
- The market value is adjusted by a factor to reflect the difference between private sector rents / yields and social housing rents / yields. This is intended to reflect the differential cash flows that would arise between the two types of landlord given that there is a sitting tenant in the property and that any development value is to be ignored as continuation of the existing use is assumed.

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

- 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. Further detail assessing the sensitivities of estimates can be found in Note 42.

NOTES TO THE CORE FINANCIAL STATEMENTS

- Impairment of Financial Assets – The Council provides for the impairment of its receivables based on the age, type and recoverability of each debt. A reasonable estimate of impairment for doubtful debts is provided for within the Council's accounts at the Balance Sheet date, however in the current economic climate it is not certain that such an allowance would be sufficient.
- 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.
- Valuation techniques are used to determine the fair value of surplus assets, assets held for sale and investment properties. This involves developing estimates and assumptions consistent with how market participants would value such assets. As far as possible, assumptions are based on observable data. If observable data is not available the best information available is used. Thus, estimated fair values may vary from actual prices that would be achieved in an arm's length transaction at the reporting date.

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 2016. 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 a single 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 balance of receipts which has not been used for capital financing purposes is included in the Balance Sheet as usable capital receipts.

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 second 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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 amortisation. 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 amortisation 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 2015/16 MRP Policy Statement agreed by Council in February 2015 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 expected useful 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 36.

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

- 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 – charged 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

Fair Value Measurement

The Council measures some of its non-financial assets such as surplus assets and investment properties and some financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Assuming that:

- Transactions take place in the principal market, or the most advantageous market
- Prices are set by market participants acting in their best economic interest
- Non-financial assets will be used in their highest and best use by both buyer and seller

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which the fair value is measured or disclosed in the Council's financial statements are categorized within the fair value hierarchy, as follows:-

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 inputs – unobservable inputs for the asset or liability

Financial Instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments.

NOTES TO THE CORE FINANCIAL STATEMENTS

Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets with another entity that is potentially unfavourable to the Council.

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.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted or added to the amortised cost of the new or modified loan and the write down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

When premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement regulations allow the impact on the Council Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or the discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the Council Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash or other instruments or a contractual obligation to receive cash or another financial asset.

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains or losses that arise on derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve. Where fair value cannot be measured reliably, the instrument is carried at cost less any impairment losses.

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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 intangible 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

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation charges are not permitted to have an impact on the Council Fund Balance, and are therefore reversed out of the Council Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

Inventory

Inventories are included in the Balance Sheet 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, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset investment properties are measured at highest and best use.

Properties are not depreciated but are revalued annually reflecting 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

Leases

Finance Leases

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

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

Where substantially all risks and rewards of ownership of a leased asset are borne by the Council, the asset is recorded as property, plant and equipment and a corresponding liability is recognised.

The value at which both are recognised is the lower of the fair value of the asset or the present value of the minimum lease payments, discounted using the interest rate implicit in the lease. The implicit interest rate is that which produces a constant periodic rate of interest on the outstanding liability.

The property, plant and equipment acquired under finance leases are depreciated over the life of the asset as per the depreciation accounting policy. 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 2015/16 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

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

- Council dwellings – current 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 – current 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.
- Surplus assets – current value measurement is based on fair value, estimated at highest and best use from a market participant's perspective
- Assets under construction – historical cost.

NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

Revaluation

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current 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 2015/16 approximately 15% of operational 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 current 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).

NOTES TO THE CORE FINANCIAL STATEMENTS

- 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

The written-off value of disposals is not a charge against council tax or rents, as the cost of non-current assets is fully provided for under separate capital financing arrangements. Amounts are appropriated to the Capital Adjustment Accounts from the Council Fund Balance in the Movement in Reserves Statement.

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

Subsidiaries

The Council wholly owns a company called North East Wales Homes and Property Management (NEW Homes), and therefore controls this entity requiring the preparation of group accounts.

In the Council's single entity accounts, the interests in subsidiaries is recorded 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 Reserves are shown as appropriations in the Movement In 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 levels of council tax or rent.

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

2. OTHER OPERATING EXPENDITURE

	2016	2015
	£000	£000
Precept - North Wales Police and Crime Commissioner	14,596	13,998
Other preceptors - Community Councils	2,487	2,387
Levy - North Wales Fire and Rescue Authority	7,033	7,019
Net gain on the disposal of non-current assets	(1,055)	(499)
Admin. expenses on the net defined benefit liability	406	418
	23,467	23,323

3. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

An aggregate net financing and investment income and expenditure total of £20,761k (£20,617k in 2014/15), incorporates the investment losses and investment expenditure detailed below.

	2016	2015
	£000	£000
Interest payable and similar charges	13,727	10,212
Investment losses and investment expenditure (see note below)	3,109	4,168
Net interest on the net defined benefit liability (see note 46)	10,422	10,814
Interest and investment income	(6,497)	(4,577)
	20,761	20,617

Investment Losses and Investment Expenditure

The following entries have been recognised:

	2016		2015		
	£000	£000	£000	£000	£000
Revaluation Losses on Investment property		1,397		2,988	
Impairment adjustments - LBI	0		0		
Less interest accrued - LBI	0		0		
	0		0		
Investment (properties) expenditure		1,712		1,180	
		3,109		4,168	

4. LOCAL TAXATION AND NON-SPECIFIC GRANT INCOME

	2016	2015
	£000	£000
Council tax income	(81,355)	(77,873)
Non-domestic rates	(43,876)	(47,689)
Non-ringfenced government grants	(144,022)	(146,706)
Capital grants and contributions	(23,611)	(16,648)
	(292,864)	(288,916)

NOTES TO THE CORE FINANCIAL STATEMENTS

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 2015/16 was 61,993 band 'D' equivalent properties (61,501 in 2014/15) as calculated in the following table:

	Valuation Band										Total		
	A -	A	B	C	D	E	F	G	H	I			
Chargeable Dwellings													
Number of chargeable dwellings	0	3,915	8,947	19,424	12,074	10,106	6,867	3,038	569	225	65,165		
Dwellings with disabled reliefs	0	15	53	110	100	129	85	39	10	19	560		
Adjusted chargeable dwellings	15	3,953	9,004	19,414	12,103	10,062	6,821	3,009	578	206	65,165		
Adjusted Chargeable Dwellings													
Dwellings with no discounts	8	1,221	4,876	12,518	8,433	7,588	5,572	2,562	489	178	43,445		
Dwellings with one discount	7	2,732	4,125	6,887	3,659	2,463	1,242	439	71	23	21,648		
Dwellings with two discounts	0	0	3	9	11	11	7	8	18	5	72		
Discounted chargeable dwellings	15	3,953	9,004	19,414	12,103	10,062	6,821	3,009	578	206	65,165		
Discounted Chargeable Dwellings													
Total discounted dwellings	13	3,270	7,971	17,688	11,183	9,441	6,507	2,895	551	198	-		
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	7	2,180	6,200	15,722	11,183	11,539	9,399	4,825	1,103	461	62,619		
												Collection rate adjustment (at 1%)	(626)
												Exempt properties adjustment	0
												Council Tax Base 2015/16	61,993

The Flintshire County Council precept for a band 'D' property in 2015/16 was £1,025.27 (£988.21 in 2014/15). 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 2015/16 Council Tax demand notices included the North Wales Police and Crime Commissioner precept in the sum of £14,596k (£13,998k in 2014/15) and 34 Town and Community Councils who collectively raised precepts totalling £2,487k (£2,387k in 2014/15).

NOTES TO THE CORE FINANCIAL STATEMENTS

Analysis of the net proceeds from Council tax:

	2016	2015
	£000	£000
Council tax collected	81,646	78,203
Increase/Decrease in bad debts provision	(5)	65
Less - Amounts written off to provision	(286)	(395)
	81,355	77,873
Less - Payable to North Wales Police and Crime Commissioner	(14,596)	(13,998)
	66,759	63,875

Non-Domestic Rates (NDR)

NDR is organised on a national basis. The government sets the rate poundage which in 2015/16 was 48.2p for all properties (47.3p in 2014/15). 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. 2015/16 NDR income paid into the pool was £65,434k after relief and provisions (£59,759k in 2014/15), based on a year end rateable value total of £153,286k (£151,494k in 2014/15).

Analysis of the net proceeds from non-domestic rates:

	2016	2015
	£000	£000
Non-domestic rates collected	65,040	59,595
Less - Paid into NDR pool	(65,433)	(59,759)
Less - Cost of collection	(338)	(362)
Increase/Decrease in bad debts provision	303	45
Relief Schemes	428	481
	0	0
Receipts from pool	43,876	47,689
	43,876	47,689

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 £48,772k (£15,551k debit in 2014/15).

NOTES TO THE CORE FINANCIAL STATEMENTS

	Usable Reserves					Unusable Reserves
	Council Fund Balance	Council Fund Reserves	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	
2015/16	£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	18,677	0	(23,405)	0	0	4,728
Revaluation losses on Property, Plant and Equipment	3,348	0	263	0	0	(3,611)
Movements in the market value of Investment Properties	(905)	0	0	0	0	905
Amortisation of intangible assets	164	0	3	0	0	(167)
Capital grants and contributions applied	0	0	0	0	(28,982)	28,982
Revenue expenditure funded from capital under statute	12,750	0	79,248	0	0	(91,998)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	1,208	0	934	0	0	(2,142)
Inclusion of items not debited or credited to the CIES:						
Statutory provision for the financing of capital investment	(7,151)	0	(513)	0	0	7,664
Capital expenditure charged against the Council Fund and HRA balances	(348)	0	(11,288)	0	0	11,636
Adjustments involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to CIES	(27,504)	0	0	0	27,504	0
Adjustments involving the Capital Receipts Reserve:						
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	(1,733)	0	(1,463)	3,253	0	(57)
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	0	(2,066)	0	2,066
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	(327)	0	(40)	0	0	367
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the CIES	31,213	0	1,554	0	0	(32,767)
Employer's pensions contributions and direct payments to pensioners payable in the year	(23,151)	0	(1,084)	0	0	24,235
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	(1,355)	0	(50)	0	0	1,405
Adjustments involving the Deferred Capital Receipts Account:						
Transfer from CIES to deferred Capital Receipts Reserve	0	0	0	18	0	(18)
Adjustments between accounting basis & funding basis under regulations	4,886	0	44,159	1,205	(1,478)	(48,772)

NOTES TO THE CORE FINANCIAL STATEMENTS

	Usable Reserves					Unusable Reserves
	Council Fund Balance	Council Fund Reserves	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	
2014/15	£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	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	(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)

NOTES TO THE CORE FINANCIAL STATEMENTS

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 2015/16

	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, 2015	305,413	307,228	27,252	7,946	219,685	4,543	3,771	875,838
Additions and Acquisitions	21,130	4,467	2,046	4	2,423	168	17,386	47,624
Revaluation increases / (decreases) recognised in the Revaluation Reserve	442	(1,407)	0	166	0	0	0	(799)
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	501	(3,497)	0	(2,802)	0	0	0	(5,798)
Assets Derecognised	0	(1,822)	(1,792)	0	0	0	0	(3,614)
Reclassifications	(495)	(3,286)	0	2,717	0	0	0	(1,064)
Other movements in cost or valuation	0	583	0	688	0	0	(68)	1,203
At 31st March 2016	326,991	302,266	27,506	8,719	222,108	4,711	21,089	913,390
Accumulated Depreciation and Impairment								
As At 1st April, 2015	(49,067)	(35,532)	(10,980)	(520)	(62,904)	0	0	(159,003)
Depreciation charge	(5,060)	(8,734)	(3,357)	(23)	(5,655)	0	0	(22,829)
Depreciation written out to the Revaluation Reserve	35	1,181	0	8	0	0	0	1,224
Depreciation written out to the Surplus/Deficit on the Provision of Services	20,691	161	0	304	0	0	0	21,156
Impairments written out to the Revaluation Reserve	28	105	0	(8)	0	0	0	125
Impairments recognised in the Revaluation Reserve	0	(1,352)	0	0	0	0	0	(1,352)
Reversal of Impairments recognised in the Surplus/Deficit	0	650	0	36	0	0	0	686
Impairments written out to Surplus/Deficit on the Provision of Services	28,313	1,977	0	377	0	0	0	30,667
Impairments recognised in the Surplus/Deficit on the Provision of Services	(21,130)	(2,777)	0	(4)	0	0	0	(23,911)
Assets Derecognised	0	1,822	1,793	0	0	0	0	3,615
Assets reclassified (to)/from Held for Sale	0	196	0	(196)	0	0	0	0
At 31st March 2016	(26,190)	(42,303)	(12,544)	(26)	(68,559)	0	0	(149,622)
Balance Sheet at 31st March 2016	300,801	259,963	14,962	8,693	153,549	4,711	21,089	763,768
Balance Sheet at 1st April 2015	256,346	271,696	16,272	7,426	156,781	4,543	3,771	716,835
Nature of Asset Holding								
Owned	300,801	259,963	9,091	8,693	153,549	4,711	21,089	757,897
Finance Lease	0	0	5,871	0	0	0	0	5,871
At 31st March 2016	300,801	259,963	14,962	8,693	153,549	4,711	21,089	763,768

NOTES TO THE CORE FINANCIAL STATEMENTS

Movements 2014/15

	Council Dwellings & Garages £000	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Surplus Assets £000	Infrastructure Assets £000	Community Assets £000	Assets under Construction £000	Total £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	273,668	16,444	7,807	155,600	4,517	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

NOTES TO THE CORE FINANCIAL STATEMENTS

Fair Value Measurement of Surplus Assets

Details of the authority's surplus assets and information about the fair value hierarchy as at 31 March 2016 is as follows:

	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair Value as at 31 March 2016 £000
Surplus Assets	0	3,019	5,674	8,693
Total	0	3,019	5,674	8,693

Fair value measurement and disclosure requirements are applied prospectively from 1 April 2015, therefore no prior year comparators are presented.

Valuation Techniques used to Determine Level 2 and 3 Fair Values for Surplus Assets

The Council's valuer's, in using appropriate valuation techniques, have maximised the use of relevant known inputs and minimised the use of unobservable inputs.

The valuation techniques used to measure the fair value of surplus assets are the market approach and the income approach. The Council's valuer's considered these bases to be appropriate because:-

- (i) Market approach - use of prices and other relevant information and data generated by market transactions reflects the value of the asset payable by the market.
- (ii) Income approach – use of this approach reflects the market expectation of the future cash flows receivable from that asset.

Highest and Best Use of Surplus Assets

In estimating the fair value of the authority's surplus assets, the highest and best use of the properties has been taken into account.

The authority is required to disclose where the highest and best use differs from current use. In line with their treatment as surplus assets, a number of these assets are currently vacant; in these cases the current use is not the highest and best use.

Valuation Techniques

There has been no change in the valuation techniques used during the year for surplus assets.

NOTES TO THE CORE FINANCIAL STATEMENTS

7. INVESTMENT PROPERTIES AND AGRICULTURAL ESTATE

	2016 £000	2015 £000
Cost or Valuation		
At 1st April	30,805	36,544
Reclassifications	(1,124)	(3,740)
Revaluation Increases/Decreases to Surplus/Deficit	930	(1,999)
Reversal of Losses to Surplus/Deficit	0	0
At 31st March	30,611	30,805
Depreciation and Impairments		
At 1st April	0	0
Reclassifications	0	0
At 31st March	0	0
Balance Sheet at 31st March	30,611	30,805

Fair Value Measurement of Investment Property

Details of the authority's investment properties and information about the fair value hierarchy as at 31 March 2016 is as follows:

	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair Value as at 31 March 2016 £000
Commercial and Industrial Estates	0	0	17,883	17,883
Agricultural Estate - Farms	0	11,820	0	11,820
Agricultural Estate - Grazing Land	0	0	908	908
Total	0	11,820	18,791	30,611

Fair value measurement and disclosure requirements are applied prospectively from 1 April 2015, therefore no prior year comparators are presented.

Valuation Techniques used to Determine Level 2 and 3 Fair Values for Investment Properties

Significant Observable Inputs – Level 2

The Council's farms and smallholdings were valued by an external independent valuer in accordance with IFRS 13 Fair Value requirements, using the market approach for such assets but reflecting the specific circumstances of each asset e.g. vacant or subject to an existing tenancy. The valuation techniques also considered highest and best use reflecting what is physically possible or legally permissible. The valuation hierarchy Level 2 input was stated as this level was considered to reflect the data, with details of the market comparables provided as part of the valuation report.

NOTES TO THE CORE FINANCIAL STATEMENTS

Significant Unobservable Inputs – Level 3

The valuation techniques used to measure the fair value of the grazing and bare land are the market approach and the income approach. The Council's valuer's considered these bases to be appropriate because:-

- (i) Market approach – use of prices and other relevant information and data generated by market transactions reflects the value of the asset payable by the market.
- (ii) Income approach – use of this approach reflects the market expectation of the future cash flows receivable from that asset.

The Council's valuer's, in using appropriate valuation techniques in the circumstances and where sufficient data is available, have maximized the use of relevant known inputs and minimized the use of unobservable inputs. The grazing and bare land valuation techniques reflected Level 3 input due to the lack of market data obtainable by the Council's valuer's.

The valuation techniques used to measure the fair value of the commercial and industrial estates are the income approach (for assets) and the market approach (for vacant land). The Council's valuer's considered these bases to be appropriate because:-

- (i) Income approach – use of this approach reflects the market expectation of the future cash flows receivable from that asset.
- (ii) Market approach - use of prices and other relevant information and data generated by market transactions reflects the value of the asset payable by the market.

However, predominately the approach to valuing the commercial and industrial units was done using the Council's own existing information and data reflecting such factors as rent growth, occupancy levels, bad debt levels, and costs for repair and maintenance obligations. Therefore, the Council's commercial and industrial units valuation hierarchy is Level 3 as the valuation approach uses unobservable inputs and that this is done on the same basis when valuing the asset as would be used by market participants.

Highest and Best Use of Investment Properties

In estimating the fair value of the authority's investment properties, the highest and best use of the properties is their current use.

Valuation Techniques

There has been no change in the valuation techniques used during the year for investment properties.

Valuation Process

The fair value of the authority's investment property is measured annually at each reporting date. In 2015/16 the Council's farms and smallholdings were valued by an external valuer, with the remainder of the valuations carried out by the Council's internal valuers. All valuations are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors. The authority's valuation experts work closely with finance officers regarding all valuation matters.

NOTES TO THE CORE FINANCIAL STATEMENTS

8. ASSETS HELD FOR SALE

	Council Dwellings & Garages £000	Other Property, Plant & Equipment £000	Investment Properties £000	Total £000
At 1st April 2015	0	499	2,157	2,656
Assets newly classified as held for sale	495	599	1,123	2,217
Assets declassified as held for sale	0	0	0	0
Net Reclassifications	495	599	1,123	2,217
Revaluation gains	0	716	350	1,066
Revaluation losses	0	(139)	(102)	(241)
Net Revaluations	0	577	248	825
Assets sold	(495)	(719)	(928)	(2,142)
At 31st March 2016	0	956	2,600	3,556
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

Fair Value Measurement of Assets Held for Sale

Details of the authority's assets held for sale and information about the fair value hierarchy as at 31 March 2016 is as follows:

	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair Value as at 31 March 2016 £000
Assets Held for Sale	0	0	3,556	3,556
Total	0	0	3,556	3,556

Fair value measurement and disclosure requirements are applied prospectively from 1 April 2015, therefore no prior year comparators are presented.

NOTES TO THE CORE FINANCIAL STATEMENTS

Valuation Techniques used to Determine Level 3 Fair Values for Assets Held for Sale

Significant Unobservable Inputs – Level 3

The valuation techniques used to measure the fair value of assets held for sale are the market approach and income approach. The Council's valuer's considered these bases to be appropriate because:-

- (i) Market approach - use of prices and other relevant information and data generated by market transactions reflects the value of the asset payable by the market.
- (ii) Income approach – use of this approach reflects the market expectation of the future cash flows receivable from that asset.

The Council's valuer's, in using appropriate valuation techniques have maximized the use of relevant known inputs and minimized the use of unobservable inputs.

Highest and Best Use of Assets Held for Sale

In estimating the fair value of the authority's assets held for sale, the highest and best use of the properties has been taken into account.

The authority is required to disclose where the highest and best use differs from current use. A number of assets held for sale are currently vacant pending disposal; in these cases the current use is not the highest and best use.

Valuation Techniques

There has been no change in the valuation techniques used during the year for Assets Held for Sale.

9. INTANGIBLE ASSETS

	2016			2015		
	Software Licences £000	Development Expenditure £000	Total £000	Software Licences £000	Development Expenditure £000	Total £000
Balance at 1st April						
Gross carrying amounts	677	607	1,284	648	607	1,255
Accumulated amortisation	(423)	(467)	(890)	(294)	(380)	(674)
Net carrying amount	254	140	394	354	227	581
Additions	14	0	14	29	0	29
Amortisation for the period	(94)	(87)	(181)	(129)	(87)	(216)
Balance at 31st March	174	53	227	254	140	394
Comprising:						
Gross carrying amounts	691	607	1,298	677	607	1,284
Accumulated amortisation	(517)	(554)	(1,071)	(423)	(467)	(890)
Total	174	53	227	254	140	394

Intangible assets are amortised from the first full financial year following acquisition, in line with the related accounting policy. The amortisation of £181k charged to revenue in 2015/16 (£216k in 2014/15) is absorbed as an overhead across all the service headings in the Cost of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

NOTES TO THE CORE FINANCIAL STATEMENTS

10. MATERIAL ITEMS OF INCOME AND EXPENDITURE

HRA - Settlement Payment

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 payment is shown separately of the face of the Housing Revenue Account and the Comprehensive Income and Expenditure Statement as a material item of expenditure.

The agreement will 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.

HRA - Valuations - Dwellings

During the year the Council's Housing Stock was revalued. The carrying net book value of the Council Dwellings increased from £255,511k at the last balance sheet date by £49,729k which is credited to the HRA line of the Comprehensive Income and Expenditure Account reversing prior year charges for depreciation and impairment that have accumulated since the last revaluation on 1st April 2011. Shown on the face of the Housing Revenue Account and the Comprehensive Income and Expenditure Statement as a material item of expenditure.

NOTES TO THE CORE FINANCIAL STATEMENTS

11. LONG TERM DEBTORS

	2016	2015
	£000	£000
Other entities and individuals	2,111	2,072
Total	2,111	2,072

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

	2016	2015
	£000	£000
Renewal and improvement loans	1,807	1,669
First time buyer loans	100	100
Assisted car purchase loans	57	131
Affordable housing deposits	98	116
Private street works	45	44
Loan to NEW Homes (Housing Company)	4	12
Total	2,111	2,072

12. INVENTORIES

The Council holds total inventories of £1,069k (£1,038k in 2014/15) in the balance sheet as at 31st March 2016.

	2016	2015
	£000	£000
Building Maintenance	112	112
Highways Maintenance	158	213
Fuel	40	41
Vehicle Maintenance	53	53
Rock Salt	431	328
Catering	122	120
Recycling Equipment	44	58
Leisure Centres	35	37
Miscellaneous	74	76
Total	1,069	1,038

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.

	2016	2015
	£000	£000
Highways maintenance	474	357
Fleet fuel, grounds maintenance and vehicle maintenance	802	792
Total	1,276	1,149

NOTES TO THE CORE FINANCIAL STATEMENTS

13. SHORT TERM DEBTORS

	2016	2015
	£000	£000
Central government bodies	12,790	17,236
Other local authorities	2,546	4,859
NHS bodies	1,654	1,297
Public corporations and trading funds	389	2
Other entities and individuals	11,580	11,132
Council tax	2,767	2,589
	31,726	37,115
Less provision for impairment losses (note 19)	(2,404)	(3,379)
Total	29,322	33,736

14. SHORT TERM INVESTMENTS

The balance sheet total of £6,014k (£2,115k in 2014/15) is recorded net of those sums invested for 3 months or less (including overnight/call account monies) which are treated as cash, amounting to £25,400k (£41,900k in 2014/15).

	2016	2015
	£000	£000
Investments (3 months – 365 days)	6,000	2,000
Accrued interest	14	115
Total	6,014	2,115

15. CASH AND CASH EQUIVALENTS

	2016		2015	
	£000	£000	£000	£000
Current Assets				
Temporary investments (call accounts)		1,200		5,000
Cash and cash equivalents	26,424		43,120	
Cash overdrawn	(2,561)		(5,441)	
		23,863		37,679
Total		25,063		42,679

16. BORROWING REPAYABLE ON DEMAND OR WITHIN 12 MONTHS

	2016	2015
	£000	£000
Accrued interest on long term external borrowing	2,731	1,103
Invest to Save loan (from Welsh Government)	0	398
Energy Efficiency Loans (from Salix Finance Ltd.)	54	54
Total	2,785	1,555

NOTES TO THE CORE FINANCIAL STATEMENTS

17. CREDITORS

	2016	2015
	£000	£000
Short Term		
Central government bodies	3,993	3,638
Other local authorities	2,622	5,584
NHS bodies	354	313
Public corporations and trading funds	19	18
Other entities and individuals	21,233	21,598
Total	<u>28,221</u>	<u>31,151</u>
Long Term		
Central government bodies	1,719	0
Other local authorities	250	787
Other entities and individuals	297	229
Total	<u>2,266</u>	<u>1,016</u>

18. GRANT INCOME

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

	2016	2015
	£000	£000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	142,543	145,253
Outcome Agreement Grant	1,479	1,453
Total Non Ringfenced Government Grants	<u>144,022</u>	<u>146,706</u>
Welsh Government (WG):		
Major Repairs Allowance	5,060	5,110
General Capital Grant	2,598	2,616
Regional Transport Plan	0	1,279
Additional School Improvement Grant	0	1,142
21st Century Schools	11,771	1,735
Other WG Grants	3,735	2,808
Other Capital Grants and Contributions	447	1,958
Total Capital Grants and Contributions	<u>23,611</u>	<u>16,648</u>
Total	<u>167,633</u>	<u>163,354</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

	2016	2015
	£000	£000
Credited to Services		
WG		
Supporting People	5,875	6,456
DELLS Post 16	5,786	5,896
Education Improvement Grant*	6,642	0
Foundation Phase*	0	4,992
Learning Pathways*	0	396
Flying Start	2,967	2,729
Families First	1,689	1,739
Pupil Deprivation	2,925	2,296
School Effectiveness*	0	1,227
Concessionary Fares	2,161	2,047
Sustainable Waste Management	2,968	3,106
Substance Misuse	398	697
Intermediate Care Fund	816	1,269
Independent Living Fund	1,214	0
Safer Communities	462	0
Acting for Younger People	390	0
Bus Services Support Grant	547	558
Other	0	(1,201)
Department of Work and Pensions	39,208	39,091
Arts Council Wales	1,941	2,072
Other Grants and Contributions	7,086	14,023
Total	<u>83,075</u>	<u>87,393</u>

* WG combined a number of grants in 2015/16 to form the new Education Improvement Grant

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:

	2016	2015
	£000	£000
Short Term		
Revenue Grants	129	1,778
Capital Grants	0	102
Capital Contributions	285	496
Revenue Contributions	444	197
Total	<u>858</u>	<u>2,573</u>
Long Term		
Revenue Grants	107	354
Capital Grants	0	0
Revenue Contributions	376	549
Capital Contributions	1,787	594
Total	<u>2,270</u>	<u>1,497</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

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 £3,533k incorporates the following balances :-

	2016 £000	Movement Out £000	Movement In £000	2015 £000
Current Liabilities				
Single Status / Equal pay	368	(3,263)	602	3,029
MMI Scheme of Arrangement	396	0	396	0
Aftercare of former landfill sites	44	(1)	0	45
Employee Termination Benefits	465	(578)	465	578
Claims Land Charges	0	(130)	0	130
Orphaned Site - Sandycroft	1,219	(381)	0	1,600
Total	2,492	(4,353)	1,463	5,382
Non-Current Liabilities				
Claims (Employees)	9	0	0	9
Aftercare of former landfill sites	1,033	(492)	503	1,022
Total	1,042	(492)	503	1,031

- The employee claims provision covers the anticipated costs of various employee claims against the Council; no immediate calls against the provision are expected.
- The £1,077k provides for the environmental aftercare costs for the former waste disposal sites at Standard, Buckley and Brookhill, Buckley, split across a current liability (£44k) and a non-current liability (£1,033k). 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.
- The Single Status / Equal Pay provision provides funding for the small amount of residual costs associated with settling of historic equal pay cases. All residual implementation and incentive payments made to staff under the single status agreements have been made in 2015/16.
- The provision in relation to the 'MMI Scheme of Arrangement' relates to decisions taken by the board of MMI.

MMI was the predominant insurer of public sector bodies prior to it ceasing to write insurance business from September 1992. In order to ensure an orderly run-off, a scheme of arrangement with its Creditors was put in place. In the event of it becoming clear that a solvent run-off 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 of arrangement was triggered on 13th November 2012 with an initial levy of 15% of claims paid to date set by the scheme administrator. Creditors were informed in March 2016 that the levy will increase to 25%, with payments due for the additional 10% of claims paid to date payable in April 2016. 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

- The Council's service Portfolios have business plans which include planned reductions to workforce numbers and costs in order to making recurring revenue savings. The Council was sufficiently committed with some proposals at the balance sheet date to warrant the creation of a provision in 2015/16 for the termination benefits of employees leaving the Council's employment in 2016/17.
- A group of property search companies sought to claim refunds of fees paid to the Council to access land charges data. The parties have reached agreement on the claims.
- 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. During the year the risk has reduced due to the removal of the chemicals from the site, work continues to decontaminate the site and is expected to end in October 2016. The provision reflects the best estimate of future liabilities at the balance sheet date.

Current Provisions – Accumulated Absences

The provision for accumulated absences in 2015/16 is £1,891k (£3,296k in 2014/15).

	2016	Movement Out	Movement In	2015
	£000	£000	£000	£000
Accumulated absences	1,891	(3,296)	1,891	3,296
Total	1,891	(3,296)	1,891	3,296

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.

	2016	2015
	£000	£000
Housing rents	409	391
Council tax	802	797
Other debtors	1,193	2,191
Total	2,404	3,379

NOTES TO THE CORE FINANCIAL STATEMENTS

20. LONG TERM BORROWING

Analysis	Interest Rates		2016	2015
	Minimum %	Maximum %	£000	£000
By Loan Type (Fixed Rate)				
Salix Finance (Energy Efficiency)		Interest Free	81	135
Government (PWLB)	0.66	9.50	232,410	153,163
Other financial institutions	4.48	4.58	18,950	18,950
Welsh Government		Interest Free	460	337
Total			251,901	172,585
By Maturity				
Between 1 and 2 years			1,654	54
Between 2 and 5 years			10,027	1,681
Between 5 and 10 years			14,430	21,993
More than 10 years			225,790	148,857
Total			251,901	172,585

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 £10,144k represents the value of unearmarked reserves available to the Authority (£10,515k in 2014/15).

Earmarked Reserves

Total earmarked reserves of £27,745k (£30,232k in 2014/15) include revenue service balances of £5,025k (£5,242k in 2014/15), the surpluses generated by locally managed schools of £2,306k (£2,379k in 2014/15), and various other specific reserves which includes:

- Service balances – represents service departments carrying forward unspent funding 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, costs associated with the settlement of historic equal pay cases and further one-off workforce costs.
- Investment in Organisational change – accumulated reserve to fund the costs of remodeling services and 'Invest to Save' type projects.
- Budget Strategy - accumulated reserve for use in balancing budgets over the medium term.
- Benefits Equalisation – this reserve was introduced to mitigate 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

- Unitary Development Plan – funding for costs associated with finalising, and then implementing, the Unitary Development Plan
- Waste Disposal – this reserve is used predominantly to fund Flintshire County Council's contribution to the North Wales Residual Waste Treatment Partnership.
- Winter Maintenance – the reserve has been set up as a contingency in the event of severe weather conditions
- Insurance Reserves – various Insurance related reserves including the Council's fund to meet the costs of self-insurance as not all risks are externally insured.
- Grants & Contributions – various grants and contributions from external providers that must be spent in accordance with associated restrictions on use.

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

	Balance at 31 March 2014	Transfers Out 2014/15	Transfers In 2014/15	Balance at 31 March 2015	Transfers Out 2015/16	Transfers In 2015/16	Balance at 31 March 2016
	£000	£000	£000	£000	£000	£000	£000
Service balances	7,936	(6,617)	3,923	5,242	(5,177)	4,960	5,025
School balances	2,198	(2,332)	2,513	2,379	(3,054)	2,981	2,306
Single status/equal pay	23,454	(11,750)	1,160	12,864	(5,796)	481	7,549
Investment in Organisational Change	706	(1,306)	6,122	5,522	(5,027)	774	1,269
Budget Strategy	0	0	0	0	(1,000)	5,460	4,460
Benefits equalisation	1,119	(906)	0	213	(111)	91	193
County elections	108	(17)	63	154	(32)	72	194
Supporting people	1,511	0	0	1,511	(679)	0	832
Community equipment store	120	(4)	63	179	(179)	0	0
Unitary Development Plan (UDP)	0	0	0	0	(4)	651	647
Building control	209	(111)	0	98	(7)	0	91
Waste disposal	468	(104)	35	399	(28)	0	371
Countryside	3	(3)	191	191	(202)	11	0
Flintshire Enterprise Ltd	127	(78)	48	97	(24)	0	73
Third party claims	87	(87)	0	0	0	0	0
Design fees	120	0	0	120	(120)	200	200
Winter maintenance	250	0	0	250	0	0	250
Car Parking	30	0	187	217	(147)	16	86
Insurance Reserves	846	(960)	910	796	(685)	1,110	1,221
Cash Receipting Review	0	0	0	0	0	241	241
Grants & Contributions	0	0	0	0	0	2,737	2,737
Total	39,292	(24,275)	15,215	30,232	(22,272)	19,785	27,745

Housing Revenue Account

The housing revenue account reserve cumulative balance of £1,517k (£1,510k in 2014/15) includes the 2015/16 HRA surplus of £7k (£152k (deficit) in 2014/15), as detailed on pages 86 and 87.

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

22. UNUSABLE RESERVES

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

Reserves	2016 £000	2015 £000
Revaluation reserve	55,057	57,858
Available-for-sale financial instruments reserve	0	0
Capital adjustment account	464,686	504,216
Financial instruments adjustment account	(7,177)	(7,545)
Pensions reserve	(308,679)	(333,974)
Equal pay account	0	0
Deferred Capital Receipt	98	116
Accumulated absences account	(1,891)	(3,296)
Total Unusable Reserves	202,094	217,375

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.

	2016 £000	£000	2015 £000	£000
Balance at 1st April		57,858		60,536
Upward revaluation of assets	2,862		5,423	
Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services	(3,199)		(5,250)	
Surplus or deficit on revaluation of non-current assets not posted to the surplus/deficit on the provision of services		(337)		173
Difference between fair value depreciation and historical cost depreciation	(1,938)		(1,531)	
Accumulated gains on assets sold or scrapped	(526)		(1,320)	
Amount written off to the capital adjustment account		(2,464)		(2,851)
Balance at 31st March		55,057		57,858

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

	2016		2015	
	£000	£000	£000	£000
Balance at 1st April		0		(3)
Upward revaluation of investments	0		0	
Downward revaluation of investments not charged to the surplus/deficit on the provision of services	0		3	
	0	0	3	3
Balance at 31st March	0	0	0	0

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.

	2016	2015
	£000	£000
Balance at 1st April	(333,974)	(258,417)
Return on plan assets	(11,121)	42,220
Actuarial gains and losses	44,948	(111,644)
Net charges to surplus / deficit on provision of services	(32,767)	(31,345)
Employers' contributions payable to the scheme	24,235	25,212
Balance at 31st March	(308,679)	(333,974)

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

	2016		2015	
	£000	£000	£000	£000
Balance at 1st April		504,216		516,324
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		4,727		(29,550)
- Revaluation losses on PP&E		(3,611)		(9,978)
- Amortisation of intangible assets		(181)		(216)
- Revenue expenditure funded from capital under statute		(91,998)		(8,125)
- 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		(2,142)		(3,560)
- Movements in the market value of investment properties debited or credited to the Comprehensive Income & Expenditure Statement		906		(1,774)
		(92,299)		(53,203)
Adjusting amounts written out of the revaluation reserve		2,464		2,851
Net written out amount of the cost of non-current assets consumed in the year		(89,835)		(50,352)
Capital financing applied in the year:				
- Use of the capital receipts reserve		2,066		1,283
- Capital grants and contributions credited to the Comprehensive Income & Expenditure statement that have been applied to capital financing		28,982		21,803
- Intangible Assets - Additions		14		29
- Statutory provision for the financing of capital investment charged against the Council Fund and HRA balances		7,664		7,658
- Capital expenditure charged against the council fund and HRA balances		11,636		7,002
HRA Capital Receipts Set Aside		0		570
Long term debtors adjustments - Loan Repayments		(57)		(101)
		50,305		38,244
Balance at 31st March		464,686		504,216

NOTES TO THE CORE FINANCIAL STATEMENTS

Financial Instruments Adjustment Account

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

	2016		2015	
	£000	£000	£000	£000
Balance at 1st April		(7,545)		(7,912)
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	<u>368</u>		<u>367</u>	
Amount by which finance costs charged to the Comprehensive income and expenditure statement are different from finance costs chargeable in the year in accordance with statutory requirements		368		367
Balance at 31st March		<u>(7,177)</u>		<u>(7,545)</u>

Equal Pay Account

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

	2016		2015	
	£000	£000	£000	£000
Balance at 1st April		0		(4,978)
(Increase) / decrease in provision for equal pay cases	0		4,978	
Cash settlements paid in the year	<u>0</u>		<u>0</u>	
Amount by which amounts charged for equal pay claims to the comprehensive income and expenditure statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements		0		4,978
Balance at 31st March		<u>0</u>		<u>0</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

	2016	2015
	£000	£000
Affordable homes deposits	98	116
	98	116

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.

	2016		2015	
	£000	£000	£000	£000
Balance at 1st April		(3,296)		(3,376)
Settlement or cancellation of accrual made at the end of the preceding year	3,296		3,376	
Amounts accrued at the end of the current year	(1,891)		(3,296)	
Amount by which officer remuneration charged to the comprehensive income and expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		1,405		80
Balance at 31st March		(1,891)		(3,296)

NOTES TO THE CORE FINANCIAL STATEMENTS

23. CASH FLOW STATEMENT - OPERATING ACTIVITIES

The net cash flows from operating activities of £70,537k inflow (£1,223k outflow in 2014/15) include the following interest elements:

	2016	2015
	£000	£000
Interest received	391	472
Interest paid	(14,852)	(9,316)

24. CASH FLOW STATEMENT - INVESTING ACTIVITIES

	2016	2015
	£000	£000
Purchase of property, plant & equipment, investment property and intangible assets	(48,108)	(32,158)
Purchase of short term and long term investments	(4,000)	6,721
Other payments for investing activities	(196)	(239)
Proceeds from the sale of property, plant & equipment, investment property and intangible assets	3,271	4,323
Proceeds from short term and long term investments	(4,000)	0
Other receipts from investing activities	27,565	22,813
Net cash flows from investing activities	(25,468)	1,460

25. CASH FLOW STATEMENT - FINANCING ACTIVITIES

	2016	2015
	£000	£000
Cash receipts of short term and long term borrowing	79,370	337
Other receipts from financing activities	0	0
Cash payments for the reduction of the outstanding liability relating to finance leases	(529)	(492)
Repayment of short term and long term borrowing	(452)	(354)
Other payments for financing activities	0	0
Net cash flows from financing activities	78,389	(509)

NOTES TO THE CORE FINANCIAL STATEMENTS

26. OFFICERS' REMUNERATION

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.

The salaries of the Chief Executive and the Chief Officer team have been set by full Council in accordance with the Council's Pay Policy Statement (available on the Council's website). There has been no variation to pay rates during the year other than inflationary increases for implementation of nationally agreed annual pay awards to reflect the increased cost of living.

Post Title	Note	2015/16		2014/15	
		Remuneration £	Employer's Pension Contributions £	Remuneration £	Employer's Pension Contributions £
2015/16					
Chief Executive	1	131,233	31,704	131,233	32,967
Chief Officer People & Resources	6	71,518	20,383	78,181	18,099
Chief Officer Governance	2	83,640	20,375	78,280	18,701
Chief Officer Education & Youth	3	95,691	23,310	97,328	22,531
Chief Officer Social Care	3	95,691	23,310	97,328	22,531
Chief Officer Community & Enterprise		86,700	21,120	82,403	19,076
Chief Officer Planning & Environment		83,640	20,375	78,949	18,277
Chief Officer Streetscene & Transportation		83,640	20,375	78,181	18,099
Chief Officer Organisational Change 1	4	83,640	20,375	47,752	11,055
Chief Officer Organisational Change 2		83,640	20,375	78,181	18,099
Corporate Finance Manager (Section 151 Officer)		58,734	14,308	58,734	13,597
Director of Environment	5	0	0	106,643	7,405
Head of Finance	5	0	0	62,932	4,655
Head of ICT & Customer Services	5	0	0	86,947	10,214
		957,767	236,010	1,163,072	235,306

Note 1 : Remuneration does not include (a) £6,148 15/16 & £6,172 14/15 received for returning officer for national elections (with costs reimbursed by the respective Government) and (b) £5,000 received for Clerk to the North Wales Fire and Rescue Authority (costs reimbursed).

Note 2 : Remuneration does not include (a) £1,087 15/16 & £495 14/15 received for deputy returning officer for national elections (with costs reimbursed by the respective Government) and (b) £2,500 relating to role as Deputy Clerk to the North Wales Fire and Rescue Authority (costs reimbursed).

Note 3 : Former Directors receiving pay protection under the Council's Organisational Change policy.

Note 4 : The Chief Officer Organisational Change 1 was not in post until August 2014, therefore the remuneration stated in 2014/15 is not a full year total.

Note 5 : These posts were deleted as part of Senior Management restructure during 2014/15.

Note 6 : The remuneration paid to the Chief Officer People and Resources reflects an extended period of ill-health, during which the Council's attendance management policy was applied.

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 15/16 this was 1:73 (for 2014/15 this was also 1:73).

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. The band values do not include employer pension contributions.

NOTES TO THE CORE FINANCIAL STATEMENTS

Some posts occupied are paid in accordance with nationally agreed Soulbury terms and conditions. Governing Bodies have some discretion in setting the salaries of Head teachers, within the parameters of the School Teacher's pay and conditions 2015.

Remuneration Band	2016		2015	
	Non-Schools	Schools	Non-Schools	Schools
	No.	No.	No.	No.
£60,000 - £64,999	3	12	3	14
£65,000 - £69,999	1	8	3	6
£70,000 - £74,999	1	6	0	4
£75,000 - £79,999	1	2	0	1
£80,000 - £84,999	0	2	0	5
£85,000 - £89,999	0	1	0	2
£90,000 - £94,999	0	2	0	0
£95,000 - £99,999	0	1	0	0
£135,000 - £139,999	0	0	1	0
	6	34	7	32

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. Exit costs arising in 2015/16 which the authority is committed to incurring at the 31st March 2016, but paid after this date, are also included in the disclosure.

The totals disclosed are made up of redundancy 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 Discretionary Compensation Policy. The costs of which have been met from an earmarked reserve set up specifically to fund the costs of organisational change

Exit Package Cost Band	Compulsory Redundancies		Other Departures Agreed		Total Exit Packages by Cost Band		Total Exit Packages in Each Band	
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15
	No.	No.	No.	No.	No.	No.	£	£
£0 - £20,000	44	61	63	95	107	156	633,710	1,270,196
£20,001 - £40,000	12	15	15	43	27	58	733,521	1,606,705
£40,001 - £60,000	3	7	1	13	4	20	175,121	967,505
£60,001 - £80,000	1	4	3	7	4	11	280,348	771,520
£80,001 - £100,000	1	1	3	2	4	3	342,382	255,687
£100,001 - £150,000	0	0	1	2	1	2	112,995	235,560
£150,001 - £200,000	0	0	0	0	0	0	0	0
£200,001 - £250,000	0	2	0	0	0	2	0	416,909
	61	90	86	162	147	252	2,278,075	5,524,082

In July 2015 the 'Management of the Workforce Change Programme' report to the Corporate Resources Overview and Scrutiny Committee reviewed the Council's performance against the recommendations of the Wales Audit Office in a national study of public sector practice and performance. The review showed that the Council had developed effective local practice and policy that represented value for money.

NOTES TO THE CORE FINANCIAL STATEMENTS

27. MEMBERS' ALLOWANCES

Allowances totaling £1,340k were paid directly to members of the Council, and on their behalf in 2015/16 (£1,366k in 2014/15).

	2016	2015
	£000	£000
Basic allowance	927	920
Special responsibility allowance	247	236
Employer's national insurance	79	80
Employer's superannuation	68	62
Members' expenses	19	68
	1,340	1,366

Expenses include costs of travel, subsistence, telephones and refreshments.

The allowances paid fall into the following bands :-

Allowance Band	2016 Number of Members	2015 Number of Members
£0 - £9,999	0	1
£10,000 - £14,999	39	35
£15,000 - £19,999	12	16
£20,000 - £24,999	8	7
£25,000 - £29,999	3	4
£30,000 - £34,999	4	4
£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
	70	71

28. 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 37.

NOTES TO THE CORE FINANCIAL STATEMENTS

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members allowances paid in 2015/16 is shown in note 27.

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 2015/16 are as follows:

• Payments	£598k	(£698k in 2014/15)
• Receipts	£29k	(£65k in 2014/15)
• Amounts owed by the Council	£1k	(£39k in 2014/15)
• Amounts owed to the Council	£1k	(£10k in 2014/15)

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 2015/16 and amounts outstanding at 31st March are as follows:

• Payments	£135k	(£192k in 2014/15)
• Receipts	£0k	(£1k in 2014/15)
• Amounts owed by the Council	£27k	(£4k in 2014/15)

Members have declared some personal transactions with the Council. The total transactions under this heading during 2015/16 are as follows:

• Payments	£0k	(£16k in 2014/15)
• Receipts	£20k	(£1k in 2014/15)

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 2015/16 are as follows:

• Payments	£374k	(£418k in 2014/15)
• Amounts owed by the Council	£24k	(£0k in 2014/15)

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 98.

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 42.

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 £21,629k (£21,017k in 2014/15).

Community / Town Councils

Total precepts paid to the 34 community/town councils amounted to £2,487k (£2,387k in 2014/15).

NOTES TO THE CORE FINANCIAL STATEMENTS

Betsi Cadwaladr University Local Health Board

Transactions with Betsi Cadwaladr University Local Health Board for related healthcare activities during 2015/16 were as follows:

• Payments	£4,930k	(£2,627k in 2014/15)
• Receipts	£1,577k	(£5,388k in 2014/15)
• Amounts owed by the Council	£350k	(£312k in 2014/15)
• Amounts owed to the Council	£137k	(£1,907k in 2014/15)

Welsh Joint Education Committee:

• Payments	£521k	(£421k in 2014/15)
• Receipts	£6k	(0k in 2014/15)
• Amounts owed by the Council	£0k	(£0k in 2014/15)
• Amounts owed to the Council	£1k	(£0k in 2014/15)

Welsh Local Government Association:

• Payments	£104k	(£107k in 2014/15)
• Receipts	£6k	(£16k in 2014/15)
• Amounts owed to the Council	£3k	(£0k in 2014/15)

29. AUDIT FEES

Total audit and inspection fees due during the year amounted to £394k (£417k in 2014/15). External audit services were provided by Wales Audit Office.

	2016	2015
	£000	£000
Fees for the Statement of Accounts	219	216
Fees for the Local Government Measure	103	105
Fees for grants	72	96
	<u>394</u>	<u>417</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

30. 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 £1,971k (£2,080k in 2014/15).

The six North Wales councils act as agents of Welsh Government in providing recyclable loans under the Houses into Homes Scheme in perpetuity, 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 2015/16 (£0k in 2014/15) with gross payments against the brought forward sum amounting to £405k (£435k in 2014/15), with repayments of £373k made during the year, combining to a net total payments of £32k. Of which Flintshire County Council received and issued £155k of loans (£185k in 2014/15) with £25k being repaid.

During the year Welsh Government provided further funding to Flintshire County Council to provide additional recyclable loan products which are treated as agency arrangements in the Council's accounts. £313k was received in 2015/16 (£228k 2014/15) for a second Houses into Homes scheme with the funding to be returned in 15 years' time. The purpose is the same purpose as outlined above, and no loans have been issued so far. Another £313k was received in 2015/16 (£228k 2014/15) under Home Improvement Loans, for works in making a residential properties safe warm and/or secure, again with the funding to be returned in 15 years' time. £31k has been granted in loans in year (£0k in 2014/15).

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 £6,129k (£6,176k in 2014/15) and similarly the Young Person's Travel Discount Scheme £1,140k (new arrangement in 2015/16). Intermediate Care Fund to fund promote integrated working across health, social care, housing and the third sector £1,796k (£8,792k in 2014/15). Single point of access grant a regional programme for ease of customer access to Social and Health Care services £141k (£371k in 2014/15)

Flintshire County Council acts as agents on behalf of water companies collecting water and sewerage charges from tenants living in Council owned dwellings in 2015/16 £3,453k was collected (£3,515k 2014/15). The Council also acts as agent in arranging and collecting household contents insurance for tenants belongings on their behalf if they wish, in 2015/16 £104k was collected (£110k in 2014/15).

31. NATIONAL HEALTH SERVICES (WALES) ACT 2006

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

Partnership	2016 £000	2015 £000
Gross expenditure	1,129	1,052
Gross income	(1,185)	(1,116)
(Surplus) / deficit for year	<u>(56)</u>	<u>(64)</u>

Contribution to Budget

Flintshire County Council	319	391
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NOTES TO THE CORE FINANCIAL STATEMENTS

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	501	50.25
Wrexham County Borough Council	503	497	49.75
	1,011	998	100.00

32. 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 (lead))
- North East Wales Sensory Support Service (with Wrexham and Denbighshire)
- North East Wales Emergency Duty Team (with Wrexham (lead) and Denbighshire)
- North Wales Adoption Service (with Anglesey, Conwy, Denbighshire, Gwynedd and Wrexham (lead))
- North Wales Residual Waste Treatment Project (with Anglesey, Conwy, Denbighshire and Gwynedd)
- North Wales Procurement Partnership (with Anglesey, Conwy, Denbighshire (lead), Gwynedd and Wrexham)
- North Wales Emergency Planning Service (with Anglesey, Conwy, Denbighshire, Gwynedd and Wrexham)
- Welsh Penalty Processing Partnership (10 Local Authorities across Wales)
- Galw Gofal – regional Telecare service with (with Anglesey, Conwy (lead), and Gwynedd)
- GwE [North Wales Regional School Effectiveness and Improvement Service] (with Anglesey, Conwy, Denbighshire, Gwynedd (lead) and Wrexham)
- Clwydian Range & Dee Valley Area of Outstanding Natural Beauty (AONB) (with Denbighshire (lead) and Wrexham)

Flintshire County Council is the host partner for the North East Wales Community Equipment Service (details of which are provided in note 31), the North East Wales Sensory Support Service, the North Wales Residual Waste Treatment Project (NWRWTP), and the North Wales Emergency Planning Service.

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 2015/16 joint committee statements record:-

	2016 £000	2015 £000	Expenditure - allocation basis	FCC Share	
				2016 £000	2015 £000
Gross Expenditure					
NWRWTP	288	419	Equal shares	58	85
TAITH	0	113	Pro rata to population	0	28
GWE	14,073	9,311	Pro rata to pupil population	3,168	2,093
Clwydian Range & Dee Valley AONB	465	400	Management costs - equal shares	27	27
			Activity costs - geographical area		

NOTES TO THE CORE FINANCIAL STATEMENTS

Flintshire County Council's share of the income and expenditure for NWRWTP is recorded in the Net Cost of Services in the Comprehensive Income and Expenditure Statement in line with the accounting policy for Joint Committees. The Taith Joint Committee, developing North Wales Transport Strategy ended during the financial year following a Ministerial decision to end Regional Transport Consortia.

33. 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 2016 was £74k (£79k in 2014/15) 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 2016 the fund balance was £546k (£564k in 2014/15).

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 2016 was £4,148k in 415 separate accounts (£4,143k in 400 accounts in 2014/15).

34. CONTINGENT LIABILITIES

- 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 will be made at the reduced rate of 75% and has created an earmarked reserve to fund the 25% 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 the revision of the levy upwards during the year to an aggregate level of 25%, when modelling projected outcomes for the solvent run-off of MMI, the administrator indicated that the levy could range between 15% and 34%.
- 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.
- Several employees are claiming against the Council in Employment Tribunals which will be heard in the next financial year. Based on the outcomes of the cases the Council could have to pay all, some or none of the claims.
- During the process of introducing the single status pay agreement (now fully completed), the Council committed to reviewing the employment status of workers classed as relief to see if they should have been classed as employed and granted employment rights. There is potential for some associated costs dependent on the outcome of the review.

NOTES TO THE CORE FINANCIAL STATEMENT

- The Council along with other Welsh Local Authorities is an 'interested party' in a national legal case brought by a group of care home providers against 21 out of 22 Local Health Boards in relation to their costs in providing nursing care and the mechanism for funding care. The case is complex with the Local Authorities seeking leave to appeal to the Supreme Court the latest judgement in favour of Local Health Boards by the High Court in February 2016. Based on the outcome of the case the Council could have to pay all, some or none of the claim.

35. 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.

36. 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 2015/16 were as follows:-

	2016	2015
	£000	£000
Total minimum revenue provision	7,664	7,660
Recharge to housing revenue account	(513)	(530)
	<u>7,151</u>	<u>7,130</u>

37. 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).

NOTES TO THE CORE FINANCIAL STATEMENTS

The table below shows how the income and expenditure of the Authority's principal directorates recorded in the budget reports for the year, reconciles to amounts include in the Comprehensive Income and Expenditure Statement :

2015/16	Expenditure			Fees, Charges & Other £000	Income		Net Expenditure £000
	Employees £000	Other £000	Total £000		Grants & Contributions £000	Total £000	
Reported to Management							
Chief Executive	2,011	1,153	3,164	(159)	(40)	(199)	2,965
Community & Enterprise	5,591	54,345	59,936	(3,630)	(44,485)	(48,115)	11,821
Education & Youth	94,898	32,375	127,273	(10,293)	(19,807)	(30,100)	97,173
Governance	4,285	6,757	11,042	(1,811)	(446)	(2,257)	8,785
Organisational Change	13,365	10,697	24,062	(14,627)	(773)	(15,400)	8,662
People & Resources	4,344	487	4,831	(320)	(15)	(335)	4,496
Planning & Environment	6,250	2,972	9,222	(2,751)	(959)	(3,710)	5,512
Social Services	26,376	49,392	75,768	(8,714)	(7,860)	(16,574)	59,194
Streetscene & Transportation	12,649	31,036	43,685	(7,443)	(6,882)	(14,325)	29,360
Corporate & Central Finance	803	36,139	36,942	(14,942)	0	(14,942)	22,000
Housing Revenue Account	6,246	19,171	25,417	(25,246)	122	(25,124)	293
Portfolio Final Outturn Reported to Management	176,818	244,524	421,342	(89,936)	(81,145)	(171,081)	250,261
Items within 'Net Cost of Services', not Reported to Management							
Additional Segment - Clwyd Theatre Cymru	2,695	1,961	4,656	(2,726)	(1,930)	(4,656)	0
Capital Charges - Asset Related	0	91,044	91,044	0	0	0	91,044
Employee Related Accounting Adjustments	(3,576)	(125)	(3,701)	0	0	0	(3,701)
Other	0	(4,437)	(4,437)	1,870	0	1,870	(2,567)
Items Reported to Management, not included within 'Net Cost of Services'							
Reserves - Credits / Debits	0	(11,753)	(11,753)	15,789	0	15,789	4,036
CI&ES - Below 'Net Cost of Services'	0	(38,921)	(38,921)	380	0	380	(38,541)
Other	0	(8,685)	(8,685)	8,685	0	8,685	0
Net Cost of Services	175,937	273,608	449,545	(65,938)	(83,075)	(149,013)	300,532
Other Operating Expenditure	0	26,664	26,664	(3,197)	0	(3,197)	23,467
Financing and Investment Income and Expenditure	0	27,258	27,258	(6,497)	0	(6,497)	20,761
Taxation and Non Specific Grant Income	0	0	0	(125,231)	(167,633)	(292,864)	(292,864)
(Surplus) / Deficit on Provision of Services	175,937	327,530	503,467	(200,863)	(250,708)	(451,571)	51,896

NOTES TO THE CORE FINANCIAL STATEMENTS

2014/15	Expenditure			Fees, Charges & Other* £000	Income		Net Expenditure £000
	Employees £000	Other £000	Total £000		Grants & Contributions* £000	Total £000	
Reported to Management							
Chief Executive	1,996	1,313	3,309	(142)	(56)	(198)	3,111
Community & Enterprise	5,956	55,703	61,659	(2,258)	(46,645)	(48,903)	12,756
Education & Youth	91,401	35,334	126,735	(6,445)	(23,056)	(29,501)	97,234
Governance	4,322	6,470	10,792	(1,861)	(442)	(2,303)	8,489
Organisational Change*	13,911	10,692	24,603	(14,806)	(1,019)	(15,825)	8,778
People & Resources*	4,765	1,006	5,771	(657)	(115)	(772)	4,999
Planning & Environment*	6,390	3,303	9,693	(2,394)	(1,879)	(4,273)	5,420
Social Services	26,128	48,169	74,297	(4,159)	(11,969)	(16,128)	58,169
Streetscene & Transportation	13,617	37,509	51,126	(6,090)	(15,394)	(21,484)	29,642
Corporate & Central Finance	2,731	38,350	41,081	(15,442)	(864)	(16,306)	24,775
Housing Revenue Account	6,409	21,166	27,575	(27,365)	(19)	(27,384)	191
Portfolio Final Outturn Reported to Management	177,626	259,015	436,641	(81,619)	(101,458)	(183,077)	253,564
Items within 'Net Cost of Services', not Reported to Management*							
Additional Segment - Clwyd Theatre Cymru	2,713	1,953	4,666	(2,591)	(2,075)	(4,666)	0
Capital Charges - Asset Related		47,838	47,838	(159)	(6,165)	(6,324)	41,514
Employee Related Accounting Adjustments	(5,041)	(177)	(5,218)			0	(5,218)
Other		(12,849)	(12,849)	4,721	10,184	14,905	2,056
Items Reported to Management, not included within 'Net Cost of Services'							
Reserves - Credits / Debits		(10,593)	(10,593)	16,227		16,227	5,634
CI&ES - Below 'Net Cost of Services'		(31,341)	(31,341)	585	164	749	(30,592)
Other		(10,089)	(10,089)	10,035		10,035	(54)
Net Cost of Services	175,298	243,757	419,055	(52,801)	(99,350)	(152,151)	266,904
Other Operating Expenditure		27,381	27,381	(4,057)		(4,057)	23,324
Financing and Investment Income and Expenditure		25,201	25,201	(4,420)	(164)	(4,584)	20,617
Taxation and Non Specific Grant Income			0	(125,562)	(163,354)	(288,916)	(288,916)
(Surplus) / Deficit on Provision of Services	175,298	296,339	471,637	(186,840)	(262,868)	(449,708)	21,929

During the year the note above was reviewed to improve its presentation this has resulted in the figures marked with an * above being restated from the 2014/15 published figures, however the net figures have not changed.

NOTES TO THE CORE FINANCIAL STATEMENTS

38. 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.

	2016 £000	2015 £000
Capital Investment		
Property, plant and equipment	48,094	32,129
Intangible assets	14	29
REFCUS (see page 35)	<u>92,193</u>	<u>8,243</u>
	<u>140,301</u>	<u>40,401</u>
Sources of Finance		
Capital receipts	(2,066)	(1,282)
Capital grants and contributions	(28,982)	(21,803)
Capital reserves / CERA	<u>(11,649)</u>	<u>(7,031)</u>
	<u>(42,697)</u>	<u>(30,116)</u>
Increase/(decrease) in capital financing requirement	<u>97,604</u>	<u>10,285</u>
Increase in supported borrowing	4,316	4,316
Increase in other (unsupported) borrowing	<u>93,288</u>	<u>5,969</u>
	<u>97,604</u>	<u>10,285</u>

39. FUTURE CAPITAL COMMITMENTS

Significant commitments under capital contracts (in excess of £250k) at 31st March 2016 were as follows:

	Contracts Sum £000	Payments to date £000	Amount Outstanding £000
Council Fund			
Holywell, Community 3-16 Campus	26,732	18,729	8,003
External Wall Insulation	2,004	1,413	591
Queensferry Roundabout	1,335	782	553
Neighbourhood Renewal - Group Repair Schemes	1,305	626	679
Hawarden, Village Primary (Link Scheme)	<u>1,096</u>	<u>1,033</u>	<u>63</u>
	32,472	22,582	9,890
Housing Revenue Account			
Council Dwellings - Achievement of WHQS	11,500	6,717	4,783
Solar PV Installations	<u>3,000</u>	<u>2,920</u>	<u>80</u>
	14,500	9,637	4,863
Total Commitments	<u>46,972</u>	<u>32,219</u>	<u>14,753</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

40. 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	2016 £000	2015 £000
Vehicles, plant and equipment	5,871	6,504

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 £580k is due to be paid during the next 12 months (£529k equivalent for the previous financial year).

	2016 £000	Repaid £000	New £000	2015 £000
Finance lease liabilities (net present value of the minimum lease payments):				
Current	580	529	0	529
Non-current	5,951	0	0	6,531
	6,531	529	0	7,060
Finance costs payable in future years	3,464	630	0	4,094
Minimum lease payments	9,995	1,159	0	11,154

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	
	2016 £000	2015 £000	2016 £000	2015 £000
Not later than one year	1,159	1,159	580	529
Later than one year and not later than five years	4,768	5,061	2,679	2,715
Later than five years	4,068	4,934	3,272	3,816
	9,995	11,154	6,531	7,060

Operating Leases

In 2015/16, operating lease rentals paid amounted to £989k (£1,498k in 2014/15).

Asset Classification	2016 £000	2015 £000
Land	40	39
Buildings	118	162
Vehicles, plant and equipment	831	1,297
	989	1,498

NOTES TO THE CORE FINANCIAL STATEMENTS

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

	Land £000	Buildings £000	Vehicles, Plant & Equipment £000	Total £000
Not later than one year	39	116	666	821
Later than one year and not later than five years	152	358	466	976
Later then five years *	1,000	885	0	1,885
	1,191	1,359	1,132	3,682

* 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 2015/16, lease rentals receivable amounted to £2,843k (£2,720k in 2014/15).

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

	Land £000	Buildings £000	Total £000
Not later than one year	69	2,103	2,172
Later than one year and not later than five years	171	7,050	7,221
Later then five years *	462	10,975	11,437
	702	20,128	20,830

* 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

41. FINANCIAL INSTRUMENTS

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

	Long-Term		Current	
	2016	2015	2016	2015
	£000	£000	£000	£000
Financial liabilities at amortised cost				
Principal	251,901	172,585	54	452
Accrued Interest	0	0	2,731	1,103
Borrowing	<u>251,901</u>	<u>172,585</u>	<u>2,785</u>	<u>1,555</u>
Cash overdrawn	0	0	2,561	5,441
Cash & Cash Equivalents	<u>0</u>	<u>0</u>	<u>2,561</u>	<u>5,441</u>
Finance Leases	5,951	6,531	580	529
Deferred Liabilities	<u>5,951</u>	<u>6,531</u>	<u>580</u>	<u>529</u>
Trade Payables	0	0	26,101	34,268
Within Creditors	<u>0</u>	<u>0</u>	<u>26,101</u>	<u>34,268</u>
Total financial liabilities	<u>257,852</u>	<u>179,116</u>	<u>32,027</u>	<u>41,793</u>
Financial assets at amortised cost				
Principal	0	0	6,000	2,000
Accrued Interest	0	0	14	115
Investments	<u>0</u>	<u>0</u>	<u>6,014</u>	<u>2,115</u>
Cash & Cash Equivalents	0	0	27,594	48,210
Accrued Interest	0	0	30	0
Cash & Cash Equivalents	<u>0</u>	<u>0</u>	<u>27,624</u>	<u>48,210</u>
Trade Receivables	2,111	1,885	29,759	27,569
Within Debtors	<u>2,111</u>	<u>1,885</u>	<u>29,759</u>	<u>27,569</u>
Total financial assets	<u>2,111</u>	<u>1,885</u>	<u>63,397</u>	<u>77,894</u>

The current Creditor lines on the Balance Sheet includes £2,122k that does not meet the definition of a financial liability. See note 17 for further information.

The Debtors lines on the Balance Sheet include £0k (2014/15 £187k) long term and £1,968k (2014/15 £9,546k) current that do not meet the definition of a financial asset. See notes 11 and 13 for further information.

Within the Cash and Cash Equivalent line on the Balance Sheet financial assets and liabilities are offset:-

	2016	2015
	Net	Net
	Total	Total
	£000	£000
Financial Assets - Bank Accounts in Credit	27,624	48,210
Financial Liabilities - Cash Overdraft	(2,561)	(5,441)
Net Position reported on Balance Sheet	<u>25,063</u>	<u>42,769</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

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

	2016			2015		
	Financial Liabilities	Financial Assets		Financial Liabilities	Financial Assets	
	Liabilities Measured at Amortised Cost	Loans and Receivables	Total	Liabilities Measured at Amortised Cost	Loans and Receivables	Total
	£000	£000	£000	£000	£000	£000
Interest expense	(13,727)	0	(13,727)	(10,212)	0	(10,212)
Interest payable and similar charges	(13,727)	0	(13,727)	(10,212)	0	(10,212)
Interest income	0	290	290	0	506	506
Interest and investment income	0	290	290	0	506	506
Net gain/(loss) for the year	(13,727)	290		(10,212)	506	

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 2014/15 method).

- The 2015/16 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 2016 (in line with the 2014/15 method).
- The 2015/16 Lender Option Borrower Option loans (LOBOs) figure has been calculated by discounting the cash flows over the whole life of the loans at the appropriate interest rate.
- The fair values for finance lease liabilities has been calculated by discounting the contractual cash flows at the appropriate AA – rated corporate bond yield.
- Certificates of deposits have been discounted at market interest rates for instruments of similar credit quality and remaining term to maturity
- The fair value of current assets and liabilities, and long term trade payables and receivables, and other receivables is assumed to approximate to the carrying amount.

The fair values are calculated as follows, the fair value hierarchy is explained within the accounting policies in Note 1:

	Fair Value Level	2016		2015	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
		£000	£000	£000	£000
Financial Liabilities					
PWLB	2	232,410	320,864	154,039	254,343
LOBOs	2	18,950	26,380	19,177	27,045
Lease payables	3	6,531	5,653	7,060	6,165
		<u>257,891</u>	<u>352,897</u>	<u>180,276</u>	<u>287,553</u>
Financial Assets					
Certificates of Deposits	2	3,006	3,008	0	0
		<u>3,006</u>	<u>3,008</u>	<u>0</u>	<u>0</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

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 2016, 4.3% 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 £290k.

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

Minimum Credit Rating	Banks Unsecured	Banks Secured	Government	Corporates	Registered Providers
UK Government	£ Unlimited 50 years				
AAA	£4m	£7m	£7m	£4m	£4m 10 years
AA+	5 years	5 years	25 years	5 years	
AA	£4m	£7m	£7m	£4m	
	4 years	4 years	15 years	4 years	
AA-	£4m	£7m	£7m	£4m	£4m 5 years
	3 years	3 years	10 years	3 years	
A+	£4m	£7m	£7m 5 years	£4m	
	2 years	2 years		2 years	
A	£4m	£7m		£4m	
	1 year	1 year	1 year	£4m	
A-	£4m	£7m		£4m	
	6 months	6 months		6 months	
Pooled Funds	£7m per fund				
BBB-	The Council is restricted to overnight deposits at its' own current account bank with a limit of £5m where the banks lowest credit rating is BBB+, BBB or BBB- (or equivalent)				
Unrated Local Authorities	£4m 2 years				
Unrated Other	The Council may invest in any other unrated organisation, subject to: · an external credit assessment and specific advice from the Authority's treasury management adviser (£1m each / 1 year limit) · a further policy framework for investing with any other organisations being developed (£100k each / 5 year limit)				

Analysis shows that if interest rates rose by 1% the financial effect would be an increase in investment income of £12k. 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

42. 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 2015/16 the Council paid £7,944k (£7,367k in 2014/15), which represents 15.48% (average) of teachers' pensionable pay (14.07% in 2014/15). The contributions due in 2016/17 are estimated to be £7,613k, 16.14% 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 the award of discretionary post-retirement benefits on early retirements (also known as added years) it has awarded, together with the related increases, outside of the terms of the teachers' scheme, are accounted for on a defined benefit basis as detailed in the following section.

Pensions - Other Employees

As part of their terms and conditions of employment of its officers the Council makes contributions towards the costs of post-employment benefits. 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.

Discretionary post-retirement benefits awarded on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when payments are made. There are no plan assets built up to meet these pension liabilities.

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 98 to 126, and in the Clwyd Pension Fund Annual Report which is available from www.clwydpensionfund.org.uk.

NOTES TO THE CORE FINANCIAL STATEMENTS

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 :-

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2016	2015	2016	2015
	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement				
Service Expenditure Analysis -				
Current service cost	20,950	16,748	0	0
Past service cost/(gain)	1	59	0	0
Curtailments/settlements	988	3,250	0	56
Other Operating Expenditure -				
Administration expenses	406	418	0	0
Financing and Investment Income and Expenditure				
Net interest expense	8,990	8,947	1,432	1,867
Net charge to surplus / deficit on the provision of services -	<u>31,335</u>	<u>29,422</u>	<u>1,432</u>	<u>1,923</u>
Other Comprehensive Income and Expenditure				
Remeasurement of the net defined benefit liability -				
Return on plan assets	11,121	(42,220)	0	0
Actuarial (gains) and losses - financial assumptions	(43,559)	107,885	(1,389)	3,759
Net charge to other comprehensive income and expenditure -	<u>(32,438)</u>	<u>65,665</u>	<u>(1,389)</u>	<u>3,759</u>
Net charge to Comprehensive Income and Expenditure -	<u>(1,103)</u>	<u>95,087</u>	<u>43</u>	<u>5,682</u>
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	(31,335)	(29,422)	(1,432)	(1,923)
Actual amount charged against the Council fund balance for pensions in the year				
Employers' contributions payable to scheme	20,937	21,862	3,298	3,350
Net debit/(credit) to the movement in reserves statement	<u>(10,398)</u>	<u>(7,560)</u>	<u>1,866</u>	<u>1,427</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

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:-

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2016	2015	2016	2015
	£000	£000	£000	£000
Present value of liabilities	(751,269)	(766,703)	(43,155)	(46,410)
Fair value of assets	485,745	479,139	0	0
Surplus/deficit in the scheme	<u>(265,524)</u>	<u>(287,564)</u>	<u>(43,155)</u>	<u>(46,410)</u>

The liabilities total reflects the underlying long-term commitments that the Authority has in respect of retirement benefits due. The net liability of £308,679k is included as part of the unusable reserves total on the Balance Sheet.

Reconciliation of present value of the scheme liabilities:-

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2016	2015	2016	2015
	£000	£000	£000	£000
1st April	766,703	630,731	46,410	44,078
Current service cost	20,950	16,748	0	0
Interest cost	24,993	27,935	1,432	1,867
Contributions by scheme participants	4,984	5,147	0	0
Actuarial gains and losses - Financial assumptions	(43,559)	107,885	(1,389)	3,759
Benefits paid	(23,791)	(25,052)	(3,298)	(3,350)
Past service costs	1	59	0	0
Past service gains	0	0	0	0
Curtailments/settlements	988	3,250	0	56
31st March	<u>751,269</u>	<u>766,703</u>	<u>43,155</u>	<u>46,410</u>

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

	2016	2015
	£000	£000
1st April	479,139	416,392
Interest income	16,003	18,988
Administration Expenses	(406)	(418)
Return on plan assets	(11,121)	42,220
Employer contributions	22,619	23,561
Contributions by scheme participants	4,984	5,147
Benefits paid	0	(26,751)
31st March	<u>485,745</u>	<u>479,139</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

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

	2016		2015	
	£000	£000	£000	£000
Equity investments:				
UK Quoted*	0		0	
Global Quoted*	34,488		35,935	
Global Unquoted	0		16,770	
US*	0		0	
Japan*	0		0	
Europe*	0		0	
Emerging Markets*	27,687		28,748	
Frontier*	9,229		4,791	
Far East*	0		0	
	<u> </u>	71,404	<u> </u>	86,244
Bonds:				
Overseas Other	59,747		62,288	
LDI*	110,750		110,202	
	<u> </u>	170,497	<u> </u>	172,490
Property:				
UK*	14,572		14,374	
Overseas	23,802		19,166	
	<u> </u>	38,374	<u> </u>	33,540
Cash:				
Cash Accounts*	4,858		14,374	
	<u> </u>	4,858	<u> </u>	14,374
Alternatives:				
Hedge Funds	49,060		19,166	
Private Equity	52,946		52,705	
Infrastructure	9,715		9,583	
Timber & Agriculture	9,229		9,583	
Commodities	0		9,583	
DGF	79,662		71,871	
	<u> </u>	200,612	<u> </u>	172,491
	<u> </u>	<u>485,745</u>	<u> </u>	<u>479,139</u>

* 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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:-

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2016	2015	2016	2015
Mortality Assumptions				
Longevity at 65 for current pensioners -				
Men	23.5 yrs	23.4 yrs	23.5 yrs	23.4 yrs
Women	26.0 yrs	25.9 yrs	26.0 yrs	25.9 yrs
Longevity at 65 for future pensioners -				
Men	26.4 yrs	26.3 yrs	n/a	n/a
Women	29.4 yrs	29.3 yrs	n/a	n/a
Rate of inflation (Consumer Prices Index)	2.0%	2.0%	2.0%	2.0%
Rate of increase in salaries	3.5%	3.5%	n/a	n/a
Rate of increase in pensions	2.0%	2.0%	2.0%	2.0%
Rate for discounting scheme liabilities	3.6%	3.3%	3.4%	3.1%

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)	(15,576)	15,576
Rate of inflation (increase / decrease by 0.1%)	(14,725)	14,725
Rate of increase in salaries (increase / decrease by 0.1%)	(3,579)	3,579
Discount Rate (increase / decrease by 0.1%)	14,456	(14,456)

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 2017 is £21.038m.

The duration of the defined benefit obligation for LGPS members is 19 years, 2015/16 (19 years 2104/15).

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

for the year ended 31st March 2016

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.

	2016		2015	
	£000	£000	£000	£000
Expenditure				
Repairs and maintenance		6,723		8,261
Management and supervision		4,727		3,925
Specialist Services		1,471		0
Rents, rates, taxes and other charges		111		879
Housing revenue account subsidy payable		0		6,234
Depreciation and impairment of non-current assets		26,347		18,775
Settlement Payment		79,248		0
Valuations - Dwellings		(49,730)		
Debt management costs		47		10
Increase in bad debt provision		346		186
Total expenditure		69,290		38,270
Income				
Dwelling rents (gross)	28,917		27,588	
Non-dwelling rents (gross)	497		364	
		29,414		27,952
Charges for services and facilities		651		675
Total income		30,065		28,627
Net cost of HRA services as included in the whole authority Comprehensive Income and Expenditure Statement		39,225		9,643
HRA share of Corporate and Democratic Core		0		72
HRA share of other amounts included in the whole authority Net Cost of Services but not allocated to specific services		6		197
Net cost of HRA services		39,231		9,912
Other Operating Expenditure				
Net (gain) / loss on the disposal of non-current assets		(530)		(289)
Admin. expenses on the net defined benefit liability		22		0
Financing and Investment Income and Expenditure				
Interest payable and similar charges		4,907		1,303
HRA investment income		0		(7)
Net interest on the net defined benefit liability (see note 42)		522		525
Total (surplus) / deficit for the year on HRA services		44,152		11,444

MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

for the year ended 31st March 2016

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)	2016 £000	2015 £000
At 1st April		1,510	1,662
Surplus/(deficit) on the HRA income and expenditure statement		(44,152)	(11,444)
Total comprehensive income and expenditure		(44,152)	(11,444)
Adjustments between accounting and funding basis under regulations	5	44,159	11,292
Net increase/(decrease) before transfer to earmarked reserves		7	(152)
Transfers (to)/from earmarked reserves		0	0
Increase/(decrease) in year on the HRA		7	(152)
At 31st March		1,517	1,510

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 2016 were:-

Type	2016 No.	2015 No.
Houses	4,039	4,051
Flats	1,353	1,364
Maisonettes	10	108
Bungalows	1,796	1,796
	7,198	7,319

3. RENT ARREARS

The rents total of £1,124k (£951k in 2014/15) includes, in addition to the basic rent element, amounts due in respect of water/sewerage rates, heating charges, household insurance, communal television licences and value added tax on some garage rentals. These individual rent elements cannot be separately identified from the whole.

Analysis of arrears	2016 £000	2015 £000
Rents		
Current tenants	966	774
Former tenants	158	177
	1,124	951
Provision for impairment losses (bad debts)		
	£000	£000
Opening provision	428	706
Written off in year	(349)	(464)
Increase in provision	330	186
	409	428

NOTES TO THE HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

4. NON-CURRENT ASSET ACCOUNTING

Capital Financing

Housing revenue account capital expenditure of £99,626k (£11,994k in 2014/15) was financed as follows :-

	Capital Receipts	Capital Grants & Contributions	Revenue Contributions	Borrowing	Total
	£000	£000	£000	£000	£000
Capital financing	1,641	5,574	11,288	81,123	99,626
	1,641	5,574	11,288	81,123	99,626

Major Repairs Allowance (MRA)

Included within the capital grants and contributions total (£5,574k) is the 2015/16 MRA allocation figure of £5,060k (£5,110k in 2014/15). 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 2015/16 in financing qualifying capital expenditure.

Capital Receipts

Gross capital receipts of £1,493k (£858k in 2014/15) were realised by way of the disposal of dwellings, land sales, and shared ownership sales :-

	2016	2015
	£000	£000
Council dwellings	1,028	858
Mortgages	0	0
Land sales	465	0
	1,493	858

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 £5,060k (£5,110k in 2014/15) is based on the 2015/16 opening net balance sheet valuations (valuation list less cumulative depreciation), with assumed nil residual values.

	2016	2015
	£000	£000
Dwellings	5,043	5,099 (equating to the value of MRA)
Garages	17	11
Plant and equipment	0	0
	5,060	5,110

Impairment Losses and Revenue Expenditure Funded from Capital Under Statute

A HRA dwellings impairment adjustment total of £21,186k was accounted for in 2015/16 (£13,629k in 2014/15) and £79,248k revenue expenditure funded from capital under statute (£0k in 2014/15) which explained further on the next page.

NOTES TO THE HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

5. MATERIAL ITEMS OF INCOME AND EXPENDITURE

HRA Settlement Payment

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 – revenue expenditure funded from capital under statute), was paid to Welsh Government (WG) and on to UK Treasury. For Flintshire this amounted to £79,248k, the payment is shown separately of the face of the Housing Revenue Account and the Comprehensive Income and Expenditure Statement as a material item of expenditure.

The agreement will 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.

Valuations - Dwellings

During the year the Council's Housing Stock was revalued. The carrying net book value of the Council Dwellings increased from £255,511k at the last balance sheet date by £49,729k which is credited to the HRA line of the Comprehensive Income and Expenditure Account reversing prior year charges for depreciation and impairment that have accumulated since the last revaluation on 1st April 2011. Shown on the face of the Housing Revenue Account and the Comprehensive Income and Expenditure Statement as a material item of expenditure.

6. 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:-

	2016		2015	
	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement				
Service Expenditure Analysis -				
Current service cost	1,004		834	
Curtailments/settlements	6		197	
Other Operating Expenditure -		1,010		1,031
Administration expenses	22		22	
Financing and Investment Income and Expenditure		22		22
Net interest expense	522		525	
Total HRA Charge		522		525
		1,554		1,578
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		(1,554)		(1,578)
Actual amount charged against the HRA balance for pensions in the year:				
Employers' contributions payable to scheme		1,084		1,173

GROUP ACCOUNTS

The Code requires that a local authority with material interests in subsidiaries, associates and joint ventures should prepare Group Accounts in addition to its single entity accounts.

For Group Accounts purposes the Council has consolidated the accounts of North East Wales Homes Limited (NEW Homes), a wholly owned subsidiary of the Council. Group Accounts were not prepared for 2014-15, as the nature and level of activity of NEW Homes was not considered to be material to the Council. Activity has increased, and in preparing Group Accounts for 2015-16, comparators have been prepared for financial year 2014-15.

The Council's other collaborative working arrangements have been reviewed against the requirements of the Code, and it has been determined that none of these arrangements require inclusion in Group Accounts.

The Group Accounts include:

- Group Movement in Reserves Statement
- Group Comprehensive Income and Expenditure Statement
- Group Balance Sheet
- Group Cash Flow Statement

NEW Homes

NEW Homes was established on 3rd April 2014 to 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

Further information on NEW Homes is available on its website www.northeastwaleshomes.co.uk, where its single entity accounts will be published each year.

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 limited. 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.

NEW Homes balance sheet shows that it owns non-current assets, these equate to 21 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. The total value of these properties in the NEW Homes Balance Sheet is £3.12m.

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.

GROUP ACCOUNTS

Accounting Policies

The accounting policies for the Group follow those adopted by Flintshire County Council in the single entity statements, as detailed on pages 17 to 35. Where NEW Homes accounting policies are different, adjustments have been made on consolidation to align any differences in accounting treatment.

GROUP MOVEMENT IN RESERVES STATEMENT

for the year ended 31st March 2016

	Council Fund Balance £000	Other Useable Reserves £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves of the Authority £000	Subsidiary Reserves £000	Total Group Reserves £000
At 31st March 2015	10,515	43,320	53,835	217,375	271,210	1,731	272,941
Surplus/(deficit) on the provision of services	(7,821)	(44,152)	(51,973)	0	(51,973)	55	(51,918)
Other comprehensive income and expenditure	0	0	0	33,491	33,491	780	34,271
Total comprehensive income and expenditure	(7,821)	(44,152)	(51,973)	33,491	(18,482)	835	(17,647)
Adjustments between group accounts and authority accounts	77	0	77	0	77	(77)	0
Net increase/(decrease) before transfers	(7,744)	(44,152)	(51,896)	33,491	(18,405)	758	(17,647)
Adjustments between accounting and funding basis under regulations	4,886	43,886	48,772	(48,772)	0	0	0
Net increase/(decrease) before transfers to earmarked reserves	(2,858)	(266)	(3,124)	(15,281)	(18,405)	758	(17,647)
Transfers to/(from) earmarked reserves	2,487	(2,487)	0	0	0	0	0
Increase/(decrease) in year	(371)	(2,753)	(3,124)	(15,281)	(18,405)	758	(17,647)
At 31st March 2016	10,144	40,567	50,711	202,094	252,805	2,489	255,294

GROUP MOVEMENT IN RESERVES STATEMENT

for the year ended 31st March 2015

	Council Fund Balance £000	Other Useable Reserves £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves of the Authority £000	Subsidiary Reserves £000	Total Group Reserves £000
At 31st March 2014	11,161	49,051	60,212	302,174	362,386	0	362,386
Surplus/(deficit) on the provision of services	(10,518)	(11,444)	(21,962)	0	(21,962)	49	(21,913)
Other comprehensive income and expenditure	0	0	0	(69,248)	(69,248)	1,716	(67,532)
Total comprehensive income and expenditure	(10,518)	(11,444)	(21,962)	(69,248)	(91,210)	1,765	(89,445)
Adjustments between group accounts and authority accounts	34	0	34	0	34	(34)	0
Net increase/(decrease) before transfers	(10,484)	(11,444)	(21,928)	(69,248)	(91,176)	1,731	(89,445)
Adjustments between accounting and funding basis under regulations	778	14,773	15,551	(15,551)	0	0	0
Net increase/(decrease) before transfers to earmarked reserves	(9,706)	3,329	(6,377)	(84,799)	(91,176)	1,731	(89,445)
Transfers to/(from) earmarked reserves	9,060	(9,060)	0	0	0	0	0
Increase/(decrease) in year	(646)	(5,731)	(6,377)	(84,799)	(91,176)	1,731	(89,445)
At 31st March 2015	10,515	43,320	53,835	217,375	271,210	1,731	272,941

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

for the year ended 31st March 2016

	Note	2016		2015			
		Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
		£000	£000	£000	£000	£000	£000
Service Expenditure Analysis							
Adult social care		62,528	(12,903)	49,625	58,420	(13,300)	45,120
Central services to the public		3,048	(1,759)	1,289	3,151	(1,410)	1,741
Education and children's services		164,227	(29,381)	134,846	157,926	(30,733)	127,193
Cultural and related services		27,167	(10,932)	16,235	21,135	(10,155)	10,980
Environmental and regulatory services		20,561	(6,132)	14,429	24,391	(7,821)	16,570
Planning services		7,479	(2,633)	4,846	12,176	(6,976)	5,200
Highways and transport services		27,940	(6,493)	21,447	28,715	(5,928)	22,787
Housing services :							
Housing - Council fund		59,052	(50,349)	8,703	62,289	(46,792)	15,497
Housing revenue account (HRA)		39,772	(30,065)	9,707	38,270	(28,627)	9,643
Housing revenue account (HRA) - Settlement		79,248	0	79,248			
Housing revenue account (HRA) - Valuations		(49,730)	0	(49,730)			
Corporate and democratic core		7,326	(360)	6,966	7,460	(435)	7,025
Non distributed costs		988	0	988	5,129	0	5,129
Cost of services		449,606	(151,007)	298,599	419,062	(152,177)	266,885
Other Operating Expenditure				23,467			23,323
Financing and Investment Income and Expenditure				20,761			20,617
Taxation and Non-Specific Grant Income				(290,914)			(288,916)
(Surplus)/deficit on the provision of services				51,913			21,909
Tax expenses of subsidiary				5			4
Group (Surplus)/deficit				51,918			21,913
(Surplus)/deficit arising on revaluation of non-current assets				(444)			(1,889)
(Surplus)/deficit arising on revaluation of available-for-sale financial assets				0			(3)
Actuarial (gains) or losses on pension assets and liabilities				(33,827)			69,424
Total comprehensive income and expenditure				17,647			89,445

GROUP BALANCE SHEET

as at 31st March 2016

		2016		2015	
	Note	£000	£000	£000	£000
NON-CURRENT ASSETS					
Property, Plant & Equipment					
Council dwellings		300,801		256,346	
Other land and buildings		263,041		273,841	
Vehicles, plant, furniture and equipment		14,962		16,272	
Surplus assets		8,693		7,426	
Infrastructure assets		153,549		156,781	
Community assets		4,711		4,543	
Assets under construction		21,089		3,771	
Total Property, Plant & Equipment			766,846		718,980
Investment properties and Agricultural Estate			30,611		30,805
Intangible assets			227		394
Long term investments			0		0
Long term debtors			2,102		2,060
NON-CURRENT ASSETS TOTAL			<u>799,786</u>		<u>752,239</u>
CURRENT ASSETS					
Inventories		1,069		1,038	
Short term debtors (net of impairment provision)		29,261		33,698	
Short term investments		6,014		2,115	
Cash and cash equivalents		25,197		42,764	
Assets held for sale		3,556		2,656	
CURRENT ASSETS TOTAL			<u>65,097</u>		<u>82,271</u>
CURRENT LIABILITIES					
Borrowing repayable on demand or within 12 months		(2,785)		(1,555)	
Short term creditors		(28,245)		(31,167)	
Provision for accumulated absences		(1,891)		(3,296)	
Deferred liabilities		(580)		(529)	
Grants receipts in advance		(858)		(2,573)	
Provisions		(2,492)		(5,381)	
Current Tax Liability		(5)		(4)	
CURRENT LIABILITIES TOTAL			<u>(36,856)</u>		<u>(44,505)</u>
NON-CURRENT LIABILITIES					
Long term creditors		(2,266)		(1,016)	
Long term borrowing		(251,901)		(172,585)	
Deferred liabilities		(5,951)		(6,531)	
Provisions		(1,042)		(1,032)	
Other long term liabilities		(308,679)		(333,974)	
Grants receipts in advance		(2,270)		(1,497)	
Deferred Tax Liability		(624)		(429)	
NON-CURRENT LIABILITIES TOTAL			<u>(572,733)</u>		<u>(517,064)</u>
NET ASSETS			<u>255,294</u>		<u>272,941</u>

GROUP BALANCE SHEET

as at 31st March 2016

	Note	2016		2015	
		£000	£000	£000	£000
USABLE RESERVES					
Capital receipts reserve		7,969		6,764	
Capital grants unapplied		3,336		4,814	
Council fund		10,067		10,481	
Earmarked reserves		27,745		30,232	
Housing revenue account		1,517		1,510	
Profit and Loss Reserve		112		49	
USABLE RESERVES TOTAL			50,746		53,850
UNUSABLE RESERVES					
Revaluation reserve		57,511		59,574	
Capital adjustment account		464,686		504,216	
Financial instruments adjustment account		(7,177)		(7,545)	
Pensions reserve		(308,679)		(333,974)	
Deferred capital receipts		98		116	
Accumulated absences account		(1,891)		(3,296)	
UNUSABLE RESERVES TOTAL			204,548		219,091
TOTAL RESERVES			<u>255,294</u>		<u>272,941</u>

GROUP CASH FLOW STATEMENT
for the year ended 31st March 2016

	Note	2016		2015	
		£000	£000	£000	£000
Net surplus or (deficit) on the provision of services		(51,913)		(21,913)	
Adjustment to surplus or deficit on the provision of services for non-cash movements		8,186		50,220	
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		<u>(26,757)</u>		<u>(27,020)</u>	
Net cash flows from operating activities			(70,484)		1,287
Net cash flows from investing activities		(25,468)		1,460	
Net cash flows from financing activities		<u>78,385</u>		<u>(488)</u>	
Net increase or decrease in cash and cash equivalents			<u>52,917</u> <u>(17,567)</u>		<u>972</u> <u>2,259</u>
Cash and cash equivalents at the beginning of the reporting period			42,764		40,505
Cash and cash equivalents at the end of the reporting period			25,197		42,764

CLWYD PENSION FUND ACCOUNTS

for the year ended 31st March 2016

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 twelve investment managers during 2015/16.

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 2016. 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 from April 2014. 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 2016 and 2015 is shown below:

	2016	2015
	No.	No.
Active Members	16,282	15,941
Pensioners & Survivors		
Ex employees	9,815	9,272
Survivors	1,601	1,591
Other		
Preserved benefits/ Undecided	13,052	12,433
Frozen Refund	955	871
	<u>41,705</u>	<u>40,108</u>

CLWYD PENSION FUND ACCOUNTS

The scheduled bodies which contributed to the Fund during 2015/16 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, Civica UK, Denbigh Youth Group, 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 2015/16 financial year and its position at year end as at 31st March 2016. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

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

In summary, accounting policies adopted are detailed as follows:

- Contributions, benefits and investment income due are included on an accruals basis.
- Investments are included in the accounts at market value, usually bid price.
- Debtors and creditors are raised for all amounts outstanding at 31st March.
- Individual Transfer values received and paid out have been accounted for on a cash basis.
- Bulk Transfer values paid out 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

			2016			2015	
	Note	£000	£000	£000	£000	£000	£000
Contributions and Benefits							
Contributions receivable :							
From employers (Normal)	1	(30,488)			(29,434)		
From employers (Deficit)	1	(27,277)			(28,590)		
From employees or members	1	<u>(14,471)</u>			<u>(14,929)</u>		
			(72,236)			(72,953)	
Transfers in		(1,691)			(2,202)		
Other income		<u>(3,077)</u>			<u>(3,726)</u>		
			<u>(4,768)</u>			<u>(5,928)</u>	
				(77,004)			(78,881)
Benefits payable :							
Pensions	1	52,922			50,338		
Lump sums (retirement)	1	13,422			14,544		
Lump sums (death grants)	1	<u>1,910</u>			<u>1,807</u>		
			68,254			66,689	
Payments to and on account of leavers :							
Refunds of contributions		121			83		
Transfers out (individual)		1,936			1,788		
Transfers out (bulk)		3,889			0		
Other		129			165		
Expenses borne by the scheme	2	<u>17,621</u>			<u>18,289</u>		
			<u>23,696</u>			<u>20,325</u>	
				91,950			87,014
NET (ADDITIONS) WITHDRAWALS				<u>14,946</u>			<u>8,133</u>
Returns on Investments							
Investment income	4		(5,863)			(5,345)	
Change in market value of investments (Realised and Unrealised) [(Increase)/Decrease]	4		4,858			(184,629)	
NET RETURNS ON INVESTMENT					<u>(1,005)</u>		<u>(189,974)</u>
NET DECREASE/(INCREASE) IN THE FUND					<u>13,941</u>		<u>(181,841)</u>
OPENING NET ASSETS OF THE SCHEME					<u>1,395,408</u>		<u>1,213,567</u>
CLOSING NET ASSETS OF THE SCHEME					<u>1,381,467</u>		<u>1,395,408</u>

CLWYD PENSION FUND ACCOUNTS

		2016		2015
	Note	£000		£000
Net Assets Statement				
Investment Assets :	5			
Multi Asset credit		170,331		172,749
Managed overseas equity funds		202,826		247,289
Managed multi strategy funds		227,037		205,260
Property funds		109,422		103,522
Infrastructure funds		27,436		34,128
Timberland / Agricultural funds		25,832		26,207
Commodity funds		0		24,962
Private equity funds		139,117		142,808
Hedge Fund		139,221		48,750
Liability Driven Investment		315,530		329,101
Opportunistic Funds		8,384		9,998
		<u>1,365,136</u>		<u>1,344,774</u>
Cash	7	<u>15,034</u>		<u>47,591</u>
		15,034		47,591
Current Assets :				
Due within 1 year	8	<u>5,349</u>		<u>6,236</u>
		5,349		6,236
Current liabilities				
Due within 1 year	8	<u>(4,052)</u>		<u>(3,193)</u>
		(4,052)		(3,193)
NET ASSETS AT 31st MARCH		<u><u>1,381,467</u></u>		<u><u>1,395,408</u></u>

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

1. ANALYSIS OF CONTRIBUTIONS RECEIVABLE/BENEFITS PAYABLE

Contributions represent those amounts receivable from various employing authorities in respect of their own contributions and those of eligible pensionable employees. The total contributions received during 2015/16 amounted to £57.765m (£58.024m in 2014/15) from employers and £14.471 m (£14.929m in 2014/15) from employees.

The employers total comprised an amount of £30.488m (£29.434m in 2014/15) relating to the common contribution rate average of 13.8% paid by all employers and £27.277m (£28.590m in 2014/15) 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:-

	2016		2015	
	Benefits Payable £000	Contributions Receivable £000	Benefits Payable £000	Contributions Receivable £000
Scheduled Bodies				
Flintshire County Council	23,813	25,215	24,610	24,648
Wrexham County Borough Council	20,736	22,438	20,241	21,789
Denbighshire County Council	16,608	17,525	14,895	17,549
Fund apportionment with:				
Gwynedd and Powys County Councils	2,314	0	2,353	0
Educational Organisations	2,874	4,215	2,982	6,737
Town and Community Councils	124	298	131	286
Others - scheduled bodies	866	1,478	605	1,359
Others - admitted bodies	919	1,067	872	585
	68,254	72,236	66,689	72,953

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.

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

	2016	2015
	£000	£000
Oversight & Governance		
Employee Costs	225	218
Support Services	31	33
Supplies and Services	54	49
Consultancy & Actuarial	818	750
Audit	39	37
Legal	35	21
	1,202	1,108
Investment Management Fees		
Net Fund Management Fees	14,971	16,127
Custody Fees	28	32
Performance Monitoring Fees	30	20
	15,029	16,179
Administration Costs		
Employee Costs	603	592
Support Services	146	156
Outsourcing	404	32
Supplies & Services	237	222
	1,390	1,002
Total Fees	17,621	18,289

Investment management fees are broadly based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change. The Fund is invested in pooled vehicles of which the majority of fees are charged within the Funds. The 2014/15 CIPFA guidance required pension funds to include all investment manager fees including those which are deducted at source to fund of fund investments. The 2014/15 Investment Management Expenses figure of £16.127m, reported in the 2014/15 accounts, therefore included £1.891m of underlying fees. In addition to the underlying fees the guidance also required Funds to include transaction costs (which were previously included in a narrative note only) therefore £1.527m of transaction costs were also included within the £16.127m.

The CIPFA guidance has been revised in 2015/16 and has clarified the position with regards to underlying fees, invoking the accounting principle of control. The guidance clarifies that Funds should only include fees where they have a direct relationship with the investment manager, meaning that underlying fees should not be included within the Management Expenses total. This information remains disclosable within the Fund's Annual Report.

The Fund Management Fees shown overleaf show the fees for 2015/16, 2014/15 as well as the equivalent for 2014/15 if restated to take account of the 2015/16 guidelines. Total expenses include Annual Management Charges from Fund Managers and also any additional costs such as operational, administrative and legal costs. The fees for 2014/15 have also been adjusted to include reclassified or additional costs which were provided after the 2014/15 accounts were finalised.

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

	2016	2015	If restated
	£000	£000	2015
			£000
Fund Management Fees			
Core			
Total Expenses including AMC	5,578	6,152	6,672
Underlying Fees	0	833	0
Performance Fees	219	720	439
Transaction Fees	105	1,096	1,096
Non-Core			
Total Expenses including AMC	6,132	4,078	5,161
Underlying Fees	0	1,058	0
Performance Fees	2,557	1,759	2,037
Transaction Fees	380	431	431
	14,971	16,127	15,836

Non-Core refers to Property, Infrastructure, Private Equity, Opportunistic and Timber and Agriculture investments.

Total fees as a percentage of the net asset value of the fund was 1.09% for 2015/16 (1.16% 2014/15).

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 2015/16 showed that the Fund achieved an overall return of -0.1% from its investments (+14.0% in 2014/15). This compares with the Fund's benchmark return of +1.4% for the year.

4. ANALYSIS OF TRANSACTIONS AND RETURN ON INVESTMENTS

Overview

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

Transactions and Return on Investments

Details of the 2015/16 investment transactions and the net profit on sales of £4.840m (£57.213m in 2014/15) together with investment income of £5.863m (£5.345m in 2014/15) are set out below. The unrealised loss for 2015/16, because of the change in the market value of investments, amounted to (£9.698)m (£127.416m increase in 2014/15). Therefore, the decrease in market value of investments (realised and unrealised) is (£4.858)m (£184.629m increase in 2014/15).

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

	Market Value 2014/15 £000	Purchases £000	Sales £000	Realised Gain (Loss) £000	Unrealised Gain (Loss) £000	Market Value 2015/16 £000	Investment Income £000
Multi Asset credit	172,749	0	0	0	(2,418)	170,331	0
Liability Driven Investment	329,101	0	0	0	(13,571)	315,530	0
Overseas Equities Active	247,289	19,909	(50,115)	995	(15,252)	202,826	0
Multi Strategy	205,260	179,620	(148,422)	4,103	(13,524)	227,037	0
Property	103,522	7,192	(10,544)	1,663	7,589	109,422	2,741
Infrastructure	34,128	78	(10,509)	12	3,727	27,436	1,125
Timber & Agriculture	26,207	782	(2,306)	0	1,149	25,832	94
Commodities	24,962	0	(25,703)	(12,246)	12,987	0	0
Private Equity	142,808	21,935	(40,980)	9,669	5,685	139,117	1,644
Opportunistic	9,998	4,036	(496)	93	(5,247)	8,384	201
Hedge Fund	48,750	199,280	(109,346)	692	(155)	139,221	0
	<u>1,344,774</u>	<u>432,832</u>	<u>(398,421)</u>	<u>4,981</u>	<u>(19,030)</u>	<u>1,365,136</u>	<u>5,805</u>
Cash	47,591	0	0	0	0	15,034	0
Fees within Pooled Vehicles	0	0	0	0	9,332	0	0
Interest	0	0	0	0	0	0	58
Currency	0	0	0	(141)	0	0	0
	<u>47,591</u>	<u>0</u>	<u>0</u>	<u>(141)</u>	<u>9,332</u>	<u>15,034</u>	<u>58</u>
Total 2015/16	<u>1,392,365</u>	<u>432,832</u>	<u>(398,421)</u>	<u>4,840</u>	<u>(9,698)</u>	<u>1,380,170</u>	<u>5,863</u>
2014/15	<u>1,212,810</u>	<u>142,377</u>	<u>(149,070)</u>	<u>57,213</u>	<u>127,416</u>	<u>1,392,365</u>	<u>5,345</u>

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

	Market Value 2013/14 £000	Purchases £000	Sales £000	Realised Gain (Loss) £000	Unrealised Gain (Loss) £000	Market Value 2014/15 £000	Investment Income £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
	<u>1,180,882</u>	<u>142,377</u>	<u>(149,070)</u>	<u>43,169</u>	<u>127,416</u>	<u>1,344,774</u>	<u>5,191</u>
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
	<u>31,928</u>	<u>0</u>	<u>0</u>	<u>14,044</u>	<u>0</u>	<u>47,591</u>	<u>154</u>
Total 2014/15	<u>1,212,810</u>	<u>142,377</u>	<u>(149,070)</u>	<u>57,213</u>	<u>127,416</u>	<u>1,392,365</u>	<u>5,345</u>
2013/14	<u>1,179,061</u>	<u>501,018</u>	<u>(505,043)</u>	<u>107,501</u>	<u>(78,815)</u>	<u>1,212,810</u>	<u>2,721</u>

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

The book cost of the investments as at 31st March 2016 is £1,123.290m (£1,083.899m in 2014/15). The market value of investments as at 31st March 2016 is £1,365.136m (£1,344.774m in 2014/15); this can be analysed as follows:

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

By Continent

The UK holdings as at 31st March 2016 account for 31% of total investments at market value:

	2016	2015
	£000	£000
UK	429,113	431,010
Europe	103,314	114,087
North America	93,294	100,667
Emerging/ Frontier markets	104,121	93,653
Global Investments	635,294	605,357
	1,365,136	1,344,774

By Fund Manager

	2016		2015	
	£000	%	£000	%
BlackRock	0	0	50,330	4
Wellington	77,877	6	109,235	8
Aberdeen	26,244	2	9,380	1
Insight	315,530	23	329,101	24
Pioneer	0	0	1,324	0
Liongate	0	0	21,977	2
SSARIS	0	0	25,449	2
Duet	0	0	50,299	4
BlueCrest	0	0	34,409	3
Investec	155,632	11	163,885	12
Stone Harbor	170,331	12	172,749	13
Pyrford	60,992	5	59,973	4
Man FRM	139,221	10	0	0
Consultant "Best Ideas"	109,118	8	0	0
Property	109,422	8	103,522	8
Infrastructure	27,436	2	34,128	2
Timber / Agriculture	25,832	2	26,207	2
Private Equity	139,117	10	142,808	10
Opportunistic	8,384	1	9,998	1
	1,365,136	100	1,344,774	100

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

By Listed /Managed

	2016			2015		
	Listed Managed	Listed	Unlisted	Listed Managed	Listed	Unlisted
	£000	£000	£000	£000	£000	£000
Multi Asset credit	0	0	170,331	0	0	172,749
Overseas Equities	202,826	0	0	196,990	0	50,299
Multi Strategy	227,037	0	0	205,260	0	0
Property	38,987	0	70,435	36,018	0	67,504
Infrastructure	0	11,505	15,931	0	6,712	27,416
Timber / Agriculture	0	0	25,832	0	0	26,207
Commodities	0	0	0	0	0	24,962
Private Equity	0	1,998	137,119	0	1,969	140,839
Hedge Fund	0	0	139,221	21,977	0	26,773
Opportunistic	0	0	8,384	0	0	9,998
Liability Driven Investment	315,530	0	0	329,101	0	0
	<u>784,380</u>	<u>13,503</u>	<u>567,253</u>	<u>789,346</u>	<u>8,681</u>	<u>546,747</u>
			<u>1,365,136</u>			<u>1,344,774</u>

6. FAIR VALUE OF INVESTMENTS

Financial Instruments

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

Stock lending is the loan of specific securities from one investor to another that entitles the lender to continue receiving income generated by the stock plus an additional payment by the borrower. Exposure to risk is reduced by the borrower providing high quality collateral (cash, securities or gilts). It is effectively a trading activity to generate income rather than an investment. The Fund has no direct exposure to stock lending.

Fair Value – Valuation Bases

Investments are shown in the accounts at fair value as at 31st March 2016 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 2016.
- 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 2016. 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.

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

- 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.
- 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.
- Diversified Growth and Multi Strategy 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.

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

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 2016 and 31st March 2015 based upon this hierarchy.

	Market Value 2015/16 £000	Level 1 £000	Level 2 £000	Level 3 £000
Multi Asset Credit	170,331	0	170,331	0
Liability Driven Investment	315,530	0	0	315,530
Overseas Equities Active	202,826	86,317	116,509	0
Multi Strategy	227,037	170,110	56,927	0
Property (1)	109,422	0	38,987	70,435
Infrastructure (1)	27,436	11,505	0	15,931
Timber & Agriculture (1)	25,832	0	0	25,832
Private Equity (2)	139,117	1,998	0	137,119
Hedge Fund	139,221	3,889	127,319	8,013
Opportunistic Funds (2)	8,384	0	0	8,384
	1,365,136	273,819	510,073	581,244
Cash	15,034	15,034	0	0
Total 2015/16	1,380,170	288,853	510,073	581,244

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

(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; (£296.688m) compared to £307.982m in 2014/15. 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 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

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.

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

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 at which 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 23% of Fund assets. On appointment fund managers are delegated the power through an investment management agreement to make such purchases and sales as they deem appropriate under the mandate concerned. Each mandate has a benchmark or target to outperform or achieve, usually on the basis of 3-year rolling periods. An update, at least quarterly, is required from each manager and regular meetings are held with managers to discuss their mandates and their performance on them. There are slightly different arrangements for some of the alternative assets. On private equity, property, infrastructure and timber/agriculture, investment is fund rather than manager-specific, with specific funds selected by the in-house team after careful due diligence. These commitments tend to be smaller in nature than main asset class investments but again regular performance reports are received and such investments are reviewed with managers at least once a year.

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

Credit Risk

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

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

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

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 2016 were £15.034m (£47.591m at 31st March 2015). This was held as follows:

		2016	2015
	Rating	£000	£000
Money Market Funds			
BlackRock	AAA	0	482
Bank of New York Mellon	AAA	1,395	3,374
Bank Deposit Accounts			
National Westminster Bank PLC	BBB+	13,619	43,715
Bank Current Accounts			
National Westminster Bank PLC	BBB+	20	20
		15,034	47,591

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 2016, the Fund's exposure to non-investment grade paper was £62.171million or 36.5% of the fixed interest portfolio (37.0% at 31st March 2015).
- On private equity and infrastructure the Fund's investments are almost entirely in the equity of the companies concerned.

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

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 50% 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 2016 by liquidity profile.

	Market Value 2015/16 £000	1 Month £000	2 - 3 Months £000	3 - 6 Months £000	6 - 12 Months £000	Closed - ended £000	Locked £000
Multi Asset Credit	170,331	170,331	0	0	0	0	0
Liability Driven Investment	315,530	315,530	0	0	0	0	0
Overseas Equities Active	202,826	200,989	1,837	0	0	0	0
Multi Strategy	227,037	224,191	2,846	0	0	0	0
Property	109,422	0	38,987	0	0	70,435	0
Infrastructure	27,436	11,505	0	0	0	15,931	0
Timber & Agriculture	25,832	0	0	0	0	25,832	0
Private Equity	139,117	1,998	0	0	0	137,119	0
Hedge Fund	139,221	111,391	21,816	0	0	0	6,014
Opportunistic Funds	8,384	0	0	0	0	8,384	0
	<u>1,365,136</u>	<u>1,035,935</u>	<u>65,486</u>	<u>0</u>	<u>0</u>	<u>257,701</u>	<u>6,014</u>

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".

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

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 2016. 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 76% 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 2016 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.

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

	Manager	Market Value 2015/16 £000	Benchmark	Target (Net)	Risk (<) %
Multi Asset credit	Stone Harbor	170,331	1 Month LIBOR	+1.0%	6.0
Liability Driven Investment	Insight	315,530	Liability / FTSE	Match	21.0
Foreign equities–active	Investec	98,705	MSCI AC World NDR	+2.5%	14.0
	Aberdeen	26,244	MSCI Frontier Markets	+1.5%	20.0
	Wellington	77,877	MSCI EM Free	+1.5%	21.0
Multistrategy funds	Custodian "Best Ideas"	109,118	UK CPI	+3.0%	9.0
	Investec	56,927	UK CPI	+4.6%	9.0
	Pyrford	60,992	RPI	+4.5%	9.0
Hedge Fund	Man FRM	139,221	3 Month LIBOR	+3.5%	6.0
Property funds	Various	109,422	IPD Balanced PUTs	Exceed	5.0
Infrastructure funds	Various	27,436	3 Month LIBOR	+5.0%	10.0
Timber /Agricultural funds	Various	25,832	3 Month LIBOR	+5.0%	10.0
Private equity funds	Various	139,117	3 Month LIBOR	+5.0%	28.0
Opportunistic funds	Various	8,384	3 Month LIBOR	+5.0%	28.0
		1,365,136			

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 2016 £000	Managers No.	Funds No.	Properties / Companies Estimated No.
Real Assets	162,690	23	39	>280
Private Equity / Opportunistic	147,501	23	64	>4,000

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

Other Price Risk

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

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

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the fund's performance measurer, WM Company, the fund has determined that the following movements in market price risk are reasonably possible for the 2015/16 reporting period:

Asset Type	Potential Market Movements (+ / -)
Global Equity inc UK	7.31%
Oveseas Equity	10.35%
Multi Asset credit	4.03%
Liability Driven Investing	13.12%
Pooled Multi Asset	5.67%
Alternatives	2.51%
Property	2.49%

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 2015/16	Percentage Change %	Value on Increase £000	Value on Decrease £000
Cash and cash equivalents	15,034	0.01	15,036	15,032
Investment portfolio assets:-				
Global Equity inc UK	98,705	7.31	105,920	91,490
Overseas Equity	104,121	10.35	114,898	93,344
Multi Asset credit	170,331	4.03	177,195	163,467
Liability Driven Investing	315,530	13.12	356,928	274,132
Pooled Multi Asset	227,037	5.67	239,910	214,164
Alternatives	339,990	2.51	348,524	331,456
Property	109,422	2.49	112,147	106,697
	<u>1,380,170</u>		<u>1,470,558</u>	<u>1,289,782</u>

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

Asset Type	Market Value 2014/15	Percentage Change %	Value on Increase £000	Value on Decrease £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
	<u>1,392,365</u>		<u>1,477,999</u>	<u>1,306,731</u>

Interest Rate Risk

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

The Fund 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 25 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 2015/16 £000	Change in year in net assets available to pay benefits	
		+25BPS £000	-25BPS £000
Cash and cash equivalents	1,395	3	(3)
Cash balances	13,639	34	(34)
	<u>15,034</u>	<u>37</u>	<u>(37)</u>

Asset Type	Carrying Value 2014/15 £000	Change in year in net assets available to pay benefits	
		+75BPS £000	-75BPS £000
Cash and cash equivalents	3,856	29	(29)
Cash balances	43,735	328	(328)
	<u>47,591</u>	<u>357</u>	<u>(357)</u>

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

Currency Risk

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

The following table summarises the Fund's currency exposure as at 31st March 2016 and as at the previous year end:

Currency Exposure - Asset Type	Market Value 2015/16 £000	Market Value 2014/15 £000
Multi Asset credit	170,331	172,749
Overseas Equities Active	202,826	247,289
Multi Strategy	227,037	205,260
Commodities	0	24,962
Hedge Funds	139,221	48,750
Property	32,199	37,867
Infrastructure	12,441	19,449
Timber / Agriculture	25,832	26,207
Opportunistic	8,384	9,998
Private Equity	117,752	121,233
	936,023	913,764

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 2016, it was considered that the likely volatility associated with foreign exchange rate movements to be 5.85%. For the period to 31st March 2015, this was calculated to be 5.44%.

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 2015/16	Percentage Change %	Value on Increase £000	Value on Decrease £000
Multi Asset credit	170,331	5.85	180,288	160,374
Overseas Equity - Active	202,826	5.85	214,682	190,970
Multistrategy	227,037	5.85	240,309	213,765
Hedge Fund	139,221	5.85	147,359	131,083
Timber & Agriculture	25,832	5.85	27,342	24,322
Infrastructure	12,441	5.85	13,168	11,714
Property	32,199	5.85	34,081	30,317
Opportunistic	8,384	5.85	8,874	7,894
Private Equity	117,752	5.85	124,635	110,869
	936,023		990,738	881,308

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

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
	<u>913,764</u>		<u>963,497</u>	<u>864,031</u>

8. DEBTORS/CREDITORS

	2016		2015	
	£000	£000	£000	£000
Current Assets :				
Contributions due - Employees	1,109		1,171	
Contributions due - Employers	2,394		3,005	
Added years	30		41	
H.M. Revenue and Customs	13		25	
Pension strain	1,635		1,762	
Administering authority	0		0	
Miscellaneous	168		232	
		5,349		6,236
Less Current Liabilities :				
Contributions	(6)		(7)	
Lump sums	(2,717)		(2,246)	
Death grants	(418)		(144)	
Administering authority	(284)		(265)	
Added years	(195)		(41)	
H.M. Revenue and Customs	(5)		(9)	
Miscellaneous	(427)		(481)	
		(4,052)		(3,193)
Net Current Assets		<u>1,297</u>		<u>3,043</u>

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

Analysis of debtors	2016	2015
	£000	£000
Central Government Bodies	13	25
Other Local Authorities	4,868	4,931
Other Entities and Individuals	468	1,280
	<u>5,349</u>	<u>6,236</u>
Analysis of creditors	2016	2015
	£000	£000
Central Government Bodies	(5)	(9)
Other Local Authorities	(468)	(271)
Other Entities and Individuals	(3,579)	(2,913)
	<u>(4,052)</u>	<u>(3,193)</u>

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 completed during 2015/16. Some subscriptions and redemptions were staggered through 2015/16, details are shown below.

2015/16

Manager	Mandate	Allocation	Redemption/ Subscription	
			Initial	Final
Redemptions				
BlackRock	Global Tactical Asset Allocation	6%	N/A	May-15
Bluecrest	Global Tactical Asset Allocation	3%	N/A	Oct-15
Wellington	Commodities	4%	N/A	May-15
SSARIS	Hedge Fund of Funds	2.5%	Nov-15	Feb-16
Liongate	Hedge Fund of Funds	2.5%	Nov-15	Mar-16
Duet	Global High Alpha Equities	5%	Aug-15	Mar-16
Subscriptions				
Aberdeen	Frontier Market Equities	2.5%	Apr-15	May-15
Man FRM	Hedge Fund Managed Account Platform	9%	Aug-15	Mar-16
Consultant	"Best Ideas" Portfolio	9%	May-15	Feb-16

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 2016. 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.

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

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	£	781,659
Units purchased	No.	162,599
Units sold	No.	175,108
Market value as at 31st March 2016	£	4,609,979
Market value as at 31st March 2015	£	4,718,878

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 £1.296m (£1.270m in 2014/15). 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 £0.284m 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 (£0.265m in 2014/15).

13. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

As at 31st March 2016, the Fund has contractual commitments of £681.2m (£574.0m in 2014/15) in private equity and property funds, of which £473.6m (£439.6m in 2014/15) has been deployed, leaving an outstanding commitment of £207.6m (£134.5m in 2014/15).

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

14. AGENCY ACCOUNTING

The Clwyd Pension Fund pays discretionary awards to the former employees of former and current Unitary Authorities, Town and Community Councils and Educational Organisations. The amounts are not included within the Fund Account but are provided as a service and fully reclaimed from the employer bodies. The sums are disclosed below.

	2016 £000	Payments on behalf of	2015 £000
	2,315	Wrexham County Borough Council	2363
	3,298	Flintshire County Council	3350
	1,877	Denbighshire County Council	1916
	571	Conwy County Borough Council	591
	48	Coleg Cambria	47
	40	Glyndwr	38
	23	Powys County Council	23
	10	North Wales Fires Service	11
	8	DVLA	9
	7	Local Government Management Board	7
	4	Welsh Water Authority	4
	4	Magistrates Court	4
	1	Llanasa Community Council	1
	1	Cefn Mawr Community Council	1
	<u>8,207</u>		<u>8,365</u>

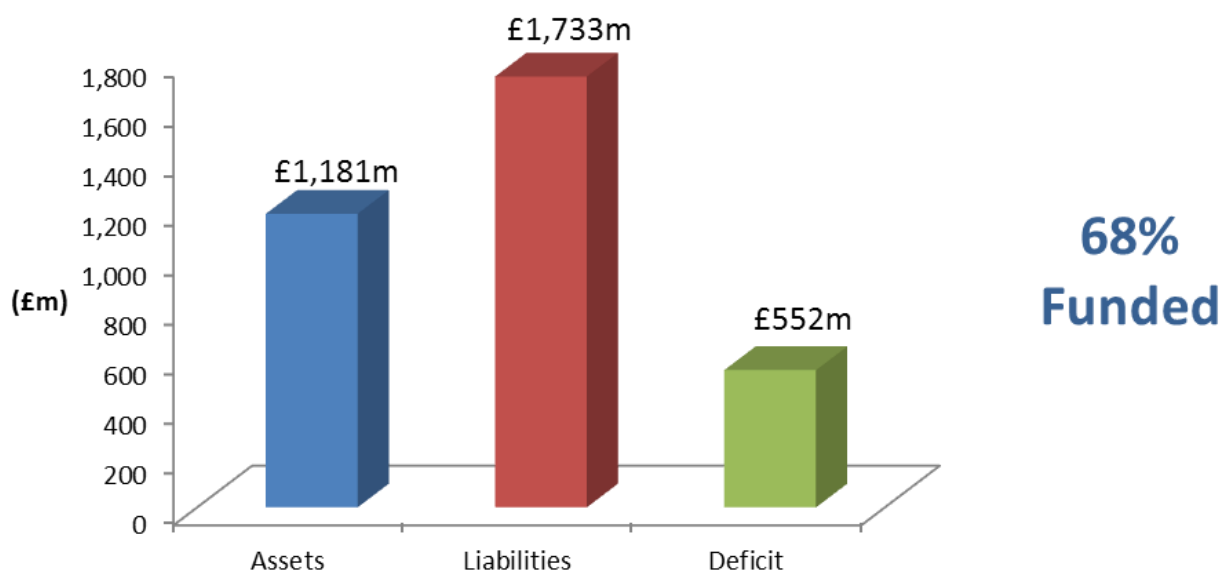
15. ACTUARIAL VALUATION & VALUE OF PROMISED RETIREMENT BENEFITS FOR THE PURPOSE OF IAS 26 (Provided by the Fund's Actuary)

This statement has been provided to meet the requirements under Regulation 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.

NOTES TO THE CLWYD PENSION FUND ACCOUNTS



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.

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

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.

16. 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 2016 (the 31 March 2015 assumptions are included for comparison):

	31 March 2015	31 March 2016
Rate of return on investments (discount rate)	3.3% per annum	3.6% per annum
Rate of pay increases	3.5% per annum*	3.5% per annum*
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.0% 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 rose, resulting in a higher discount rate being used for IAS26 purposes at the year-end than at the beginning of the year (3.6% p.a. versus 3.3% p.a.). There was no change in the expected long-term rate of CPI inflation during the year, resulting in the same assumption for pension increases at the year-end than at the beginning of the year (2.0% p.a.).

The value of the Fund's promised retirement benefits for the purposes of IAS26 as at 31 March 2015 was estimated as £2,181 million. The effect of the changes in actuarial assumptions between 31 March 2015 and 31 March 2016 as described above is to decrease the liabilities by c£93 million. Adding interest over the year increases the liabilities by c£72 million, and allowing for net benefits accrued/paid over the period increases the liabilities by a further c£4 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 2016 is therefore £2,164 million.

Paul Middleman
Fellow of the Institute and Faculty of Actuaries
Mercer Limited

June 2016

To be Inserted

To be Inserted

ANNUAL GOVERNANCE STATEMENT

This statement has the following four sections:-

1. Scope of Responsibility.
2. The Purpose of the Governance Framework.
3. The Governance Framework and Review of Effectiveness.
4. 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 Internal Audit Manager.

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 2016 and up to the date of approval of the annual statement of accounts.

ANNUAL GOVERNANCE STATEMENT

3. THE GOVERNANCE FRAMEWORK AND REVIEW OF EFFECTIVENESS

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:-

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

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

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 periodically.

Business Planning

The Council has an established and effective approach to business planning. The two key components of this are the Council's **Improvement Plan** and the **Medium Term Financial Strategy**.

The Improvement Plan 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 Council's Medium Term Financial Strategy (MTFS) 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. It is based on a rolling three year strategy forecasting 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.

ANNUAL GOVERNANCE STATEMENT

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 which are monitored quarterly to show progress of the delivery of the plan.
- Three year Business Efficiency Plans – for each portfolio laying out the intended programmes of efficiencies of a 30% reduction over three years.
- Portfolio and Service Strategies and Plans: a variety of plans and strategies which form the basis of key committed and planned activity and outcomes.
- 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 and where appropriate are;
 - 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) – the final year of 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.
- Findings of and Council responses to external regulation.

Three year Business Efficiency Plans

The Council continues to modernise and reform 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. All Business Plans are governed by a framework of Programme Boards for each portfolio, attended by both Officers and Members. The remit of each Board is to: i) track efficiencies and highlight risks and mitigating actions in relation to the achievement of in-year efficiencies; ii) consider the robustness of efficiency planning and forecasting; iii) plan communication and engagement activity; iv) consider resourcing of the delivery of the plans. The Programme Boards are also responsible for reviewing other strategic issues and proposed policy changes from within their portfolio.

The business efficiency plans are one of three parts of Part 2 of the Council's Medium Term Financial Strategy, focusing on service reform through reduced operating costs and modernisation and improvement. Further detail about the Medium Term Financial Strategy can be found in section D.

Alternative Delivery Models (ADMs)

The development of ADMs is a key plank of an ambitious strategy to sustain important services whilst creating 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.

ANNUAL GOVERNANCE STATEMENT

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 Councils plans and strategies. They include:-

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

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.
- Health, Wellbeing and Independence Board.
- Regional Safeguarding Children Board.
- Voluntary Sector Compact.
- Youth Justice Plan and Board.

ANNUAL GOVERNANCE STATEMENT

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 Corporate Resources Overview and Scrutiny Committee twice yearly.

During the latter part of 2015/16 the Local Service Board began its preparation to becoming a statutory Public Service Board in April 2016. The transition began with an assessment of preparedness and a strategic review of priorities for 2016/17 to contribute towards the Wellbeing Plan.

Regional partnerships and Collaborative Working

The Council has a wide range of regional and collaborative working arrangements including residual and food waste, procurement services, Regional School Effectiveness and Improvement Service (GwE) and the Social Services regional Commissioning hub. Flintshire is the lead authority in some of these arrangements e.g. residual and food waste; in others we are joint partners (procurement) or service recipient (GwE).

Welsh Government's White Paper "Devolution, Democracy and Delivery - Reforming Local Government: Power to the People" was under consideration during 2014/15 and its successor Local Government (Wales) Bill will inform collaborative partnerships and services in the future. The County Council has previously 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. A more recent consultation response to the Local Government (Wales) Bill was made focusing on localism and subsidiarity; plus giving account of the under representations within the Regulatory Impact Assessment which accompanied the Bill.

County partnerships

The Council maintains a strong relationship with its 34 Town and Community Councils through informal meetings and communications and more formally through the **County Forum** which meets three to four times a year and discusses strategic issues relevant to all council areas as well as more locally requested issues.

Review of Effectiveness

Council (Plan) Governance Framework

During the year the plan 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.

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 starting with the Medium Term Financial Strategy and the Improvement Plan during the summer of 2015.

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. Subsequently, the Plan has been revised annually to reset priorities and supporting activities and measures to make it clearer and sharper. The Council adopted its Improvement Plan for 2015/6 on 24 June 2015 and retained a set of eight Improvement Priorities with 16 sub-priorities.

ANNUAL GOVERNANCE STATEMENT

The Improvement Plan focused on the priorities which were going to have the most impact during 2015/16. 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.
- 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.

The next stage of the development of the Medium Term Financial Strategy will be published in summer 2016 alongside the new Improvement Plan which continues to strengthen the links between service and financial planning.

In addition, the Council has implemented 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 has been introduced on a phased basis; the first phase concentrating on the Improvement Plan. Quarterly reporting on the Improvement Plan was undertaken during the year with the monitoring reports being drawn down from the CAMMS system.

The system has proven to be effective during the year by reducing duplication, providing more timely information, improving version control and reducing time taken in collating and formatting reports. Additional work streams in Social Services, audit reporting, asset planning and housing programmes have been developed throughout the year, each at differing levels of maturity.

Three year Business Efficiency Plans

The Business Efficiency Plans have been monitored effectively and managed throughout the year by each of the relevant Programme Boards. Risks have been reported upon and mitigated where required and communications and engagement plans have been actioned.

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.

During 2016 this work resulted in eight assets being transferred or reaching final stages of legal completion, each proposal having produced a business plan signed off by portfolio holders and will have on legal completion a lease and community benefits agreement in place to ensure maximisation of community benefits and efficiencies for the Council. Cabinet also approved business plans for three new alternative delivery models in social care day care and work opportunities, facility management and in principle in leisure and libraries. Work during 2016 will take place to implement these new delivery models so efficiencies with minimisation of loss of services and jobs takes place from 2017 onwards.

Corporate Strategies

The key Corporate Strategies (Assets, People, ICT, Customer and Procurement) started to be reviewed during 2015. The Capital Strategy and Asset Management Plan was supported by Council in February 2016. Work on the other

ANNUAL GOVERNANCE STATEMENT

strategies is underway and will be completed to first draft stage by June 2016. The main purpose of the Corporate Resources Plan is to scope the large scale change led demands for corporate services and evaluate the expenditure and funding required.

Strategic partnerships

The Local Service Board produced and endorsed its Single Integrated Plan during 2013 which brought together the four priorities and commitments of the LSB along with their detailed governance and reporting arrangements. These priorities were:

- 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.

During 2015/16 the priorities were reviewed and the focus remained on Priorities 2 and 3, with the remaining priorities being managed through existing work streams. Priorities 2 and 3 have been managed and monitored by appropriate board and reporting structures during 2015/16.

A review of the North Wales Partnerships in 2011 resulted in a series of changes which have continued during 2015/16:-

- 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.

Regional partnerships and Collaborative Working

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.

The regional partnership across five of the authorities forming the North Wales Residual Waste Partnership has been in the final stages of contract negotiation and planning approval has been granted.

Other regional partnerships continue supporting or delivering services in Flintshire.

B Members and officers working together to achieve a common purpose with clearly defined functions and roles

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.

ANNUAL GOVERNANCE STATEMENT

Members

Flintshire County Council has 70 Councillors that represent 57 electoral divisions. Elections are usually held every 4 years. The Council operates a Leader and Cabinet Executive which during the year to 31st March 2016 was made up of 8 members. Role descriptions have been approved for the Leader, Cabinet Members, Committee Chairs and ordinary Members. For the 2015/16 year there were 6 Overview & Scrutiny Committees supported by a team of officers. These Committees were as follows:-

- Community and Enterprise.
- Corporate Resources.
- Environment.
- Education and Youth.
- Organisational Change.
- 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.

The Authority's constitution has a published Scheme of Delegation of Functions. This scheme details subject areas, and identifies the bodies or individuals responsible for decision making.

Most policy decisions are developed by the Cabinet, which for 2015/16 has comprised the Leader and seven Members with individual portfolio responsibilities.

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,

ANNUAL GOVERNANCE STATEMENT

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.

Review of Effectiveness

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 accessible 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.

Members

The Overview & Scrutiny committee structure was extensively reviewed by the Constitution committee and a working group during 2014/15 and the recommendations for a new structure implemented from the 2015 Annual meeting. The new structure is better suited to the organisation's needs and has reduced the number of scrutiny meetings which individual Cabinet Members and Chief Officers are required to attend. During the year, five calls in of cabinet decisions were exercised. The judicious use of call in shows an understanding of the process and that it should only be used appropriately.

The Member Development Strategy was reviewed in June as it will be on an annual basis.

Officers

The statutory officers engage positively with Members, attending committees as necessary, affording opportunity for Members to challenge them if and when necessary.

The monitoring officer is the council's SIRO (Senior Information Risk Owner).

The Chief Officer Team operates within the Authority, consisting of the Chief Executive and the nine Chief Officers.

These meetings are minuted and key information is disseminated to all officers through an established reporting structure.

C Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

ANNUAL GOVERNANCE STATEMENT

Code of Corporate Governance

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. This is coordinated by the Corporate Governance Officer Working Group.

The other main task of the Officer Working Group is to prepare the draft Annual Governance Statement, with input from senior officers and members.

The Council's (Plan) Governance Framework (referred to in Section A) contains the Council's **values** which are multi-dimensional as follows:

Flintshire County Council aims to be a modern public body which has the **philosophy** of operating as a social business which:-

- Is lean, modern, efficient and effective.
- Is designed, organised and operates to meet the needs of communities and the customer.
- Works with its partners to achieve the highest possible standards of public service for the well-being of Flintshire as a County.

To meet these aspirations the Council has set the **standards** of:-

- Achieving excellence in corporate governance and reputation.
- Achieving excellence in performance against both our own targets and against those of high performing peer organisations.
- Being modern and flexible, constantly adapting to provide the highest standards of public, customer, and client service and support.
- Using its four resources - money, assets, people and information - strategically, effectively and efficiently.
- Embracing and operating the leanest, least bureaucratic, efficient and effective business systems and processes.

To achieve these standards the Council's **behaviours** are:-

- Showing strategic leadership both of the organisation and our partnerships.
- Continuously challenging, reviewing, changing and modernising the way we do things.
- Being as lean and un-bureaucratic as possible.
- Using new technology to its maximum advantage.
- Using flexible working to its maximum advantage.

The Council is committed to the **principles** of being:-

- A modern, fair and caring employer.
- Fair, equitable and inclusive in its policies and practices.
- Conscientious in planning and managing its activities, and making decisions, in a sustainable way.

ANNUAL GOVERNANCE STATEMENT

The Council is also committed to specific values and principles in working with its key partners and partnerships. These cover strategic partnerships such as the Public Service Board (previously the Local Service Board) and with the voluntary sector such as agreeing a set of Voluntary Sector Funding principles.

Counter Fraud and Anti-Corruption Arrangements

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. Investigations into potential fraud and irregularities are conducted by the Internal Audit team.

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.

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.

Information Governance

The Council's existing arrangements on information governance include the designation of a 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.

Review of Effectiveness

Code of Corporate Governance

Following work by the Officer Working Group an update of the Code Corporate Governance was reported to the Audit Committee and Constitution Committee on the 27th January 2016. The updated version was agreed and the Constitution subsequently amended to reflect the changes made.

There was a report to the Audit Committee to agree the process for the preparation of the AGS in January 2016 and questionnaires sent to the Chairs of Overview & Scrutiny Committees continue to involve them in the process.

This year for the first time the draft AGS was distributed to all Members for comment prior to presentation to the Audit Committee.

Counter Fraud and Anti-Corruption Arrangements

Service Self-assessment forms had shown that there could be greater awareness of the Anti-Fraud and Corruption Strategy and the Fraud Response Plan. An updated Anti-Fraud and Corruption Strategy and Fraud Response Plan were re-launched after approval by the Constitution Committee in April 2015. This included publicising them on the Infonet.

ANNUAL GOVERNANCE STATEMENT

The Authority took part in the National Fraud Initiative (data matching exercise) in 2014/15 by providing Authority data for matching purposes. The matched data has been reviewed during 2015/16 with output being investigated by both Internal Audit and employees from the relevant services, including Pensions, Payroll, Concessionary Travel, Licences and Council Tax.

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. Update.

Whistleblowing

A small number of employees have used the policy during 2015/16 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 whistle-blowers.

Information Governance

During the year:-

- Over 2000 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.

D Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

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

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

ANNUAL GOVERNANCE STATEMENT

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.

Risk Management

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.

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.

Business Continuity

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.

ANNUAL GOVERNANCE STATEMENT

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 Wales (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.

Audit Committee

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.

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

ANNUAL GOVERNANCE STATEMENT

completed during the year and gives an opinion on the overall adequacy and effectiveness of the Councils governance, risk and control framework.

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. The Fund publishes other documents relating to governance and management: Risk Management policy, Conflict of Interest Policy, Training Policy, 3 year Business Plan, Funding Strategy Statement and Statement of Investment Principles.

Review of Effectiveness

Finance

The Council's revenue budget and capital programme for 2015/16 were agreed by the Council in February 2015. The budget is aimed at continuing to protect 'front line' public services and re-investment to meet council priorities despite a reduced level of funding.

The overall budget is a package of measures and proposals which combine:

- Corporate Financing Options e.g. how to manage inflation;
- Portfolio level Business Plan proposals;
- Maximising Income Generation;
- Reviews of workforce numbers and costs;
- Reviews council tax levels;
- Reviews the level of Reserves and Balances held.

The budget strategy for 2015/16 has been developed in the context of the following expectations:

- Planning for the long-term as a whole organisation;
- Making decisions for local public services which can be sustained;
- Being ambitious and positive about change to better the organisation;
- Having a clear philosophy underpinned by social values; and
- Managing the transition from the current to the future with care.

The twin objectives of these programmes of change and cost reduction have been and remain as:-

- maximising the financial efficiency of the organisation and prioritising our resources and;
- modernising the organisation to be lean, productive, efficient, resilient and high performing.

The revenue outturn for 2015/16 was an underspend of £1,498k (subject to audit). On capital over 97% of planned spend in year was reported as being incurred as at the year end.

ANNUAL GOVERNANCE STATEMENT

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 had to face an initial projected funding gap £20.8m to achieve a balanced budget for 2016/17.

Risk Management

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.

A corporate risk management model as described in the Risk Management Strategy supports these arrangements as does the introduction of the CAMMS integrated performance solution.

Business Continuity

Part of the Council's approach to risk management includes its **business continuity arrangements**. From July 2015 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.

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 2016 the annual summary report on external regulation was presented to the Audit Committee detailing all the regulatory reports received from Wales Audit Office, Estyn and the Care and Social Services Inspectorate for Wales (CSSIW), along with their findings, the council's response and where the reports had been presented to.

During early 2015, CSSIW inspected the Council's fostering services; a positive report. An inspection of children's services was also completed and a report issued in September 2015. The CSSIW published its Annual Review and Evaluation of Performance 2014/15 for the Council in October 2015. For all reports the Council responded with robust action plans.

No Estyn inspections of the Council were undertaken in 2015/16.

ANNUAL GOVERNANCE STATEMENT

During the year the Wales Audit Office followed up the previous year's Corporate Assessment of Flintshire with particular focus on the seven Proposals for Improvement. The table below provides the Council's self-assessment against each of these Proposals and the final outcome from the Wales Audit Office will be published within the Annual Improvement Report 2015/16.

Proposal for Improvement (P1-7) Including overall lead ¹ .	Action Update	RAG Status
<p>P1 The Council should develop and implement a (more) consistent approach to business planning that promotes the ownership by staff of key objectives and targets.</p> <p>Lead: Chief Executive.</p>	<p>P1.1 Mapping of current service planning and strategies etc. to show strength and gaps (complete). Further analysis to show intentions to strengthen arrangements (by 10.15) with a full set of operational plans being in place (for 04.16).</p>	G
	<p>P1.2 Plans using the new performance management solution (CAMMS) to be piloted (09.15) with full roll out (04.16).</p>	G
	<p>P1.3 Personal appraisal model is being extended to build in service/ team service plan objectives (from 04.16) informed by learning from the appraisal model in 15-16. Evaluation of the appraisal model (04.16).</p>	G
<p>P2 The Council should improve the quality of its reports to committees and Cabinet to ensure that:</p> <ul style="list-style-type: none"> • where necessary, reports enable councillors to refer easily to relevant policies and previous decisions and discussions; • key messages and recommendations are clear and succinct; and • Reports to scrutiny committees include recommendations or options that committees might endorse. <p>Lead: Chief Officer (Governance).</p>	<p>P2.1 A review of report format, style and quality of presentation (complete). A pilot of the improved format will be used for Cabinet reports (09.15). The improved format includes use of executive summaries and fuller exploration of risk in assessing options for decisions. Fuller use of hyperlinks are to be made to avoid publishing extensive appendices where this can be avoided. Feedback of the revised approach will be undertaken before applying across the suite of committees.</p>	G
	<p>P2.2 Updated report writing guidelines have been produced and issued. Refresher report writing training is being organised (by 12.15).</p>	G
	<p>P2.3 Quality assurance systems for report approval have been implemented (complete).</p>	G

ANNUAL GOVERNANCE STATEMENT

<p>P3 The Council should ensure that, in implementing its revised strategies for People, ICT, Finance and Asset Management:</p> <ul style="list-style-type: none"> • Their financial implications feed into the medium-term financial plan; and • The links between the strategies are fully considered so that specialist staff are available when required. <p>Lead: Chief Executive.</p>	<p>As P1 above noting:-</p> <p>P3.1 A single corporate resourcing plan is being developed (by 10.15) as part of the suite of key corporate documents. This plan will prioritise the allocation of corporate resources for change projects.</p> <p>P3.2 Set of 8 Programme Boards (for officer portfolios where significant change needs to be led, co-ordinated and managed) all now organised; are meeting and settled with good evidence of impact.</p> <p>P3.3 A comprehensive and more usable Medium, Term Financial Strategy in a new graphic format has been produced in 2 parts: Part 1 published 06.15; Part 2 to be published 09.15.</p>	<p style="text-align: center;">A</p> <p style="text-align: center;">G</p> <p style="text-align: center;">G</p>
<p>P4 Group Leaders should strongly encourage members to take advantage of the Member Development Scheme.</p> <p>Lead: Chief Officer (Governance).</p>	<p>P4.1 A review of the member development programme is ongoing with the aim of having a broader offer for members in partnership with the Welsh Local Government Association.</p> <p>P4.2 Group Leaders have been requested to take-up training opportunities amongst their respective groups; there'll be follow-up with Group Leaders.</p>	<p style="text-align: center;">A</p> <p style="text-align: center;">A</p>

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 showed that in the main the Committee complies with the guidance. Some areas were highlighted where the committee had concerns over the lack of implementation of actions from internal audit reports. The improved internal audit recommendation tracking system will help address this.

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.

ANNUAL GOVERNANCE STATEMENT

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. It has been agreed that an external assessment will take place in 2016/17.

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.

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 2015/16 the governance of the Clwyd Pension Fund was further strengthened in 2015/16 by the new Clwyd Pension Fund Board which will provide oversight on the work of the committee. Further enhancements were made by agreeing Administration and Communication Strategies with participating employers which will be implemented from 1st April 2016 and developing a Breaches of Law Procedure. An independent review found that the Fund was largely compliant with the 90 key requirements of the Pensions Regulator's Code of Practice for the governance and administration of public sector pension schemes which came into force in April 2015.

E Developing the capacity and capability of members and officers to be effective

Members

The structure of Overview and Scrutiny committees was reviewed during 2014/15 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 adopted at the Annual Meeting of the Council in May 2015 and implemented during the year. There is a commitment to keep the terms of reference of committees under review.

A Member Development Programme is in place. 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.

Officers.

The new corporate operating model and senior management structure implemented in May 2014 resulted in a single tier of senior officers supporting the Chief Executive. The model and structure were designed to meet our changing circumstances, save money and better use our senior talent to modernise the organisation.

Review of Effectiveness

Members

The Member development programme for 2015/16 included the following core topics:-

- Various planning issues.
- Equalities and Welsh Language.
- Budget Preparation.
- Social Media.

ANNUAL GOVERNANCE STATEMENT

A more flexible approach has also been introduced, recognising that shorter more focussed sessions with smaller groups can be more effective.

Other development workshops have been held as and when required. These have included the Improvement Plan consultation, bus subsidy and the development of an Integrated Transport Unit; Corporate Parenting; Alternative Delivery Models; Medium Term Financial Strategy (two sessions); Social Services & Well-being Act; Budget preparation (three sessions).

The use of I pads instead of issuing committee papers has been rolled out across the Council, with the majority of Members now using them. This has meant a significant reduction in printing and postage costs. Allied to this, a new report format has also been introduced. This is intended to be more Ipad friendly and more focussed, with an emphasis on an executive summary and recommendations on the front page.

During the year, greater use has been made of bespoke briefings on specific topics for political group leaders and also for Overview and Scrutiny committee chairs. During a period of change as we respond to reducing budgets it is considered vital that key members are kept fully informed. Thus they are better equipped to guide and to support the organisation from their respective roles.

Officers

Recognising that the council's size, shape and models of service delivery are changing, one of the priorities of the people strategy for 2016/17 is to develop the capacity and capability of senior officers to take on broader areas of service delivery and operate more efficiently with reducing resources. Through working in partnership with Coleg Cambria a comprehensive range of development programmes are available to support officers at all levels in developing their skills to achieve the changes required whilst achieving nationally recognised qualifications. For those with management and/or supervisory responsibilities, this includes developing their behavioural competencies or 'soft skills' in areas such as problem solving, conflict resolution, coaching and mentoring.

In recent months a senior manager network has been developed which provides a forum for building collective capacity and confidence and making better use of skills and experience.

The competency based appraisal process introduced last year has been used by Chief Officers and their direct reports and will help the organisation to identify and prepare the leaders of the future. A new 'light touch' appraisal will be available mid May 2016 as an alternative option for use in large, front line services, which will contribute to an increased number of appraisals completed across the Council.

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. Officers were given the opportunity for training on the new report format.

F Engaging with local people and other stakeholders to ensure robust public accountability

Consultation and Engagement

Consultation and engagement with our customers and communities takes place on a number of different levels: representative democracy through our elected members, structured engagement through for example or County Forum (with Town and Community Councils), formal needs assessments through our strategic partnerships, surveys and feedback mechanisms such as workshops and roadshows. The methods used are selected according to requirements, audience and coverage. The feedback received helps to shape and develop the way we do things and assists decision makers in understanding the impacts on our communities.

ANNUAL GOVERNANCE STATEMENT

Web Casting

As part of our commitment to effective engagement with the public, the Council introduced web-casting which went live from February 2016. Currently, meetings of the full Council and the Planning and Development Committee are being web-cast.

Inviting external organisations to attend Overview & Scrutiny committee meetings.

With the introduction of the new Overview & Scrutiny structure, the former Community Profile & Partnerships Overview & Scrutiny Committee was abolished. The need to engage with external organisations was spread across the six committees.

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.

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.

Review of Effectiveness

Consultation and Engagement

As a result of ongoing financial pressures, the Council embarked on a strategic programme of community and partner engagement to debate the budget, the challenges it faces and some of the difficult decisions it may need to make. The purpose of this was to help people understand the magnitude of the situation, to lobby for support for the Council's approach to managing with diminished resource, and to gauge reaction to such things as increasing Council Tax, fees and charges for services and community involvement in the delivery of some services.

Engaging with service users and other impacted stakeholders enabled significant change and empowered communities to get involved, for example community asset transfers have enabled library users to deliver a community service by taking over a library building and book stock. A new partnership has also been forged between local swimming enthusiasts and a national sports organisation to take over the running of a local swimming pool.

Inviting external organisations to attend Overview & Scrutiny committee meetings.

During the year, the Police & Crime commissioner, North Wales Police, North Wales Fire & Rescue Service, Betsi Cadwaladr University Health Board, Natural Resources Wales and other organisations have all attended committee meetings to respond to Members' questions.

Where this is feasible and relevant to the topics under consideration, meetings are held within the community, at schools, village halls or at Clwyd Theatr Cymru.

ANNUAL GOVERNANCE STATEMENT

Complaints

The Public Service Ombudsman for Wales annual letter for 2014/15 showed a slight increase in the number of complaints received in the previous year. The largest single number of complaints related to Planning and Building Control, there was a reduction in the number of complaints against Housing. Only one complaint was investigated leading to an upheld report.

During 2015-16 the Council received 658 complaints. 63.2% of complaints were dealt with within 10 working days from receipt. Local performance follows a similar pattern across Wales with the highest number of complaints received against services such as Planning, Housing and Waste services. Customer Services continue to work with services to ensure complainants are kept informed and complaints are dealt with timely. The Complaints Awareness training continues to be delivered in partnership with Coleg Cambria to help raise awareness of the Compliments, Concerns and Complaints policy. The intention in 2016-17 is to provide Chief Officers with improved performance data to monitor trends and themes and to improve performance.

4. 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
<p>The potential impact of the Local Government Bill (for a reorganisation of local government) should the Bill be reintroduced by the new Welsh Government.</p>	<p>(1) The risks of uncertainty of Welsh Government intentions and the scale of any planned organisational change, leading to impacts on resources and disruptions to business continuity in planning and transition.</p> <p>(2) Possible effect on recruitment and retention given ongoing uncertainty, and ongoing impacts on morale.</p>	<p>Continued and active involvement in the negotiation and planning over any agreed changes both politically and professionally at both national and regional level.</p> <p>Prioritisation of time and resources for planning any local change which is required to implement any directed change from Welsh Government.</p>
<p>The ongoing public sector fiscal position.</p>	<p>Reduction in performance and standards due to:</p> <p>(1) The unprecedented scale of major reductions in Welsh Government resources and both the Revenue Support Grant (RSG) and specific grants;</p> <p>(2) The uncertainty over the levels of annual reductions and the period for austerity; and</p> <p>(3) The ability to deliver services within the constraints of the low financial base (per capita) compared to other authorities.</p>	<p>Making a compelling case for both the reform of local government finance and for the specific needs of Flintshire as a low funded council (per capita).</p> <p>Influencing national decision-makers through negotiation as part of the collective negotiations via the Welsh Local Government Association.</p> <p>Medium Term Financial Strategy Planning for a number of challenging scenarios.</p>

ANNUAL GOVERNANCE STATEMENT

<p>Medium Term Financial Strategy.</p>	<p>(1) The Council's Medium Term Financial Strategy (MTFS) is not supported by a medium term funding commitment by Welsh Government to be able to plan ahead with sufficient certainty.</p> <p>(2) The difficulty of the Council being able to make big and challenging decisions for service changes which (1) are not supportable by members and officers on the grounds of reducing service provision and performance to below an acceptable threshold and (2) can lead to local opposition.</p>	<p>Continue to review and revise the Medium Term Financial Strategy and update on an ongoing basis alongside the 2016/17 Improvement Plan. The review to (1) forecast the financial resources to be available to the Council during the period 2016/17 – 2018/19, and the budget pressures based on the best available intelligence (2) identify the next stage solutions available including business plan proposals and alternative delivery models and (3) make a persuasive case for national 'gap' funding to close the 2017/18 annual budget.</p> <p>Continue to lobby Welsh Government for earlier and timelier indications of future indicative settlements to enable effective and longer term financial planning to be undertaken.</p> <p>Continue to develop and make the case for the reform of local government finance and for the specific needs of Flintshire, as a low funded council, and the risks to service provision and performance in the absence of some relief from continued national funding reductions.</p>
<p>Service resilience in the face of the scale and pace of Service portfolio business planning.</p>	<p>(1) The ability of the organisation to continue to manage a number of complex and challenging decisions and priorities and change in good time to meet set efficiency targets.</p> <p>(2) Over-stretched organisational capacity and capability could have negative impacts on continuity, resources, performance, standards and governance arrangements.</p>	<p>Leadership of evidenced business planning and full and early member engagement on options for change with an earlier annual budget setting process than in earlier years drawing on the forward business plans for services.</p> <p>The most effective allocation of Council capacity, and using Invest to Save funds well to add capacity.</p> <p>The use of the Programme Boards to continue to oversee and manage change programmes.</p>

ANNUAL GOVERNANCE STATEMENT

<p>Transition to Alternative Delivery Models.</p>	<p>(1) The final business cases are approved as planned and have sound transition plans in place.</p> <p>(2) Business continuity and performance failure during the transition from current to new service delivery models.</p> <p>(3) The new businesses meet their performance and income targets to succeed.</p>	<p>A robust business planning and transition process.</p> <p>Effective governance models are in place.</p> <p>Continued support and advice for community organisations post transfer.</p>
<p>Community Asset Transfers.</p>	<p>(1) The second phase of the programme successfully builds on the first phase in identifying, working up and succeeding in completing a further number of viable community asset transfers.</p> <p>(2) Business continuity and performance failure during the transition from current to new service delivery models.</p>	<p>An effective strategy for engaging with communities.</p> <p>Effective governance models are in place.</p> <p>Continued support and advice for community organisations post transfer.</p>
<p>Joint Working with Health.</p>	<p><i>(1) Ability of Betsi Cadwaladr University Health Board (BCUHB) to work with the Council effectively during a period of continued internal change.</i></p> <p><i>(2) The governance financial and service pressures on BCUHB which prevent effective joint forward planning.</i></p>	<p><i>Effective working relationships are rebuilt at governance and operational levels.</i></p> <p><i>Effective joint service and financial planning.</i></p> <p><i>The Council makes clear and persuasive cases for joint funding from new sources of national funding.</i></p>
<p>School Modernisation.</p>	<p><i>(1) Acceptance of the next phases of the Council's Schools modernisation programme.</i></p> <p><i>(2) The scale and risks of consulting and managing reform.</i></p> <p><i>(3) The affordability of the Council's borrowing contribution to fund new build and refurbishment programmes for secondary and primary schools.</i></p>	<p><i>An effective strategy for change based on the Councils recently revised Schools modernisation policy.</i></p> <p><i>Making additional resource available for project management as required.</i></p> <p><i>Planning a scalable and affordable programme of capital investment.</i></p>
<p>Business Continuity Planning.</p>	<p><i>(1) Business Continuity Plans are dated or insufficient to meet the risks of emerging incidents.</i></p> <p><i>(2) The impact on services of disruption.</i></p>	<p><i>The review of the internal Business Continuity Plans is progressing as part of the work programme of the Regional Emergency Planning Service.</i></p> <p><i>Ongoing plan maintenance.</i></p>

ANNUAL GOVERNANCE STATEMENT

<p>Social Services Market Fragility.</p>	<p>(1) The independent provider market is insufficient in scale and type to meet service demand.</p> <p>(2) The provider market is no longer resilient, due to cost pressures and difficulties in recruitment and retention, leading to a closure/withdrawal of providers.</p>	<p>Review of commissioning fees paid to providers.</p> <p>Retention of Council direct provision.</p> <p>Improved national funding and support.</p> <p>Development of new market models in partnership.</p>
<p>New and changing service resource demands from new legislation including the Social Service and Well Being Act and the Future Generations Act.</p>	<p>(1) New service demands through either natural growth or legal precedent which place pressure on current resources.</p> <p>(2) New policy or legislative requirements of Welsh Government which follow the principal legislation and place pressure on current resources.</p>	<p>Forward planning and demand management.</p> <p>Challenge of unsustainable national policy proposals which might emerge.</p> <p>Making persuasive cases for national funding to meet service cost pressures.</p>
<p>Competitiveness of the North East Wales sub-regional economy in a competitive and changing UK market.</p>	<p>(1) The sub-regional economy not holding its competitive position due to a lower level of infrastructure and other funding from Welsh and UK Governments compared to competitor English regions.</p> <p>(2) Failure to co-ordinate Welsh and English infrastructure plans for mutual gain at inter-Government level e.g. rail infrastructure.</p>	<p>Full and active support for the regional strategic work e.g. on business cases for rails infrastructure.</p> <p>Full participation in cross border partnerships and business cases for national growth strategies and bids specifically the Mersey Dee Alliance, the Northern Powerhouse, and the North Wales-Cheshire and Warrington Local Economic Partnership Growth Bids.</p>
<p>Social Housing Provision Delivery e.g. SHARP.</p>	<p>(1) Delivering major programmes of new social housing provision.</p> <p>(2) Completing the Wales Housing Quality Standard (WHQS) programme on time and to capital budget.</p>	<p>Forward strategy and capital planning.</p> <p>Sufficient programme management resourcing.</p> <p>Ensuring that Welsh Government capital funding e.g. Major Repairs Allowance (MRA) are retained.</p>

Signed.....Leader of the Council

Signed.....Chief Executive

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STATEMENT OF ACCOUNTS ACTION PLAN – JUNE 2016 UPDATE

	Issue Raised in WAO Report	Flintshire's Response	Actions (including RAG status)
	Ongoing from 2013/14 audit		
1	Non-current assets are not sufficiently detailed within the Council's asset register to allow the identification of individual assets across all asset categories.	<p>Accepted.</p> <p>Asset registers are a cumulative accounting record of all asset related transactions undertaken over many years. FCC asset register has been maintained in the same way since its inception in 1996. Undertaking work to restate the way information is presented is therefore resource intensive and if the information needed is not available due to the length of time passed may not be possible.</p> <p>When FCC was set up in 1996, the Council inherited a share in percentage terms of Clwyd County Council's balance sheet. This means that it won't be possible to link these transactions to an individual asset.</p>	<p>1.1 Data from 2014/15 onwards will be entered onto the register in a manner that identifies individual assets sufficiently. (Completed)</p> <p>1.2 During 2014/15 work was undertaken to restate prior years information relating to assets in the classes below so that information on individual assets can be identified:</p> <ul style="list-style-type: none"> • Vehicles, Plant, Furniture and Equipment • Community Assets <p>(Completed)</p> <p>1.3 During 2015/16 financial year assets classed as Council Dwellings and Infrastructure will be reviewed. (Amber – not feasible to include Council Dwellings in more detail on Asset Register, Infrastructure to be restated during 2016/17)</p>

STATEMENT OF ACCOUNTS ACTION PLAN – JUNE 2016 UPDATE

	Issue Raised in WAO Report	Flintshire's Response	Actions (including RAG status)
2	The Council needs to undertake an exercise, with reference to the individual agreements, to determine the appropriate accounting treatment of deposits (highways, environmental and s106 deposits etc)	Accepted. The volume of deposits and the length of time that some deposits date back to, mean that the task of reviewing all agreements was too resource intensive to complete during the audit period.	Progress in 2014/15 was delayed due to capacity issues. 2.1 All available legal documents are being scanned so that an electronic copies are readily available. (Completed) 2.2 A full review of each deposit and associated legal agreement will be undertaken during 2015/16 to determine the appropriate accounting treatment going forward. (Amber – majority completed in 2015/16, but work continues in 2016/17)
	2014/15 audit		
3	Undertake further work to ensure that transactions are correctly mapped as either income or expenditure and ensure that all central charges and agency arrangements are correctly netted out.	Accepted.	3.1 2014/15 code map corrected and reviewed by Officers of FCC and WAO. (Completed)

STATEMENT OF ACCOUNTS ACTION PLAN – JUNE 2016 UPDATE

	Issue Raised in WAO Report	Flintshire's Response	Actions (including RAG status)
			<p>3.2 2015/16 code map set up earlier in the year and tested before year end to ensure there are no issues. (Completed)</p> <p>3.3 Guidance and training to be delivered to all Finance staff by Officers of FCC and WAO jointly. (Completed)</p>
4	To review the basis for the allocation of support services and other overheads to ensure that they comply with the seven principles set out in the Service Reporting Code of Practice (SeRCOP).	Accepted	4.1 Methods of apportioning support and overheads costs to service headings defined in SeRCOP to be reviewed. (Completed)
5	Ensure that all internal transactions are coded correctly within income and expenditure so as to allow them to be correctly excluded from the Comprehensive Income and Expenditure Statement.	Accepted	<p>5.1 A review will be undertaken to determine the different kinds of internal charging across the Council and agree standard processing for the different kinds of charging. (Completed)</p> <p>5.2 Guidance and training will be provided to all Finance staff. (Completed)</p>

STATEMENT OF ACCOUNTS ACTION PLAN – JUNE 2016 UPDATE

	Issue Raised in WAO Report	Flintshire's Response	Actions (including RAG status)
			5.3 A system of in year monitoring will be introduced to avoid any year end issues. (Completed)
6	Ensure that the bank reconciliation is correctly prepared and that all transactions are fully reconciled.	Accepted	<p>6.1 The year-end bank reconciliation in future will reconcile to the cash book. (Completed)</p> <p>6.2 A Council wide procedure for accounting for any un-reconciled cash receipting balance arising in the future will be developed. (Amber – there are a number of different methods of cash receipting in use across the Council which has meant that developing a standard procedure is more complex than initially estimated, work continues into 2016/17)</p>
7	Ensure that the detailed internal audit report recommendations are implemented. Ensure that employee salaries and any other payments are supported by relevant employment contracts.	Accepted	7.1 Many of the recommendations contained within the Internal Audit report issued in August 2015 have been fully implemented. Internal Audit have conducted a further interim audit of the November 2015 payroll in order to

STATEMENT OF ACCOUNTS ACTION PLAN – JUNE 2016 UPDATE

	Issue Raised in WAO Report	Flintshire's Response	Actions (including RAG status)
			review and report upon the changes that have been made to internal controls and to monitor those actions that are still in progress. (Completed – Recent Internal Audits concluded 'Substantial Assurance')
8	Ensure that the financial statements, and underlying transactions are subject to a quality review and that all significant variances in transactions and balances are understood and supported by evidence and explanation.	Accepted	8.1 Additional processes will be built into the closedown programme for reviewing significant variances in transactions and balances in 2015/16. (Completed)
9	Ensure that all relevant departments are clear about their respective roles and responsibilities in the accounts and audit process.	Accepted	9.1 Officers from the Council and the WAO will jointly present in year seminars to Chief / Senior Officers of the Council to raise awareness of the Accounts preparation and audit processes, and their role / responsibility in relation to the Accounts. (Completed) 9.2 A Governance Group of Senior Officers will be set up to oversee the accounts preparation and audit processes at a strategic level. The

STATEMENT OF ACCOUNTS ACTION PLAN – JUNE 2016 UPDATE

	Issue Raised in WAO Report	Flintshire's Response	Actions (including RAG status)
			group will monitor this action plan, and in future escalate any material / significant issues or resource requirements at an earlier stage in the process. (Completed)
	Clwyd Pension Fund		
10	Records in financial ledger and pensions administration system need to be reconciled regularly with differences corrected in the relevant system to ensure transactions are accurate and complete.	Accepted	10.1 Work is underway to ensure that details are corrected in the Altair (pensions administration) system when various variances are identified. (Completed)
11	It would be beneficial to have a separate and specific closedown plan for the Clwyd Pension Fund.	Accepted	11.1 A separate and detailed closedown plan for the Clwyd Pension Fund is being developed and will be in place for the 2015/16 year end. (Completed)



AUDIT COMMITTEE

Date of Meeting	Wednesday 13 th July 2016
Report Subject	Supplementary Financial Information to Draft Statement of Accounts 2015/16
Cabinet Member	Leader of the Council and Cabinet Member for Finance
Report Author	Corporate Finance Manager
Type of Report	Operational

EXECUTIVE SUMMARY

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.

This report contains the information requested above in respect of financial year 2015/16.

RECOMMENDATIONS

1	Members note the report.
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REPORT DETAILS

1.00	EXPLAINING THE APPENDICIES
1.01	<p>The information requested is shown in Appendix 1 to this report. For clarity the information has been split into 2 categories described in paragraphs below:</p> <ul style="list-style-type: none"> • Table 1 – Council Employees • Table 2 – Payments to Short Term Professional Advisors and Non-Permanent Posts
1.02	<p>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.</p> <p>As the notice of motion requests, the detail of any council employee already included in the ‘Senior Employee Emoluments’ note in the Draft Statement of Accounts 2015/16 has not been included.</p>
1.03	<p>Table 2 contains payments made for short term professional advice and non-permanent posts.</p> <p>It is important that Members note that actual costs incurred by the Council in 2015/16 are in bold in the third column in table 2.</p> <p>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.</p>
1.04	<p>During the year a number of reports and additional information has been provided under the broad heading of ‘consultants’ to the Audit Committee and Corporate Resources Overview and Scrutiny Committee.</p> <p>As a result the Council has adopted a revised definition of ‘consultant’ during the year.</p> <p>Corporate Resources Overview and Scrutiny Report extract – March 2016.</p> <p><i>A consultant is an organisation or an individual contracted to provide specific services to the Council for a limited period of time. These are services where the Council does not have the expertise ‘in-house’ to be self-sufficient or where the Council has some expertise but insufficient capacity. It is not possible for the Council to be wholly self-sufficient and it would be a poor use of resources to employ specialist individuals to maintain an internal expertise which is only required occasionally or indeed once.</i></p>

	<p>In future Consultants will be classified into 2 groups:</p> <ul style="list-style-type: none"> • <i>Retained consultant: with a contract in place for the periodic provision of advice; and</i> • <i>Project consultant: to work on defined and time limited projects on 'strategy, structure or management.'</i>
1.05	<p>The notice of motion specifically requests information on salaries of consultants and non-permanent posts. As it predates the introduction of the revised definition of consultant above, the information in Table 2 has been produced using the wider description of 'individuals providing short term professional advice'.</p> <p>For clarity where information within Table 2 has been included in the Corporate Resources Overview and Scrutiny Committee March 2016 report (therefore meeting the newly adopted definition of consultant) it has been marked with an asterisk (*).</p> <p>Figures have been taken from the general ledger on codes used for consultancy (therefore taking account of the previous wider definitions in use) and agency workers. These will be on an accruals rather than a cash basis, therefore relating to costs of services provided during the year, rather than amounts physically paid during the year.</p>
1.06	<p>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 County Council. Joint arrangements that are set up as Joint committees publish their own separate accounts.</p>

2.00	RESOURCE IMPLICATIONS
2.01	As set out within the report.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	None required.

4.00	RISK MANAGEMENT
4.01	The report is a retrospective report and therefore subject to minimal risk.

5.00	APPENDICES
5.01	Appendix 1 – Supplementary financial information to draft Statement of Accounts 2015/16.

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	Contact Officer: Liz Thomas – Technical Finance Manager Telephone: 01352 702289 E-mail: liz.thomas@flintshire.gov.uk

7.00	GLOSSARY OF TERMS
7.01	Definitions required as contained within the report.

SUPPLEMENTARY FINANCIAL INFORMATION TO DRAFT STATEMENT OF ACCOUNTS 2015/16

TABLE 1 - COUNCIL EMPLOYEES

Post Title	Note	Remuneration (excluding Employers Pension Contributions) £	Employers Pension Contributions £	Annualised Pay (where applicable) £
Principal Learning Advisor - Secondary	1	61,037	6,368	97,636
Public Protection Manager		62,698	10,242	
Senior Manager - School Improvement		63,014	15,343	
Planning and Environment Strategy Manager		69,060	13,758	
General Manager - Clwyd Theatr Cymru	1	73,941	5,198	77,896
Head of Education ICT	1	78,666	13,759	101,044

1 - Remuneration includes termination benefits apid under the Council's Organisational Change and Redundancy Policy

SUPPLEMENTARY FINANCIAL INFORMATION TO DRAFT STATEMENT OF ACCOUNTS 2015/16

TABLE 2 - PAYMENTS TO SHORT TERM PROFESSIONAL ADVISORS AND NON-PERMANENT POSTS

Portfolio	Description	Actual Cost Incurred £	Theoretical Annual Costs £
E&Y	Barrister - John Summers High School Case	2,700	296,296
E&Y	Schools Modernisation - Re-building curriculum following post 16 changes	2,040	163,540
E&Y	Counselling - service user supervision	180	76,960
P&R	Creation of Web Recruitment Module	1,355	132,000
P&R	Introduction of new budget monitoring system (Collaborative Planning)	7,569	132,000
P&R	Project Management of Finance Service Modernisation / Introduction of new budget monitoring system (Collaborative Planning) *	17,600	96,000
P&R	Consultant Physician - Provision of Occupational Health Services	41,325	228,000
OC	Office Accommodation Rationalisation *	8,200	96,000
SS	Embedding use of Person Centred Thinking Practises in Care Homes	4,563	195,000
Gov	Mobile and web solutions project	850	204,000
Gov	Project Manager for Exchange	54,000	93,600
Gov	Public Services Network Compliance	32,900	204,000
Gov	Implementation of VEEAM - Services data backup solution	11,925	190,800
Gov	E-Procurement Project	24,056	228,000
Gov	Implementation of Education ICT Service Delivery Model	35,730	120,000
Gov	E-sourcing and E-invoicing project management *	79,120	108,000
HRA & C&E	SHARP Procurement - Financial Modelling	20,748	144,000
HRA	SHARP Procurement Manager *	84,402	169,502
HRA & C&E	SHARP Procurement - Financial Standing Assessments	840	100,800
C&E	Technical support - Open Housing System (tenants data, rents and repairs and maintenance)	3,191	216,000
S&T	Procurement - Fleet Vehicle Provider *	37,082	169,502
Total		470,376	

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.

* Denotes payments to those that meet the Council's revised definition of 'Consultant' introduced during the year and included within the March 2016 report to Corporate Resources Overview and Scrutiny Committee



AUDIT COMMITTEE

Date of Meeting	Wednesday, 13 July 2016
Report Subject	Annual Governance Statement
Report Author	Internal Audit Manager

EXECUTIVE SUMMARY

For each financial year the Council is required to produce an Annual Governance Statement (AGS) as part of its final accounts. The AGS explains how the Council has complied with its Code of Corporate Governance and it also meets the requirements of the Accounts and Audit (Wales) Act 2014.

The Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) have produced a detailed guidance note on the preparation and contents of an AGS – ‘Delivering Good Governance in Local Government: A Framework’. The AGS is based on the six core principles of governance from that guidance note.

It is good practice for the AGS to be presented separately from the final accounts so that it can be given due consideration.

RECOMMENDATIONS

1	For the committee to consider, amend as appropriate and recommend to the Council the AGS attached to the Statement of Accounts.
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REPORT DETAILS

1.00	EXPLAINING THE ANNUAL GOVERNANCE STATEMENT
1.01	Under the Accounts and Audit (Wales) Regulations 2015 each Local Authority must ensure it has a sound system of internal control. In addition,

	each year they must conduct a review of the effectiveness of the system and prepare an Annual Governance Statement (AGS). The review must be considered and the AGS approved by a committee or members of the authority meeting as a whole.
1.02	The AGS accompanies the financial statements but is not part of them. As such it is not part of the statement on which the external auditors' opinion is given. However, the auditors review the governance statement to confirm it is consistent with the audited financial statements and other information of which they are aware.
1.03	The preparation of the AGS has been coordinated by the Corporate Governance Working Group (CGWG) which has reported to the Chief Executive, the Monitoring Officer and the Section 151 Officer on its work.
1.04	The preparation of the AGS was informed by a corporate governance self-assessment undertaken by each Chief Officer, responding to a questionnaire prepared by the CGWG and based on the CIPFA guidance. The responses received were challenged by the CGWG where, for example, they did not provide adequate supporting information for the assessment given.
1.05	In addition, questionnaires were sent to Overview and Scrutiny Committee Chairs. They all completed the questionnaire and their views have been taken into account in preparing the draft AGS.
1.06	Information was obtained from a number of other officers to complete various sections of the AGS. It was then submitted to the Chief Executive, Monitoring Officer and Section 151 Officer for their observations. Finally, it was distributed to all Members asking for any comments.
1.07	The group decided to change the format of the AGS this year, to reflect the six core principles within the CIPFA / SOLACE framework and to bring the AGS more into line with practice in other councils. The review of effectiveness is shown relating to each principle.
1.08	The AGS includes a list of significant strategic risks to the Council and the proposed mitigating actions for those risks.

2.00	RESOURCE IMPLICATIONS
2.01	None arising from this report.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	AGS produced using information from all Statutory and Chief Officers, Managers and Chairs of all Overview and Scrutiny Committees. Draft AGS circulated to all Members for their comments.

4.00	RISK MANAGEMENT
4.01	The AGS lists all the significant governance issues for the Council and for each one outlines the risks and the mitigation of those risks.

5.00	APPENDICES
5.01	Appendix 1 Annual Governance Statement – see paper on the Statement of Accounts.

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>Contact Officer: David Webster, Internal Audit Manager Telephone: 01352 702248 E-mail: david.webster@flintshire.gov.uk</p>

7.00	GLOSSARY OF TERMS
7.01	<p>Corporate Governance: the system by which local authorities direct and control their functions and relate to their communities. It is founded on the basic principles of openness and inclusivity, integrity and accountability together with the overarching concept of leadership. It is an inter-related system that brings together the underlying set of legislative requirements, governance principles and management processes.</p> <p>Risk Management: the process of identifying risks, evaluating their potential consequences and managing them. The aim is to reduce the frequency of risk events occurring (wherever this is possible) and minimise the consequences if they occur. Threats are managed by a process of controlling, transferring or retaining the risk. Opportunities are managed by identifying strategies to maximise the opportunity or reward for the organisation.</p> <p>Financial Accounts / Statements: The Council's annual finance report providing details of the Council's financial performance and position at the end of the financial year. The format is prescribed to enable external comparison with other public and private entities.</p>

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AUDIT COMMITTEE

Date of Meeting	Wednesday 13 July 2016
Report Subject	Treasury Management Annual Report 2015/16 Treasury Management Update Q1 2016/17
Cabinet Member	Leader of the Council and Cabinet Member for Finance
Report Author	Corporate Finance Manager
Type of Report	Strategic

EXECUTIVE SUMMARY

The report presents the draft Treasury Management Annual Report 2015/16 for review and seeks the Committee's recommendation for approval to Cabinet.

The report provides an update on matters relating to the Council's Treasury Management Policy, Strategy and Practices 2016/17.

- 1st quarter update 1st April – 30th June 2016, presented for the Committee's information.

RECOMMENDATIONS

1	Members review the draft Treasury Management Annual Report 2015/16 and identify any matters to be drawn to the attention of Cabinet on 20 th September 2016.
2	Members note the Treasury Management 2016/17 Q1 quarterly update.

REPORT DETAILS

1.00	EXPLAINING THE ANNUAL REPORT
1.01	The Council has nominated Audit Committee to be responsible for ensuring effective scrutiny of Treasury Management Strategy and Policies. The Audit Committee has previously agreed to include Treasury Management as a standing item on each quarterly agenda to receive an update.
1.02	On 17 th February 2015, the Council approved the Treasury Management Investment Strategy 2015/16, following the recommendation of the Cabinet and consideration by the Audit Committee.
1.03	On 16 th February 2016, the Council approved the Treasury Management Strategy 2016/17, following the recommendation of the Cabinet and consideration by the Audit Committee.
	<u>CONSIDERATIONS</u>
1.04	<p><u>Governance</u></p> <p>A schedule for the reporting cycle for Treasury Management reports 2016/17 is attached as Appendix 1 for information. Where Members have any specific items of interest, concern or questions on the Council's Treasury Policy or Investment Strategy these can be addressed within these reports upon request.</p>
	Treasury Management Annual Report 2015/16
1.05	The draft Treasury Management Annual Report for 2015/16 is attached as Appendix 2 for review. As required by the Council's Financial Procedure Rules, this Annual Report will be reported to the Cabinet and Council.
1.06	<p><u>Summary of Key Points</u></p> <p>The UK bank base interest rate 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 0.51%. 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.</p>
1.07	£79.2m of new borrowing was taken out in respect of the HRA Subsidy Reform. This is detailed in paragraph 3.04.
1.08	Debt rescheduling opportunities were considered by officers and the Council's Treasury Management advisors. However, the premium 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.
1.09	The treasury function operated within the limits detailed in the Treasury Management Strategy 2015/16.
	Treasury Management 2016/17 – Quarter 1 update
1.10	<u>Investments Update</u> A statement setting out the Council's investments as at 30 th June 2016 is attached at Appendix 3. The investment balance at this time was £22.9m, spread across 10 counterparties and the average investment rate was 0.56% for the quarter.
1.11	In the days leading up to the EU referendum on 23 rd June 2016 consideration was given to the impact that either decision would have on the UK's general banking systems. There were some concerns that a 'leave' vote would lead to an increase in the volume of transactions being processed leading to short term liquidity issues in the days following the result. Officers discussed the situation with the Council's advisors and a purely precautionary measure to invest enough cash to cover payments due to be made the following week with the government's Debt Management Office rather than any other financial institution was taken.
1.12	There was some immediate but minor disruption to institutional transactions early on Friday 24 th June 2016 with Clearing banks introducing some changes to the way they operate which is likely to continue. Otherwise, for transactions it's business as usual.
1.13	Officers have been in regular contact with, and have been receiving updates from, Arlingclose Ltd, the Council's treasury management advisors regards the creditworthiness of financial institutions following the 'leave' vote. No changes have been made to the counterparty list and the situation will continue to be closely monitored.
1.14	<u>Borrowing Update</u> Appendix 4 shows the Council's borrowing as at 30 th June 2016. The total amount of loans outstanding was £251.3m and the average interest rate payable was 5.02%.
1.15	The 2016/17 Treasury Management Strategy forecast that the Council would need to borrow during the year to fund its enhanced capital programme. The market uncertainty caused by the EU referendum has resulted in borrowing rates being lower than projected. Consideration has therefore been given to the Council's borrowing requirement during June and the borrowing forecast was updated.
1.16	Whilst capital requirements remained roughly the same, the level of reserves that the Council held on 31 st March 2016 was significantly higher than forecast, indicating that the point at which the Council needs to borrow

	will be later than planned in the Strategy. Experience signals that forecasts for capital expenditure and planned use of reserves are usually over estimated.
1.17	The 'leave' result indicates that interest rates will remain lower for longer and short term rates in particular are very likely to remain low for many years to come.
1.18	Various options have been modelled with the most cost effective and low risk option being to make use of short term and variable rate borrowing when the need arises. This will protect the Council from; <ul style="list-style-type: none"> • the risk of committing to medium to longer term borrowing that was not needed, and • additional credit and counterparty risk from borrowing before need and any associated costs as borrowing rates are higher than returns on investments.
1.19	<u>Lending to NEW Homes to fund affordable homes in Flint</u> Members will be aware that the Cabinet in May 2016 approved a loan to the Council's wholly owned company, NEW Homes Ltd, to build 62 homes on the site of The Walks in Flint for rent at affordable levels.
1.20	The Council will fund the loan to NEW Homes by borrowing itself and therefore a report to increase the Council's borrowing limit was approved by Council in June 2016 (Authorised Limit for External Debt). The borrowing and the lending will be independent transactions and will therefore have the impact of increasing the Council's borrowing position. For simplicity and transparency the additional Council loans for NEW Homes purposes will be separately identified within the Council's loan portfolio.
1.21	As the loan to NEW Homes is being made to achieve the Council's strategic objectives within the Improvement Plan, it does not meet the definition of an investment within the Treasury Management Strategy. Investments are the use of surplus cash as a result of timing differences between receiving and spending cash to generate a return, with the focus on security, liquidity and finally yield. This has been confirmed by the Council's treasury management advisors.
1.22	Further information is included in 17 th May Cabinet report and the 14 th June Cabinet report.

2.00	RESOURCE IMPLICATIONS
2.01	Financial implications are addressed in the report; no other resource implications directly as a result of this report.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	Arlingclose Ltd, being the Council's treasury management advisors.

4.00	RISK MANAGEMENT
4.01	Risk Management directly addressed within the report and appendices including identification of risks and measures to mitigate likelihood and impact of risks identified.

5.00	APPENDICES
5.01	<ol style="list-style-type: none"> 1. Treasury Management Reporting Cycle 2016/17 2. Draft Treasury Management Annual Report 2015/16 3. Investment Portfolio as at 30 June 2016 4. Borrowing Portfolio as at 30 June 2016

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>Contact Officer: Liz Thomas – Technical Finance Manager Telephone: 01352 702289 E-mail: liz.thomas@flintshire.gov.uk</p>

7.00	GLOSSARY OF TERMS
7.01	<p>Authorised Limit: A statutory limit that sets the maximum level of external debt for the Council.</p> <p>Balances and Reserves: Accumulated sums that are held, either for specific future costs or commitments (known as earmarked) or generally held to meet unforeseen or emergency expenditure.</p> <p>Bank Rate: The official interest rate set by the Bank of England's Monetary Policy Committee and what is generally termed at the "base rate".</p> <p>Basis Point: A unit of measure used in finance to describe the percentage change in the value or rate of a financial instrument. One basis point is equivalent to 0.01% (1/100th of a percent). In most cases, it refers to changes in interest rates and bond yields. For example, if interest rates rise by 25 basis points, it means that rates have risen by 0.25% percentage points.</p> <p>Bond: A certificate of debt issued by a company, government, or other institution. The bond holder receives interest at a rate stated at the time of issue of the bond. The price of a bond may vary during its life.</p>

Capital Expenditure: Expenditure on the acquisition, creation or enhancement of capital assets.

Capital Financing Requirement (CFR): The Council's underlying need to borrow for capital purposes representing the cumulative capital expenditure of the local authority that has not been financed.

Certificates of Deposits (CD's): A savings certificate entitling the bearer to receive interest. A CD bears a maturity date, a specified fixed interest rate and can be issued in any denomination. CDs are generally issued by commercial banks. The term of a CD generally ranges from one month to five years.

Cost of Carry: The "cost of carry" is the difference between what is paid to borrow compared to the interest which could be earned. For example, if one takes out borrowing at 5% and invests the money at 1.5%, there is a cost of carry of 3.5%.

Consumer Price Index (CPI): The UK's main measure of inflation (along with Retail Price Index or 'RPI') The Monetary Policy Committee of the Bank of England set the Bank Rate in order to try and keep CPI at or close to the target set by the Government. The calculation of CPI includes many items of normal household expenditure but excludes some items such as mortgage interest payments and Council Tax.

Credit Rating: Formal opinion by a registered rating agency of a counterparty's future ability to meet its financial liabilities; these are opinions only and not guarantees.

Corporate Bonds: Corporate bonds are bonds issued by companies. The term is often used to cover all bonds other than those issued by governments in their own currencies and includes issues by companies, supranational organisations and government agencies.

Counterparty List: List of approved financial institutions with which the Council can place investments.

Debt Management Office (DMO): The DMO is an Executive Agency of Her Majesty's Treasury and provides direct access for local authorities into a government deposit facility known as the Debt Management Account Deposit Facility (DMADF). All deposits are guaranteed by HM Government and therefore have the equivalent of a sovereign credit rating.

Federal Reserve: The US central bank, the equivalent of the Bank of England. (Often referred to as "the Fed").

Financial Instruments: Financial instruments are tradable assets of any kind. They can be cash, evidence of an ownership interest in an entity, or a contractual right to receive or deliver cash or another financial instrument.

Gilts: Gilts are bonds issued by the UK Government. They take their name from 'gilt-edged'. They are deemed to be very secure as the investor expects to receive the full face value of the bond to be repaid on maturity.

LIBID: The London Interbank Bid Rate (LIBID) is the rate bid by banks on

Eurocurrency deposits (i.e. the rate at which a bank is willing to borrow from other banks).

LIBOR: The London Interbank Offered Rate (LIBOR) is the rate of interest that banks charge to lend money to each other. The British Bankers' Association (BBA) work with a small group of large banks to set the LIBOR rate each day. The wholesale markets allow banks who need money to borrow from those with surplus amounts. The banks with surplus amounts of money are keen to lend so that they can generate interest which it would not otherwise receive.

LOBO: Stands for Lender Option Borrower Option. The underlying loan facility is typically very long-term - for example 40 to 60 years - and the interest rate is fixed. However, in the LOBO facility the lender has the option to call on the facilities at pre-determined future dates. On these call dates, the lender can propose or impose a new fixed rate for the remaining term of the facility and the borrower has the 'option' to either accept the new imposed fixed rate or repay the loan facility.

IFRS: International Financial Reporting Standards.

Maturity: The date when an investment or borrowing is repaid.

Maturity Structure / Profile: A table or graph showing the amount (or percentage) of debt or investments maturing over a time period.

Monetary Policy Committee (MPC): Government Body that sets the Bank Rate. Its primary target is to keep inflation within 1% of a central target of 2%. Its secondary target is to support the Government in maintaining high and stable levels of growth and employment.

Money Market Funds (MMF): Pooled funds which invest in a range of short term assets providing high credit quality and high liquidity.

Minimum Revenue Provision (MRP): An annual provision that the Council is statutorily required to set aside and charge to the Revenue Account for the repayment of debt associated with expenditure incurred on capital assets.

Non Specified Investment: Investments which fall outside the WG Guidance for Specified investments (below).

Operational Boundary: This linked directly to the Council's estimates of the CFR and estimates of other day to day cash flow requirements. This indicator is based on the same estimates as the Authorised Limit reflecting the most likely prudent but not worst case scenario but without the additional headroom included within the Authorised Limit.

Premiums and Discounts: In the context of local authority borrowing, (a) the premium is the penalty arising when a loan is redeemed prior to its maturity date and (b) the discount is the gain arising when a loan is redeemed prior to its maturity date.

Prudential Code: Developed by CIPFA and introduced in April 2004 as a

professional code of practice to support local authority capital investment planning within a clear, affordable, prudent and sustainable framework and in accordance with good professional practice.

Prudential Indicators: Indicators determined by the local authority to define its capital expenditure and asset management framework. They are designed to support and record local decision making in a manner that is publicly accountable; they are not intended to be comparative performance indicators.

Public Works Loans Board (PWLB): The PWLB is a statutory body operating within the United Kingdom Debt Management Office, an Executive Agency of HM Treasury. The PWLB's function is to lend money from the National Loans Fund to local authorities and other prescribed bodies, and to collect the repayments.

Quantitative Easing (QE): In relation to the UK, it is the process used by the Bank of England to directly increase the quantity of money in the economy. It does not involve printing more banknotes. Instead, the Bank buys assets from private sector institutions – that could be insurance companies, pension funds, banks or non-financial firms – and credits the seller's bank account. So the seller has more money in their bank account, while their bank holds a corresponding claim against the Bank of England (known as reserves). The end result is more money out in the wider economy.

Revenue Expenditure: Expenditure to meet the continuing cost of delivery of services including salaries and wages, the purchase of materials and capital financing charges.

Retail Price Index (RPI): A monthly index demonstrating the movement in the cost of living as it tracks the prices of goods and services including mortgage interest and rent.

Term Deposits: Deposits of cash with terms attached relating to maturity and rate of return (Interest).

Specified Investments: Term used in the Welsh Assembly Guidance for Local Authority Investments. Investments that offer high security and high liquidity, in sterling and for no more than one year. UK government, local authorities and bodies that have a high credit rating.

Supported Borrowing: Borrowing for which the costs are supported by the government or third party.

Supranational Bonds: Instruments issued by supranational organisations created by governments through international treaties (often called multilateral development banks). The bonds carry an AAA rating in their own right. Examples of supranational organisations are the European Investment Bank, the International Bank for Reconstruction and Development.

Treasury Bills (T-Bills): Treasury Bills are short term Government debt instruments and, just like temporary loans used by local authorities, are a means to manage cash flow. They are issued by the Debt Management

Office and are an eligible sovereign instrument, meaning that they have an AAA-rating.

Treasury Management Code: CIPFA's Code of Practice for Treasury Management in the Public Services, initially brought in 2003, subsequently updated in 2009 and 2011.

Treasury Management Practices (TMP): Treasury Management Practices set out the manner in which the Council will seek to achieve its policies and objectives and prescribe how it will manage and control these activities.

Temporary Borrowing: Borrowing to cover peaks and troughs of cash flow, not to fund capital spending.

Unsupported Borrowing: Borrowing which is self-financed by the local authority. This is also sometimes referred to as Prudential Borrowing.

Yield: The measure of the return on an investment instrument.

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Treasury Management Reporting 2016/17

Committee Report	Purpose	Audit Committee	Cabinet	Council
2015/16 Final Outturn & Q1 2016/17 Update	Information & Policy Change	13-Jul-16	20-Sep-16	26-Sep-16
Mid Year Review 2016/17	Information & Policy Change	25-Jan-17	14-Feb-17	14-Feb-17
Q3 2016/17 Update & 2017/18 Strategy	Information & Policy Change	25-Jan-17	14-Feb-17	14-Feb-17
Q4 2016/17 Update	Information	15-Mar-17		

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FLINTSHIRE COUNTY COUNCIL

TREASURY MANAGEMENT

ANNUAL REPORT 2015/16

1.00 INTRODUCTION

- 1.01 The Council approved the Treasury Management Strategy (Strategy) 2015/16 including key indicators, limits and an annual investment strategy on 17th February 2015.
- 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 2015/16 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 2015/16

Provided by Arlingclose Ltd the Council's Treasury Management advisors.

Growth, Inflation, Employment: The UK economy slowed in 2015 with Gross domestic product (GDP) growth falling to 2.3% from a robust 3.0% the year before. Consumer price index (CPI) inflation hovered around 0.0% through 2015 with deflationary spells in April, September and October. The prolonged spell of low inflation was attributed to the continued collapse in the price of oil from \$67 a barrel in May 2015 to just under \$28 a barrel in January 2016, the appreciation of sterling since 2013 pushing down import prices and weaker than anticipated wage growth resulting in subdued unit labour costs. CPI picked up to 0.3% year/year in February, but this was still well below the Bank of England's 2% inflation target. The labour market continued to improve through 2015 and in Q1 2016, the latest figures (Jan 2016) showing the employment rate at 74.1% (the highest rate since comparable records began in 1971) and the unemployment rate at a 12 year low of 5.1%. Wage growth has however remained modest at around 2.2% excluding bonuses, but after a long period of negative real wage growth (i.e. after inflation) real earnings were positive and growing at their fastest rate in eight years, boosting consumers' spending power.

Global influences: The slowdown in the Chinese economy became the largest threat to the South East Asian region, particularly on economies with a large trade dependency on China and also to prospects for global growth as a whole. The effect of the Chinese authorities' intervention in their currency and equity markets was temporary and led to high market volatility as a consequence. There were falls in prices of equities and risky assets and a widening in corporate credit spreads. As the global economy entered 2016 there was high uncertainty about growth, the

outcome of the US presidential election and the consequences of June's referendum on whether the UK is to remain in the EU. Between February and March 2016 sterling had depreciated by around 3%, a significant proportion of the decline reflecting the uncertainty surrounding the referendum result.

UK Monetary Policy: The Bank of England's MPC (Monetary Policy Committee) made no change to policy, maintaining the Bank Rate at 0.5% (in March it entered its eighth year at 0.5%) and asset purchases (Quantitative Easing) at £375bn. In its *Inflation Reports* and monthly monetary policy meeting minutes, the Bank was at pains to stress and reiterate that when interest rates do begin to rise they were expected to do so more gradually and to a lower level than in recent cycles.

Improvement in household spending, business fixed investment, a strong housing sector and solid employment gains in the US allowed the Federal Reserve to raise rates in December 2015 for the first time in nine years to take the new Federal funds range to 0.25%-0.50%. Despite signalling four further rate hikes in 2016, the Fed chose not to increase rates further in Q1 and markets pared back expectations to no more than two further hikes this year.

However central bankers in the Eurozone, Switzerland, Sweden and Japan were forced to take policy rates into negative territory. The European Central Bank also announced a range of measures to inject sustained economic recovery and boost domestic inflation which included an increase in asset purchases (Quantitative Easing).

Market reaction: From June 2015 gilt yields were driven lower by the a weakening in Chinese growth, the knock-on effects of the fall in its stock market, the continuing fall in the price of oil and commodities and acceptance of diminishing effectiveness of central bankers' unconventional policy actions. Added to this was the heightened uncertainty surrounding the outcome of the UK referendum on its continued membership of the EU as well as the US presidential elections which culminated in a significant volatility and in equities and corporate bond yields.

10-year gilt yields moved from 1.58% on 31/03/2015 to a high of 2.19% in June before falling back and ending the financial year at 1.42%. The pattern for 20-year gilts was similar, the yield rose from 2.15% in March 2015 to a high of 2.71% in June before falling back to 2.14% in March 2016. The FTSE All Share Index fell 7.3% from 3664 to 3395 and the MSCI World Index fell 5.3% from 1741 to 1648 over the 12 months to 31 March 2016.

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 20 basis points on the Standard Rate.

3.02 Borrowing Activity in 2015/16.

The total long term borrowing outstanding, brought forward into 2015/16 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 5.02%.

	Balance 01/04/2015 £m	Debt Maturing £m	New Debt £m	Balance 31/03/2016 £m
Capital Financing Requirement	190.4	7.7	97.6	280.3
Short Term Borrowing	0.00	0.00	0.00	0.00
Long Term Borrowing	172.1	0.00	79.2	251.3
TOTAL BORROWING	172.1	0.00	0.00	251.3
Other Long Term Liabilities	7.1	0.6	0.00	6.5
TOTAL EXTERNAL DEBT	179.1	0.6	0.00	257.8
Increase/(Decrease in Borrowing (£m))	-	-	79.2	

3.03 The Council's underlying need to borrow as measured by the Capital Financing Requirement (CFR) as at 31st March 2016 was £280.3m. The Council's total external debt was £257.8m.

3.04 **Welsh HRA Subsidy Reform**

The Housing (Wales) Act 2014 became law in Wales on 17th September 2014 and provided for the abolition of the Housing Revenue Account Subsidy (HRAS) system. The Authority was required to buy itself out of the previous 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 2nd April 2015.

3.05 Loans at Variable Rates

The Council has £10m of PWLB variable rate loans, at an average rate of 0.66% 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 2.95%. The use of internal resources in lieu of borrowing was judged to be the most cost effective means of funding £18.4m 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 2016/17 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 PWLB continued to operate a spread of approximately 1% between “premature repayment rate” and “new loan” rates so 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).

4.00 INVESTMENT ACTIVITY

4.01 The Welsh Government’s Investment Guidance gives priority to security and liquidity and the Authority’s aim is to achieve a yield commensurate with these principles.

4.02 Investment Activity in 2015/16

Summary of investments as at 31st March 2016.

Country	Total	<1 month	1 –12 months	>12 months
	£m	%	£m	£m
UK BANKS	5.0	3.0	2.0	
UK BUILDING SOCIETIES	8.0	7.0	1.0	
OVERSEAS	5.2	5.2		
MMF’s				
LOCAL AUTHORITIES	6.4	3.4	3.0	
DMO	8.0	8.0		
TOTAL	32.6	26.6	6.0	0.0
% OF PORTFOLIO		81.6%	18.4%	0.0%
TARGET 2015/16		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 2015/16. 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
- Treasury Bills
- Certificates of Deposit

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 2015/16 treasury strategy was A-/A-/A3 across rating agencies Fitch, S&P and Moody's.

4.06 Counterparty Update

The transposition of two European Union directives into UK legislation placed the burden of rescuing failing EU banks disproportionately onto unsecured institutional investors which include local authorities and pension funds. During the year, all three credit ratings agencies reviewed their ratings to reflect the loss of government support for most financial institutions and the potential for loss given default as a result of new bail-in regimes in many countries. Despite reductions in government support many institutions saw upgrades due to an improvement in their underlying strength and an assessment that the level of loss given default is low.

Fitch reviewed the credit ratings of multiple institutions in May. Most UK banks had their support rating revised from 1 (denoting an extremely high probability of support) to 5 (denoting external support cannot be relied upon). This resulted in the downgrade of the long-term ratings of Royal Bank of Scotland (RBS), Deutsche Bank, Bank Nederlandse Gemeeten and ING. JP Morgan Chase and the Lloyds Banking Group however both received one notch upgrades.

Moody's concluded its review in June and upgraded the long-term ratings of Close Brothers, Standard Chartered Bank, ING Bank, Goldman Sachs International, HSBC, RBS, Coventry Building Society, Leeds Building Society, Nationwide Building Society, Svenska Handelsbanken and Landesbank Hessen-Thuringen.

S&P reviewed UK and German banks in June, downgrading the long-term ratings of Barclays, RBS and Deutsche Bank. S&P also revised the outlook of the UK as a whole to negative from stable, citing concerns around the referendum on EU membership and its effect on the economy.

At the end of July 2015, Arlingclose advised an extension of recommended durations for unsecured investments in certain UK and European institutions following improvements in the global economic situation and the receding threat of another Eurozone crisis. A similar extension was advised for some non-European banks in September, with the Danish Danske Bank being added as a new recommended counterparty and certain non-rated UK building societies also being extended.

In December the Bank of England released the results of its latest stress tests on the seven largest UK banks and building societies which showed that the Royal Bank of Scotland and Standard Chartered Bank were the weakest performers. However, the regulator did not require either bank to submit revised capital plans, since both firms had already improved their ratios over the year.

In January 2016, Arlingclose supplemented its existing investment advice with a counterparty list of high quality bond issuers, including recommended cash and duration limits. As part of this, Bank Nederlandse Gemeeten was moved to the list of bond issuers from the unsecured bank lending list and assigned an increased recommended duration limit of 5 years. Interest rates are likely to stay low for longer making long-term bonds an increasingly attractive option. The Council did not make use of these long-term investment options during 2015/16.

The first quarter of 2016 was characterised by financial market volatility and a weakening outlook for global economic growth. In March 2016, following the publication of many banks' 2015 full-year results, Arlingclose advised the suspension of Deutsche Bank and Standard Chartered Bank from the counterparty list for unsecured investments. Both banks recorded large losses and despite improving capital adequacy this will call 2016 performance into question, especially if market volatility continues. Standard Chartered had seen various rating actions taken against it by the rating agencies and a rising CDS level throughout the year. Arlingclose will continue to monitor both banks.

The end of bank 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 continues to be elevated relative to other investment options. The Authority therefore increased investments in diversified alternatives such as non-bank investments and pooled funds.

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 2015/16 at a rate of 1.05% provided some cushion against the low interest rate environment.

The Authority's budgeted investment income for the year had been estimated at £130k. The average cash balances were £61.7m during the period and interest earned was £277k, at an average interest rate of 0.51%.

5.00 COMPLIANCE

5.01 The Council can confirm that it has complied with its Prudential Indicators for 2015/16, which were approved on 17th February 2015 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 2015/16. 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 2015/16.

6.00 OTHER ITEMS

6.01 The following were the main treasury activities during 2015/16:

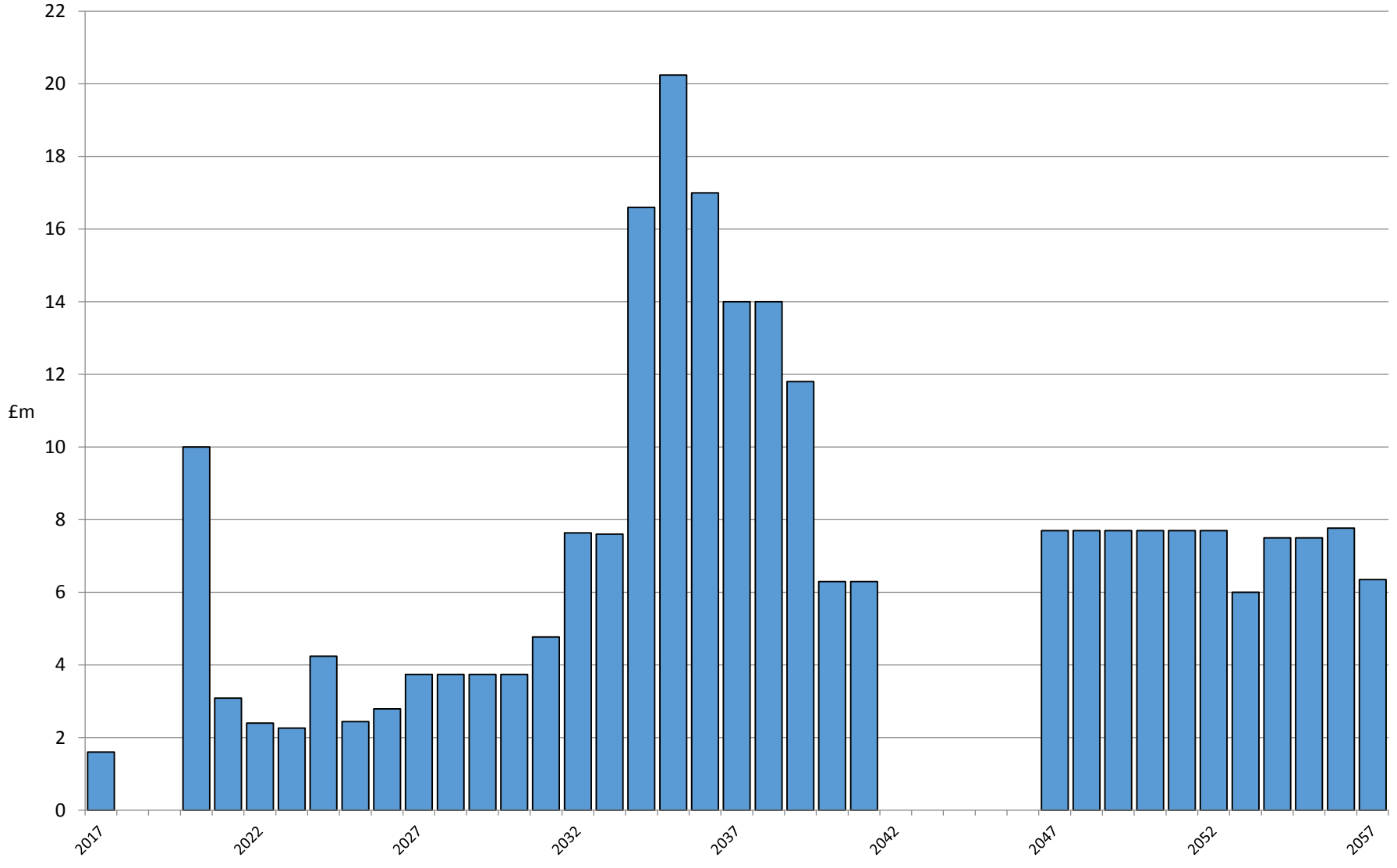
- The Council received a Mid-Year Report on 16th February 2016.
- Quarterly update reports were presented to the Audit Committee.
- All Members were invited to a training session undertaken by Arlingclose Ltd on 26th January 2016, which was hosted by Audit Committee.
- The 2016/17 Investment Strategy Statement was approved by Council on 16th February 2016.
- 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 £67.1m and the maximum long-term borrowing at any one time was £251.3m.

7.00 CONCLUSION

7.01 The treasury management function has operated within the statutory and local limits detailed in the 2015/16 Treasury Management Strategy.

7.02 The Policy was implemented in a pro-active manner with security and liquidity as the focus.

Debt Maturity Profile - June 2016



FLINTSHIRE COUNTY COUNCIL - INVESTMENT PORTFOLIO

30th June 2016

APPENDIX 3

Counterparty Name	Amount Invested £m	Start Date	Maturity Date	Interest Rate	Investment Interest £	Type of Investment	Period to Maturity
BANK OF SCOTLAND	2.0	01/10/15	30/09/16	1.05%	21,000	UK Bank	1 - 3 months
BANK OF SCOTLAND	2.0						
BNP PARIBAS SECURITIES SVCS	7.0	04/01/16	31/07/16	0.55%	22,045	MMF	1 month or less
BNP PARIBAS SECURITIES SVCS	7.0						
COVENTRY BUILDING SOCIETY	1.3	06/06/16	18/08/16	0.44%	1,144	UK BS	1 - 3 months
COVENTRY BUILDING SOCIETY	1.3						
FURNESS BUILDING SOCIETY	1.0	07/03/16	07/09/16	0.70%	3,529	UK BS	1 - 3 months
FURNESS BUILDING SOCIETY	1.0						
HANDELSBANKEN	2.8	04/02/15	31/07/16	0.35%	14,579	Overseas	1 month or less
HANDELSBANKEN	2.8						
INSIGHT LIQUIDITY FUNDS LLP	3.8	05/04/16	31/07/16	0.50%	6,090	MMF	1 month or less
INSIGHT LIQUIDITY FUNDS LLP	3.8						
LOUGHBOROUGH BUILDING SOCIETY	1.0	13/04/16	22/07/16	0.54%	1,479	UK BS	1 month or less
LOUGHBOROUGH BUILDING SOCIETY	1.0						
NORTHUMBRIA POLICE AUTHORITY	2.0	07/01/16	07/07/16	0.50%	4,986	Local Auth	1 month or less
NORTHUMBRIA POLICE AUTHORITY	2.0						
THURROCK BOROUGH COUNCIL	1.0	06/01/16	06/07/16	0.48%	2,393	Local Auth	1 month or less
THURROCK BOROUGH COUNCIL	1.0						
TIPTON & COSELEY BUILDING SOCIETY	1.0	01/04/16	03/10/16	0.70%	3,548	UK BS	3 months +
TIPTON & COSELEY BUILDING SOCIETY	1.0						
TOTAL	22.9			0.56%	80,795		
PREVIOUS REPORTS TOTALS (29th Feb 2016)	40.5			0.57%			

FLINTSHIRE COUNTY COUNCIL - INVESTMENTS SUMMARISED BY TYPE & MATURITY

30th June 2016

APPENDIX 3

Type of Investment	Total Amount Invested £m	% of Total Portfolio	Period to Investment Maturity			
			1 month or less £m	1 - 3 months £m	3 months + £m	12 months + £m
Debt Mangement Office (DMO)	0.0	0%				
UK Bank	2.0	9%		2		
UK Building Society (UK BS)	4.3	19%	1	2.3	1	
Overseas	2.8	12%	2.8			
Local Authorities	3.0	13%	3			
CD's	0.0	0%				
T-Bills	0.0	0%				
Money Market Funds (MMF)	10.8	47%	10.8			
Total (£)	22.9		17.6	4.3	1.0	0.0
Total (%)		100%	77%	19%	4%	0%

FLINTSHIRE COUNTY COUNCIL - LONG TERM BORROWING ANALYSIS

30th JUNE 2016

APPENDIX 4

Loan Start Date	Principal Loan Outstanding £	Interest Rate %	Annual Interest £	Loan Maturity Date
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PWLB Fixed Rate Maturity Loans

20/03/86	2,436,316	9.50	231,450	30/11/25
01/04/86	1,392,181	9.13	127,036	30/11/23
01/04/86	1,218,158	9.13	111,157	30/11/21
24/03/88	696,090	9.13	63,518	30/11/27
25/08/88	696,090	9.50	66,129	31/03/28
26/10/88	870,113	9.25	80,485	30/09/23
26/05/89	1,044,135	9.50	99,193	31/03/25
26/05/89	1,044,135	9.50	99,193	31/03/29
28/09/95	561,642	8.25	46,335	30/09/32
28/09/95	181,120	8.63	15,622	30/09/32
28/09/95	348,045	8.25	28,714	30/09/27
28/09/95	696,090	8.25	57,427	30/09/28
28/09/95	1,740,226	8.25	143,569	30/09/29
28/09/95	1,740,226	8.25	143,569	30/09/30
28/09/95	1,740,226	8.25	143,569	30/09/31
28/09/95	522,068	8.25	43,071	30/09/21
28/09/95	696,090	8.25	57,427	30/09/24
28/09/95	1,740,226	8.25	143,569	30/09/26
28/09/95	1,000,282	8.63	86,274	30/09/22
18/04/97	2,000,000	7.75	155,000	18/10/27
18/04/97	2,000,000	7.75	155,000	18/10/28
18/04/97	2,000,000	7.75	155,000	18/10/29
18/04/97	2,000,000	7.75	155,000	18/10/30
22/05/97	1,600,000	7.38	118,000	22/11/17
* 17/07/97	4,000,000	7.13	285,000	31/03/55
* 17/07/97	4,000,000	7.13	285,000	31/03/56
* 17/07/97	4,492,873	7.13	320,117	31/03/57
* 17/07/97	3,500,000	7.00	245,000	31/03/55
* 17/07/97	3,500,000	7.00	245,000	31/03/56
* 17/07/97	3,278,252	7.00	229,478	31/03/57
* 20/05/98	1,333,332	5.75	76,667	18/04/31
20/05/98	1,050,000	6.00	63,000	18/04/26
09/06/98	2,000,000	5.75	115,000	30/09/32
09/06/98	3,000,000	5.75	172,500	30/09/33
09/06/98	4,000,000	5.75	230,000	30/09/34
17/09/98	3,850,000	5.25	202,125	31/03/58
08/12/98	1,200,000	4.75	57,000	31/03/54
08/12/98	2,500,000	4.75	118,750	31/03/58
08/12/98	4,800,000	4.50	216,000	31/03/54
01/04/99	6,000,000	4.63	277,500	31/03/53
22/04/99	4,000,000	4.50	180,000	31/03/52
* 10/08/99	1,700,000	4.50	76,500	31/03/53
* 10/08/99	3,700,000	4.50	166,500	31/03/52
* 10/08/99	7,700,000	4.50	346,500	31/03/51
* 10/08/99	7,700,000	4.50	346,500	31/03/50
* 10/08/99	7,700,000	4.50	346,500	31/03/49
* 10/08/99	7,700,000	4.50	346,500	31/03/48
05/04/01	2,500,000	4.75	118,750	31/03/25
15/11/01	1,400,000	4.50	63,000	31/03/23
15/11/01	1,350,000	4.50	60,750	31/03/22
* 02/08/05	1,700,000	4.45	75,650	18/04/31
* 02/08/05	4,900,000	4.45	218,050	18/04/32
* 02/08/05	4,600,000	4.45	204,700	18/04/33
* 02/08/05	1,800,000	4.45	80,100	18/04/34
* 02/08/05	2,244,611	4.45	99,885	18/04/35
02/04/15	10,800,000	4.11	443,880	02/10/34
02/04/15	9,000,000	4.13	371,700	02/04/35
02/04/15	9,000,000	4.14	372,600	02/10/35
02/04/15	9,000,000	4.16	374,400	02/04/36
02/04/15	8,000,000	4.17	333,600	02/10/36
02/04/15	7,000,000	4.18	292,600	02/04/37
02/04/15	7,000,000	4.19	293,300	02/10/37
02/04/15	7,000,000	4.20	294,000	02/04/38
02/04/15	7,000,000	4.21	294,700	02/10/38
02/04/15	5,448,094	4.22	229,910	02/04/39
Total	222,410,621	5.26	11,694,018	

Market Fixed Rate Loans (LOBOS)

* 24/07/07	6,350,000	4.48	284,480	24/01/40
* 24/07/07	6,300,000	4.53	285,075	24/01/41
* 24/07/07	6,300,000	4.58	288,540	24/01/42
Total	18,950,000	4.53	858,095	

PWLB Variable Rate Maturity Loans

* 05/05/10	10,000,000	0.66	66,000	05/05/20
Total	10,000,000	0.66	66,000	

Totals				
Fixed Rate	241,360,621		12,552,113	
Variable Rate	10,000,000		66,000	
Grand Total	251,360,621	5.02	12,618,113	

* New loan due to debt restructuring
 HRAS Buyout Loans

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AUDIT COMMITTEE

Date of Meeting	Wednesday 13 July 2016
Report Subject	Asset Disposal and Capital Receipts Generated 2015/16
Report Author	Chief Officer Organisational Change

EXECUTIVE SUMMARY

Total asset disposals in 2015/16 amounted to £1.695m, of which £0.550m was for general properties and £1.145m for agricultural estates.

The information in this report refers to Council Fund (CF) capital receipts only.

RECOMMENDATIONS

1	Members are requested to note the report.
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REPORT DETAILS

1.00	EXPLAINING THE ASSET DISPOSALS
1.01	Background
1.01.1	The Council's Capital Programme is set according to the Council's strategic objectives and priorities, ensuring that the Council's capital assets are aligned to current and future service delivery, operating in the most cost efficient way.
1.01.2	Capital expenditure creates revenue implications for the longer term in the form of running costs and loan repayments if that expenditure is funded from borrowing and must therefore be considered carefully within the wider strategic context.
1.01.3	In recent years the availability of capital resources has diminished with Welsh Government (WG) reducing the amount of support for capital expenditure that Councils receive. Capital receipts generated from asset disposals (assets and land) are therefore a key capital resource and are critical to the Council in supporting its overall strategic priorities.
1.01.4	Capital receipts, together with other sources of funding, are aggregated and applied to fund the capital programme as a whole regardless of where they have been generated or by which service and are not therefore ring-fenced to any particular scheme.
1.01.5	The Council has a rigorous process which it follows when assets are disposed of, with careful consideration given to the strategic long term future service needs and the assets needed to deliver those services. This consideration includes references to Business Plans, Improvement Plans and the Medium Term Financial Strategy.
1.01.6	In line with current Council Policy, capital receipts are only available to fund capital expenditure once they have been realised and the asset disposed of.
1.02	Considerations
1.02.1	Appendix 1 lists assets disposed of in financial years 2013/14 to 2015/16, by ward and within bands of the capital receipt value realised.

2.00	RESOURCE IMPLICATIONS
2.01	More details on the resource implications of capital receipts are in the Capital Programme Monitoring 2015/16 (Outturn) report to Cabinet on 19 July, 2016.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	None as a result of this report.

4.00	RISK MANAGEMENT
4.01	Whilst the realisation of capital receipts continues to be a risk for the future funding of the capital programme, the information provided in this report is retrospective and therefore carries no risk.

5.00	APPENDICES
5.01	Appendix 1 – Capital Receipts 2013/14 – 2015/16.

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	Capital Programme 2015/16 monitoring papers. Contact Officer: Liz Thomas, Finance Manager – Technical Accounting Telephone: 01352 702289 E-mail: liz.thomas@flintshire.gov.uk

7.00	GLOSSARY OF TERMS
7.01	<p>Capital Expenditure: Expenditure on the acquisition of Non-current Assets or expenditure that extends the life or value of an existing asset.</p> <p>Capital Programme - The Council's financial plan covering capital schemes and expenditure proposals for the current year and a number of future years. It also includes estimates of the capital resources available to finance the programme.</p> <p>Capital Receipt - Receipts (in excess of £10,000) from the disposal of an asset.</p> <p>Capital Scheme - An individual capital project which is monitored and managed in isolation. The aggregate of all schemes comprises the Capital Programme.</p> <p>Council Fund - The fund to which all the Council's revenue and capital expenditure is charged.</p> <p>Financing - The process of allocating resources to meet the cost of capital expenditure, which can be done on a project, asset or whole programme basis. This contrasts with making the invoice payments relating to capital expenditure, which should be managed within the authority's overall treasury management policy.</p>

Non-current Asset - A resource controlled (but not necessarily owned) by an authority, from which economic benefits or service potential are expected to flow to the authority for more than 12 months.

Unhypothecated Supported Borrowing (USB), commonly referred to as Supported Borrowing: Each year Welsh Government provide Council's with a Supported Borrowing allocation. Council's borrow to fund capital expenditure equivalent to that annual allocation, Welsh Government then include funding to cover the revenue costs associated with the borrowing for future years within the Revenue Support Grant. The Council decides how this funding is spent.

Unsupported Prudential Borrowing: Borrowing administered under the Prudential Code, whereby authorities can set their own policies on acceptable levels and types of borrowing. The Prudential Framework allows authorities to take out loans in response to overall cash flow forecasts and other factors provided they can show that the borrowing is to meet planned capital expenditure in the current year or the next three years.

APPENDIX 1

VALUE £000	2013/14		2014/15		2015/16	
	ASSET	AREA	ASSET	AREA	ASSET	AREA
Up to £100k					Commercial property	Connahs Quay
					Land	Buckley
					Land	Bagillt
					Land	Bagillt
£100k - £150k	Domestic property	N Brighton	Commercial property	Queensferry		
			Land	H Kinnerton		
			Land	H Kinnerton		
£150k - £200k	Commercial property	Buckley			Commercial property	Shotton
£200k - £250k						
£250k - £300k	Commercial property	Buckley	Land	H Kinnerton	Commercial property	Flint
			Land	Hope	Land	Hope
£300k - £350k			Land & Property	Hope		
£350k - £400k					Land	Kinnerton
£400k - £450k						
£450k - £500k			Land & Property	Broughton	Land	Kinnerton
			Land & Property	Penyfford		
£500k - £550k			Land	Buckley		
£550k - £600k	Land	Buckley	Land & Property	H Kinnerton		
	Land & Property	Cilcain				
£600k - £650k			Land & Property	Other		
£650k - £700k						
£700k - £750k						
£750k - £800k						
£800k - £850k	Land & Property	Hope				
£850k+						

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AUDIT COMMITTEE

Date of Meeting	Wednesday, 13 July 2016
Report Subject	Certification of Grant Claims and Returns 2014/15
Report Author	Corporate Finance Manager

EXECUTIVE SUMMARY

The purpose of the report is to inform Members of the grant claim certification for the year ended 31st March 2015.

The Council's external auditors, the Wales Audit Office (WAO) are required to report annually on the certification of grant claims and returns and the annual report for 2014/15 is appended to this report.

The Finance Management Team has considered the report in detail, and has developed an action plan to address the findings and recommendations in the report.

RECOMMENDATIONS

1	Members are requested to note the content of the Grant Claim Certification for 2014/15.
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REPORT DETAILS

1.00	EXPLAINING THE GRANTS CERTIFICATION REPORT 2014/15
1.01	The Council's external auditors, the Wales Audit Office (WAO) are required to report annually on the certification of grant claims and returns and the annual report for 2014/15 is appended to this report.

1.02	The Finance Management Team has considered the report in detail, and has developed an action plan to address the findings and recommendations in the report. One of the areas identified was to continue with the improvements made to the format of the grant completion checklist which now also includes a requirement for the relevant service manager to sign off that all expenditure has been incurred in compliance with contract procedure rules.
1.03	As previously discussed at this Committee the WAO provided two interactive training sessions in June and August last year which were mandatory for all officers responsible for dealing with grants.
1.04	In relation to the overall grants total of £135m, the net adjustment to claims of £0.128m is a relatively small proportion and did not result in a financial loss to the council as the adjusted claims reflected the actual amounts due to the Council.
1.05	Whilst there has been some improvement compared with the previous year there is still further work to be done to improve the quality of the claims and Officers will continue to work alongside WAO in addressing specific issues as they arise.

2.00	RESOURCE IMPLICATIONS
2.01	As set out in the Audit report.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	The report has been shared with staff with responsibility for dealing with grants.

4.00	RISK MANAGEMENT
4.01	As set out in the report.

5.00	APPENDICES
5.01	WAO Report.

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	Contact Officer: Gary Ferguson - Corporate Finance Manager Telephone: 01352 702271 E-mail: gary_ferguson@flintshire.gov.uk

7.00	GLOSSARY OF TERMS
7.01	<p>Wales Audit Office: works to support the Auditor General as the public sector watchdog for Wales. They aim to ensure that the people of Wales know whether public money is being managed wisely and that public bodies in Wales understand how to improve outcomes.</p> <p>Grant - A financial assistance mechanism providing money, property, or both to an eligible entity to carry out an approved project or activity.</p> <p>Certification - A statement, signed by an applicant or grantee as a prerequisite for receiving funds, that it (1) meets or will adhere to certain conditions and/or (2) will undertake or not undertake certain actions.</p> <p>Grant Completion Checklist – A template produced to determine the evidence and information required to be prepared to support a grant claim submission.</p> <p>Financial Year: the period of 12 months commencing on 1 April.</p> <p>Revenue: a term used to describe the day to day costs of running Council services and income deriving from those services. It also includes charges for the repayment of debt, including interest, and may include direct financing of capital expenditure.</p> <p>Budget: a statement expressing the Council’s policies and service levels in financial terms for a particular financial year. In its broadest sense it includes both the revenue budget and capital programme and any authorised amendments to them.</p>

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Certification of Grants and Returns 2014-15

Flintshire County Council

Audit year: 2014-15

Issued: February 2016

Document reference: 425A2016

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.

Contents

Summary	4
Headlines	6
Summary of certification work outcomes	9
Recommendations	17

Summary

1. Under Paragraph 20 of Schedule 8 to the Government of Wales Act 2006 the Auditor General shall, if required by a local government or other grant-receiving body, make arrangements for certifying claims and returns (referred to as grant claims, hereafter).
2. We undertook our work with the aim of certifying individual claims and to answer the question:
'Does Flintshire County Council (the Authority) have adequate arrangements in place to ensure the production of co-ordinated, accurate, timely and properly documented grant claims?'
3. We have completed the audit and conclude that while the Authority had generally adequate arrangements in place for the production and submission of its 2014-15 grant claims, there is scope for improvement. We are continuing to work with the Authority to make these improvements for 2015-16. Our conclusion for 2014-15 is based on the following overall findings:
 - 56 per cent (nine claims) (15 claims (79 per cent) in 2013-14) were subject to either qualification or amendment or both:
 - 25 per cent (four claims) were both qualified and amended (eight claims (42 per cent) in 2013-14);
 - 12 per cent (two claims) were qualified with no amendment (two claims (11 per cent) in 2013-14); and
 - 19 per cent (three claims) were amended with no qualification (five claims (26 per cent) in 2013-14).
 - As part of the grants regime for 2014-15, the Welsh Government set a de-minimis of £10,000 under which they do not require claims to be qualified or amended for the errors identified. We identified a further two claims from those noted above where errors were found under £10,000. These have been reported to management.
 - The Authority has continued to use the system of grants completion checklists to aid completion of the grant claims and improve the audit evidence available at the commencement of the audits. We reported in 2013-14 that the checklist was not being consistently used or completed correctly. In 2014-15 there was some improvement in that the checklists were now being consistently used although they were still not, in all cases, completed fully or supported by sufficient evidence.
 - Whilst on the face of it, the position has improved, it is worth noting that a number of claims that were qualified in 2013-14 were no longer subject to audit in 2014-15. In total 14 claims were common to both years. Of those, in 2013-14 only three were subject to neither qualification or amendment or both, whereas this improved to six in 2014-15.
4. For 2014-15 we certified 16 grant claims with a value of £135 million, a decrease in number and value from 2013-14 when we certified 19 grant claims with a value of £183 million.

-
5. The Authority submitted 69 per cent of grant claims to us on time. We can confirm that we have certified all of the claims, at a total audit cost of some £71,180. Overall, the audits resulted in a reduction of £127,894 in the amount claimable by the Authority in respect of 2014-15.

Headlines

Introduction and background

This report summarises the results of work on the certification of the Authority's 2014-15 grant claims and returns

- As appointed auditors of the Authority, we are asked on behalf of the Auditor General, to certify grant claims made by the Authority.
- For 2014-15 we certified 16 grants with a total value of £135 million.
- The grants report issued following the 2013-14 audit identified that there was scope for improvement in the arrangements in place for the production and submission of grants claims. In response to this and prior to commencement of the grant audit work for 2014-15, we met with relevant officers and provided training to all staff involved in the delivery and preparation of grant claims. This training emphasised certification requirements and the audit approach to be undertaken.
- Alongside the training provided, we liaised with the Authority to enhance the grants completion checklist, which was amended to include a greater level of scrutiny by management. The checklist was consistently used in 2014-15, but in some instances, was not completed fully or supported by sufficient evidence.
- In addition to the formal audit certificate, qualification letters and reports to management of errors below £10,000 we have issued informal Grant Feedback Memorandums to the officers who compile the grants claims, which aim to highlight issues identified in conducting the audit and make recommendations for improvement.
- We have produced this report so that we can provide feedback collectively to those officers having the responsibility for grant management so that we can work together to identify further improvements which can be made to improve the processes.

Pages 9-16

Timely receipt of claims

- Our analysis shows that 69% of grants received during the year were received by the Authority's deadline. The remaining 31% of claims were overdue, although we were notified beforehand that the two communities' first claims (12%) would be late which was acceptable to us.
- In future, the responsible officer should ensure that all grant claims are submitted by the deadlines and, importantly, that replies to audit queries are typically provided within no more than two working days. We acknowledge that audit queries that relate to third parties' expenditure are likely to sometimes take longer to address. But it is imperative that queries are answered in a timely manner in order for the auditor certification deadline to be met.

Pages 9-16

Certification results**We issued unqualified certificates for 10 grants and returns but qualifications were necessary in six cases (38%)**

- The reasons for qualifying the grants can be grouped into ongoing issues which have been reported in previous financial years and issues which have come to our attention (for the first time) during our grant work carried out in 2014-15:

Qualification issues reported in previous financial years

- There was a lack of supporting evidence for a number of claims;
- in some instances the Council was unable to fully reconcile the claim to the ledger;
- approval for virements between approved claim headings was not sought from the grant awarding body; and
- non-compliance with the Council's standing orders for contracts.

Qualification issues reported for the first time in 2014-15

- There were instances of ineligible expenditure as it related to prior or subsequent financial years;
- there were instances of ineligible expenditure as amounts accrued at the end of the year (for goods and services received to 31/3/15) were not subsequently spent as the accrual had been overstated; and
- there were a number of arithmetic and compilation errors.

Pages 9-16

Audit adjustments	<p>Adjustments were necessary to seven of the Authority's grants and returns as a result of our auditor certification work this year</p> <ul style="list-style-type: none"> • There were four significant adjustments (ie, over £10,000). An adjustment of £22,278 (decrease) was made to the Flying Start Capital claim, £17,031 (increase) was made on the Families First claim, £105,123 (decrease) was made to Housing Revenue Account Subsidy return and £16,523 (decrease) was made to the Local Transport grant. • The net adjustment of the seven grants is a reduction of £127,894 in funds payable to the Authority. 	Pages 9-16
The Authority's arrangements	<p>The Authority has adequate arrangements for preparing its grants and returns and supporting our certification work but further improvements are required in some areas</p> <ul style="list-style-type: none"> • Grant Checklists should be completed fully and correctly to ensure that the relevant audit evidence is available to both allow the responsible finance officer to certify the claim on behalf of the Council and for audit purposes; • the claims are completed in accordance with the terms and conditions of the grant, submitted on time and do not contain ineligible expenditure; and • relevant staff are aware of and comply with the Council's contract procedure rules when letting contracts. 	Pages 17-19
Fees	<p>Our overall fee for certification of grants and returns for 2014-15 is £71,180 which is less than our original estimate of £75,000 to £85,000</p>	

Summary of certification work outcomes

6. Detailed on the following page is a summary of the key outcomes from our certification work on the Authority's 2014-15 grants and returns, showing where either audit amendments were made as a result of our work or where we had to qualify our audit certificate.
7. A qualification means that issues were identified concerning the Authority's compliance with a scheme's requirements that could not be resolved through adjustment. In these circumstances, it is likely that the relevant grant-paying body will require further information from the Authority to satisfy itself that the full amounts of grant claimed are appropriate.

Key information for 2014-15

Overall, we certified 16 grants and returns:

- Seven were unqualified with no amendment
- Three were unqualified but required some amendment to the final figures
- Two required a qualification to our audit certificate
- Four were qualified but also required some amendment to the final figures

Ref – Para 10	Grants and returns	Claim due	Claim received	Late	Qualified certificate	Adjustment (>£10,000)	Adjustment (<£10,000)	Unqualified certificate	2013-14 Result
1	Housing Benefits Subsidy	30-04-15	21-05-15	Yes	✓		-£368		Qualified with amendment
	Schools Effectiveness and Pupil Deprivation Grant	30-09-15		N/A				No claim in 2014/15	Qualified
2	Transition from SBIG	30-09-15	29-09-15	No				✓	Unqualified
3	21 st Century Schools	30-09-15	29-09-15	No				✓	No claim in 2013/14
	14-19 Learning Pathways	30-09-15		N/A				No claim in 2014/15	Qualified with amendment
	Welsh in Education	30-09-15		N/A				No claim in 2014/15	Amended
4	North East Wales Town Centre Improvement Regeneration Project	30-06-15	30-06-15	No	✓				Qualified with amendment
5	Flying Start (Revenue)	30-09-15	29-09-15	No	✓		£Nil (net)		Qualified with amendment

6	Flying Start (Capital)	30-09-15	29-09-15	No		-£22,278		✓	Amended
7	Families First	30-09-15	09-11-15	Yes		+£17,031		✓	Amended
	Pooled Budget Memorandum Account	10-05-15						No claim in 2014/15	Unqualified
8	HRA Subsidy	30-09-15	30-09-15	No		-£105,123		✓	Amended
9	National Non-domestic Rates Return	30-05-15	21-05-15	No				✓ *	Qualified with amendment
10	Sustainable Waste Management	30-09-15	07-09-15	No				✓	Unqualified
11	Teachers' Pension Return	29-05-15	10-09-15	Yes	✓		-£633		Qualified with amendment
12	Communities First – Flint West	31-07-15	04-08-15^	Yes	✓				Qualified with amendment
13	Communities First – Flint East	31-07-15	04-08-15^	Yes				✓ *	Qualified with amendment

14	Social Care Workforce Development Programme	25-09-15	25-09-15	No				✓	Unqualified
	Regional Transport Consortia Grant	30-09-15						No claim in 2014/15	Qualified
15	Free Concessionary Travel	30-09-15	29-09-15	No				✓	Amended
16	Local Transport Grant	30-09-15	29-09-15	No	✓	-£16,523			No claim in 2013/14
Total					6	-£126,893	£1,001	10	

* - As part of the grants regime for 2014-15, the Welsh Government set a de-minimis of £10,000 under which they do not require claims to be amended for the errors identified. The errors, of less than £10,000, on these two claims have been reported to management.

^ - these claims were submitted late for audit with our agreement.

Recommendations

8. This table summarises the key issues behind each of the adjustments or qualifications that were identified on pages 9 to 12.

Ref	Summary observations	Amendment
1	<p>Housing Benefits Subsidy</p> <ul style="list-style-type: none"> • The claim was amended for a number of errors identified from testing, and this decreased the amount payable by £368. • The claim was qualified for the following reasons: <p>Cross cutting:</p> <ul style="list-style-type: none"> – incorrect input of payslip details into calculation of earned income within the calculation of benefit awarded; and – incorrect input of tax credits into the calculation of benefit awarded. <p>Rent rebates (non-HRA):</p> <ul style="list-style-type: none"> – Misclassification of overpayment on a B&B tenancy as a rent rebate (HRA) – Authority/Civica reported this to be a known system error which we have been unable to verify. No impact on subsidy, no additional testing undertaken. <p>Rent rebates (HRA):</p> <ul style="list-style-type: none"> – Student grant/loan allowance for travel, books and equipment had been incorrectly entered into the calculation of benefit. Further testing identified total underpayments of benefit. <p>Rent allowances:</p> <ul style="list-style-type: none"> – Incorrect input of payslip details into calculation of earned income within the calculation of benefit awarded. This led to additional testing and extrapolation of the errors identified – Student grant/loan income incorrectly calculated for the period of benefit as the loan had not been averaged over the period of September to June. The drill down population is classified as small and requires 100% review which is to be undertaken and any overpayment errors actioned within 2015-16. – Non-dependant income incorrectly treated during the assessment phase of the benefit calculation. This led to additional testing which identified no further errors. 	£-368

Ref	Summary observations	Amendment
	<ul style="list-style-type: none"> – Size criteria for social housing not applied creating an overpayment. Further consideration of this case identified that the housing data from the housing association landlord had been incorrectly entered into the benefit system. The Authority undertook a full comparison of the housing bedroom data and identified one further error – both errors were where the information had been manually input into the system. 	
2	<p>North East Wales Town Centre Improvement Regeneration Project</p> <ul style="list-style-type: none"> • Issues were highlighted in the accountant’s report for the following reasons: <ul style="list-style-type: none"> – A prior year adjustment of £-249.14 had been duplicated on the transaction list resulting in the gross expenditure being understated. – The match funding income for the period included on the claim form was understated by £346,449.61 and required adjustment. This had no impact on the overall claim as the cumulative match funding income was correct. 	N/A
3	<p>Flying Start (Revenue)</p> <ul style="list-style-type: none"> • The claim was qualified for the following reasons: <ul style="list-style-type: none"> – On receipt there was no reconciliation between the claim and the financial ledger. This was subsequently provided but found to be incorrect. Further work resulted in amendments to the claim. – Virements in budget headings included on the claim form were required to be approved by WG if over 10% tolerance limit. This approval was not sought by the Council Supporting evidence for third party expenditure was not provided for a number of items. – A new contract in the year was not awarded in accordance with the Council’s contractual procedure rules. – Expenditure totalling £39,246 related to 2013-14 and was therefore ineligible. The claim was not amended as the Council was able to provide evidence of additional eligible expenditure incurred in the year to substitute in the claim. 	£Nil

Ref	Summary observations	Amendment
4	<p>Flying Start (Capital)</p> <ul style="list-style-type: none"> • The claim was amended for the following reason: <ul style="list-style-type: none"> – Expenditure, amounting to £22,278, had been accrued and included in the claim based on a reasonable estimate as the final accounts for the works had not been finalised at that time. However, the actual spend did not subsequently occur and therefore the claim was overstated. 	£-22,278
5	<p>Families First</p> <ul style="list-style-type: none"> • The claim was amended for the following reason: <ul style="list-style-type: none"> – Expenditure totalling £17,031 had not been included in the claim. 	£+17,031
6	<p>HRA Subsidy</p> <ul style="list-style-type: none"> • The claim was amended for the following reasons: <ul style="list-style-type: none"> – The claim was compiled using sales net of right to buy discounts when the figures should have been included gross. – In cases where the Council's records conflict as to the amount of HRA rent rebates granted, the lowest figure should be entered. The Council had used the higher figure. 	£-105,123
7	<p>Teachers' Pension Return</p> <ul style="list-style-type: none"> • The claim was qualified for the following reasons: <ul style="list-style-type: none"> – The Council had not undertaken a reconciliation of the amount paid to Teachers' Pensions and the amount Teachers' Pensions advised that they had received. There was a discrepancy of £115.72. – The Council is required to satisfy itself as to the completeness and accuracy of the information from other payroll providers. At the time of the claim submission, external payroll providers' information had not been reviewed. A subsequent review (carried out during the certification window) identified errors with one provider's calculations and work was still ongoing with the other provider. – Testing identified that teacher's contributions had been incorrectly deducted at an incorrect rate for five employees. 	£-633

Ref	Summary observations	Amendment
	<ul style="list-style-type: none"> • The claim was amended for the following reasons: <ul style="list-style-type: none"> – arithmetical and transposition errors were present on the original claim and required amendment; and – teachers' pension contributions for five employees had been incorrectly deducted and required amendment. 	
8	<p>Communities First – Flint West</p> <ul style="list-style-type: none"> • The claim was qualified for the following reasons: <ul style="list-style-type: none"> – a new contract in the year was not awarded in accordance with the Council's contractual procedure rules; and – audit testing identified errors in the calculation of expenditure totalling £12,398 resulting in a net over claim of £5,300 (Note: as a result of the changes in the grant certification regime an amendment was not required as it was for less than £10,000). 	N/A
9	<p>Local Transport Grant</p> <ul style="list-style-type: none"> • The claim was qualified for the following reasons: <ul style="list-style-type: none"> – a new contract in the year was not awarded in accordance with the Council's contractual procedure rules; – items of expenditure relating to the previous year had been included in the claim and an accrual was overstated; – the Council was unable to provide evidence to support the individual amounts claimed in respect of design fees; and – the Council had insufficient evidence to support the percentage of staff time charged to the claim as part of the match funding. • The claim was amended for the following reasons: <ul style="list-style-type: none"> – there were a number of statement completion errors on the claim; – cut-off errors totalling £7,433; and – grant received during the year had been overstated. 	£-16,523
	Total effect of amendments to the Authority	£-127,894

9. We have given each recommendation a risk rating and agreed what action management will need to take. We will follow up these recommendations during next year's audit.

Priority 1	Priority 2	Priority 3
Issues that are fundamental and material to your overall arrangements for managing grants and returns or compliance with scheme requirements. We believe that these issues might mean that you do not meet a grant scheme requirement or reduce (mitigate) a risk.	Issues that have an important effect on your arrangements for managing grants and returns or complying with scheme requirements, but do not need immediate action. You may still meet scheme requirements in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.	Issues that would, if corrected, improve your arrangements for managing grants and returns or compliance with scheme requirements in general, but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
Late submission of claims	Failure to comply with the terms and conditions of grant.	The Council should ensure that claim forms are completed by the required deadlines and in accordance with the relevant grant terms and conditions.	2		
Lack of supporting evidence to support the claim for funding eg: <ul style="list-style-type: none"> no reconciliation between the claim and the financial ledger; and 	Claim may be qualified and monies recovered by Welsh Government.	The Council should strengthen its arrangements, including completion of the Grants Checklist and its quality assurance processes, to ensure that each claim's financial transactions and other information are fully supported by source prime documents (such as ledger prints,	1		

Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
<ul style="list-style-type: none"> no working papers to support apportionment. 		invoices, calculation of apportionments, timesheets etc) and appropriate reconciliations between the financial ledger and the claim.			
Ineligible expenditure as a result of cut-off errors and over accrued sums.	Claim may be qualified and monies recovered by Welsh Government.	The Council needs to ensure that only eligible expenditure, including that incurred within the claim period, is included within the claim. Advice should be sought from the grant awarding body prior to the claim completion for any concerns about the expenditure eligibility and evidence of that correspondence provided with the claim.	1		
Unapproved changes to the original plan	Claim may be qualified and monies recovered by Welsh Government.	The Council needs to ensure that it obtains prior approval for changes to the original plans/expenditure profiles from the grant awarding body, including virements, before the claim is authorised by the Council's certifying officer and submitted for audit.	1		

Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
Contracts not awarded in accordance with AIB procurement procedures.	Claim may be qualified and monies recovered by Welsh Government.	The Council should ensure that internal standing orders are complied with including Contract Procedure Rules.	1		

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AUDIT COMMITTEE

Date of Meeting	Wednesday, 13 July 2016
Report Subject	Risk Management update
Report Author	Chief Executive

EXECUTIVE SUMMARY

This risk management update provides a position statement on the strategic risks contained within the Council's Improvement Plan at the end of 2015/16.

The Improvement Plan 2015/16 was adopted by the Council in June 2015; this report provides an assessment of the strategic risks contained within the Plan at the end of the Plan year (March 2016).

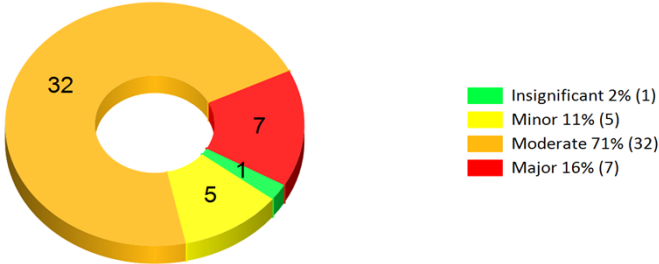
The 45 strategic risks within the Improvement Plan have been successfully managed with the majority being assessed at the end of the year as moderate (30 no. = 67%) or minor / insignificant (12 no. = 27%) which is an improvement on the initial risk assessment undertaken in June 2015 which was moderate (32 no. = 71%) and minor / insignificant (6 no. = 13%). The major (red) risks have reduced from 7 (16%) to 3 (7%) during the year as risk was successfully managed.

RECOMMENDATIONS

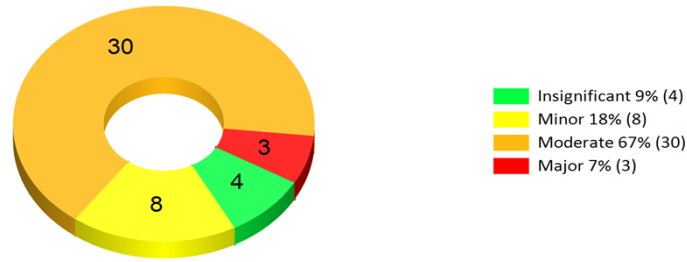
1	To note the status of the 2015/16 end of year summary of the strategic risks of the Improvement priorities of the Council; endorsing the successful management of the risks.
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REPORT DETAILS

1.00	STRATEGIC RISKS
1.01	<u>Improvement Priorities – Strategic Risks</u> The Council adopted the Improvement Plan for 2015/16 in June 2015. The adoption of the plan and its priorities provides the opportunity to

	<p>monitor the strategic risks aligned to these priorities and sub priorities; this is done on a quarterly basis by each of the Overview and Scrutiny Committees and reported to Audit Committee at the mid-year point. This yearend report is to assure the Committee that the risk levels are moving in a positive direction and have been successfully managed.</p>																		
1.02	<p>The Audit Committee's role is to ensure that the process and approach for managing risks is robust. As part of this process the Overview and Scrutiny committees have received quarterly progress reports against the Improvement Plan for 2015/16. These have included a template for each risk capturing:</p> <ul style="list-style-type: none"> • the nature of each risk • the gross, net and target RAG status for each risk • current actions already in place to mitigate the risk • further activity to mitigate the risk • risk trend (via arrows) 																		
1.03	<p>A summary of the status of all risks captured in the Improvement Plan is attached at Appendix 1, along with a statement as recorded in September about any major risks which are also reported to Cabinet. An analysis of the current 'net' status of the 45 risks measured this quarter of our eight Improvement priorities is shown in Table 1 and shows the positive shift from the initial assessment reported in June 2015 to the end of year position:</p> <p>Table 1: Comparative assessment</p> <table border="1" data-bbox="416 1126 1259 1355"> <thead> <tr> <th>Net risk status</th> <th>Q1 (Jun '15)</th> <th>Q4 (Mar '16)</th> </tr> </thead> <tbody> <tr> <td>Insignificant: 1 (green)</td> <td>1 (2%)</td> <td>4 (9%)</td> </tr> <tr> <td>Minor: 2 (yellow)</td> <td>5 (11%)</td> <td>8 (18%)</td> </tr> <tr> <td>Moderate: 3 (amber)</td> <td>32 (71%)</td> <td>30 (67%)</td> </tr> <tr> <td>Major : 4 (red)</td> <td>7 (16%)</td> <td>3 (7%)</td> </tr> <tr> <td>Severe: 5 (black)</td> <td>0</td> <td>0</td> </tr> </tbody> </table> <p style="text-align: center;">Initial Risk Assessment</p>  <p>The donut chart illustrates the distribution of 45 risks at the initial assessment. The largest segment is Moderate at 71% (32 risks), followed by Major at 16% (7 risks), Minor at 11% (5 risks), and Insignificant at 2% (1 risk). The chart uses a color-coded legend: green for Insignificant, yellow for Minor, orange for Moderate, and red for Major.</p>	Net risk status	Q1 (Jun '15)	Q4 (Mar '16)	Insignificant: 1 (green)	1 (2%)	4 (9%)	Minor: 2 (yellow)	5 (11%)	8 (18%)	Moderate: 3 (amber)	32 (71%)	30 (67%)	Major : 4 (red)	7 (16%)	3 (7%)	Severe: 5 (black)	0	0
Net risk status	Q1 (Jun '15)	Q4 (Mar '16)																	
Insignificant: 1 (green)	1 (2%)	4 (9%)																	
Minor: 2 (yellow)	5 (11%)	8 (18%)																	
Moderate: 3 (amber)	32 (71%)	30 (67%)																	
Major : 4 (red)	7 (16%)	3 (7%)																	
Severe: 5 (black)	0	0																	

Current Risk Assessment



The three current areas of major (red) risk are:

- Education and Youth: limited funding to address the backlog of known repair and maintenance works in Education and Youth assets; further reduced to meet new pressures on the Education and Youth budget.
Continued programming and prioritisation of works is undertaken to minimise the impact.
- Modern and Efficient: capacity and capability of the organisation to implement necessary changes in relation to the Alternative Delivery Model Programme.
This risk is now reducing as evidenced by the positive progress being made with three of the key Alternative Delivery models during early 2016/17.
- Modern and Efficient: scale of the financial challenge.
The scale of the financial challenge still continues to be high risk. The quality and integrity of the Council's Medium Term Financial Strategy provides robust evidence for the future funding situation.

1.04

In addition the following table provides an analysis of how our risk trends have changed from the initial risk assessment period in June 2015 to the end of year position in March 2016.

Table 2: Risk trend positions

Trend positions	Q1 (Jun '15) to Q4 (Mar '16)
Increase	1 (2%)
Decrease	13 (29%)
Stable	31 (69%)

Four major risks have reduced in significance during 2015/16:

- Supply of affordable housing insufficient to meet housing need
- School places not sufficient to meet future demands of changing demographics
- Limitations on public funding to subsidise alternative models
- Willingness of workforce and trade unions to embrace change.

One risk has slightly increased in significance during 2015/16:

- Living Well: Funding between Health and Council does not transfer smoothly eg. Continuing Health Care, Integrated Care Fund, Primary Care funds.
The refreshed strategic direction and locality focus for the Betsi Cadwaldr Health Board should improve this risk over time.

1.05	At the Audit Committee in January reassurance was sought about one of the strategic risks in the Economy and Enterprise priority. This was in relation to the maximisation of external funding to support developmental opportunities. This has been reported to the Community and Enterprise Overview and Scrutiny Committee in March (Quarter 3) with management controls to explain what has been undertaken. A further update is contained within the end of year summary to be presented to Cabinet in July.
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2.00	RESOURCE IMPLICATIONS
2.01	There are no direct resource implications related to this report.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	Consultations with Chief Officers, senior managers and both Internal and external audit (Wales Audit Office) have been undertaken whilst addressing various aspects of this report.

4.00	RISK MANAGEMENT
4.01	<p>The Council's strategic Improvement priority risks are being effectively managed through the refreshed risk management approach.</p> <p>The risk of non adoption of the risk management approach across all areas of the Council was recently reviewed by Internal Audit; resulting in positive findings.</p>

5.00	APPENDICES
5.01	Appendix 1: Improvement Plan 2015/16 risk register as at March 2016. Appendix 2: Improvement Plan 2015/16 risk report

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>Improvement Plan 2015/16</p> <p>Contact Officer: Karen Armstrong, Corporate Business and Communications Executive Officer</p> <p>Telephone: 01352 702740</p> <p>E-mail: karen.armstrong@flintshire.gov.uk</p>

7.00	GLOSSARY OF TERMS
7.01	<p>(1) Improvement Plan: the document which sets out the annual priorities of the Council. It is a requirement of the Local Government (Wales) Measure 2009 to set Improvement Objectives and publish an Improvement Plan.</p> <p>(2) Wales Audit Office: works to support the Auditor General as the public sector watchdog for Wales. They aim to ensure that the people of Wales know whether public money is being managed wisely and that public bodies in Wales understand how to improve outcomes.</p> <p>(3) Risk Management - the process of identifying risks, evaluating their potential consequences (<u>impact</u>) and managing them. The aim is to reduce the frequency (<u>likelihood</u>) of risk events occurring (wherever this is possible) and minimise the severity of their consequences (<u>impact</u>) if they occur. Threats are managed by a process of controlling, transferring or retaining the risk. Opportunities are managed by identifying strategies to maximise the opportunity or reward for the organisation.</p>

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Integrated Risk Manager

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Strategic Risk Report

Flintshire County Council

Page 271

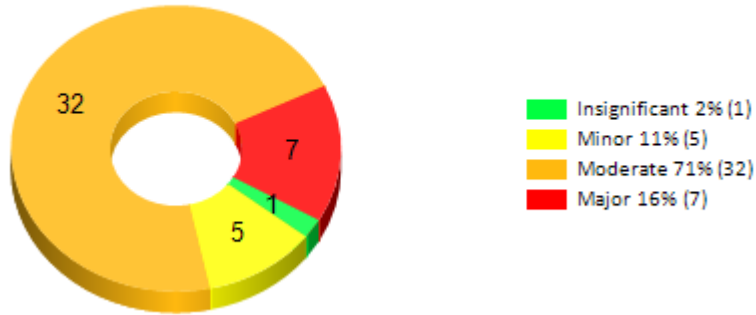


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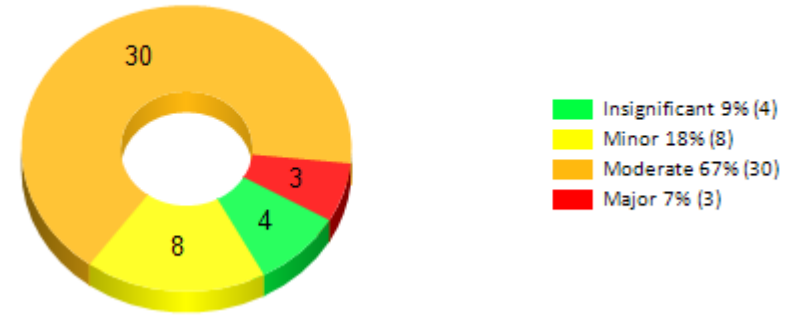
Risk Summary

Strategic Risks

Initial Risk Assessment



Current Risk Assessment



Strategic Risks

1 Housing




Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
IP1.1.1R1	Homelessness will remain a growing area of demand due to the current economic climate	Strategic Risk	Clare Budden - Chief Officer - Community and Enterprise	Pam Davies - Housing Options Team Leader	Amber	Amber	↔	Open




Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
IP1.1.1R2	Demand and aspirations for independent living will not be met	Strategic Risk	Neil Ayling - Chief Officer - Social Services	Michael Jones - Planning and Development Officer	Amber	Amber	↔	Open




Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
IP1.1.1R3	The supply of affordable housing will continue to be insufficient to meet community need	Strategic Risk	Clare Budden - Chief Officer - Community and Enterprise	Denise Naylor - Customer Services Manager, Melville Evans - Strategic Housing and Regeneration Programme (SHARP) Programme Manager	Red	Amber	↓	Open

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
IP1.1.2R1	The increased work programme to deliver the WHQS will not be met	Strategic Risk	Clare Budden - Chief Officer -	Nikki Evans - Senior Manager	Yellow	Amber	↓	Open




	due to the scale of the programme		Community and Enterprise	Council Housing Services				
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Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
IP1.1.2R2	Council funding for adaptations and home loans will not be sufficient to meet demand	Strategic Risk	Clare Budden - Chief Officer - Community and Enterprise	Gavin Griffith - Housing Regeneration & Strategy Manager				Open




Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
IP1.1.2R3	Financial assistance available to repair residents' homes is not taken up by residents	Strategic Risk	Clare Budden - Chief Officer - Community and Enterprise	Gavin Griffith - Housing Regeneration & Strategy Manager				Open




Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
IP1.1.2R4	Customer expectations for the timeliness of adaptations undertaken through disabled facilities grants will not be met due to competing demands on resources	Strategic Risk	Clare Budden - Chief Officer - Community and Enterprise	Gavin Griffith - Housing Regeneration & Strategy Manager				Open

2 Living Well

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
IP2.1.1R2	The quality of care home services will not meet required standards.	Strategic Risk	Neil Ayling - Chief Officer - Social Services	Lin Hawtin - Commissioning Manager				Open

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
IP2.1.1R3	Children and vulnerable families are not fully supported where multi-agency services and partners do not move toward an early intervention and prevention approach together.	Strategic Risk	Neil Ayling - Chief Officer - Social Services	Gail Bennett - Early Intervention Services Manager				Open

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
IP2.1.2R1	Funding between Health and Council does not transfer smoothly; eg. CHC, ICF, Primary Care funds	Strategic Risk	Neil Ayling - Chief Officer - Social Services	Jane M Davies - Senior Manager, Safeguarding & Commissioning				Open

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
IP2.1.2R2	Service provision is not coordinated / integrated.	Strategic Risk	Neil Ayling - Chief Officer - Social Services	Jane M Davies - Senior Manager, Safeguarding & Commissioning				Open




Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
IP2.2.1R1	Safeguarding arrangements do not meet the requirements of the	Strategic Risk	Neil Ayling - Chief Officer - Social	Jane M Davies - Senior Manager,				Open









	SSWB Act.		Services	Safeguarding & Commissioning	Yellow	Yellow		
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3 Economy and Enterprise

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
IP3.1.1R1	Some areas within Flintshire will not be covered by superfast broadband if the joint project between Welsh Government and BT stalls.	Strategic Risk	Clare Budden - Chief Officer - Community and Enterprise	Rachael Byrne - Enterprise Manager				Open

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
IP3.1.1R2	Businesses are not sufficiently supported to maximise opportunities presented to them through major transformational projects within Flintshire.	Strategic Risk	Clare Budden - Chief Officer - Community and Enterprise	Rachael Byrne - Enterprise Manager				Open

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
IP3.1.2R1	Opportunities to access external funding programmes to invest in our urban and rural areas are not maximised.	Strategic Risk	Clare Budden - Chief Officer - Community and Enterprise	Niall Waller - Enterprise and Regeneration Manager				Open

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
IP3.1.2R2	Opportunities to access funding to invest in the promotion of tourism are not maximised	Strategic Risk	Clare Budden - Chief Officer - Community and Enterprise	Richard Jones - Regeneration Project Officer				Open




Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
IP3.1.2R3	External funding sources are often weighted towards urban	Strategic Risk	Clare Budden - Chief Officer -	Niall Waller - Enterprise and				Open









	regeneration with funding for rural regeneration being limited.		Community and Enterprise	Regeneration Manager	Amber	Amber	↓	
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







4 Skills and Learning

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
IP4.1.1R1	Local employers and learning providers do not work closely enough to identify and meet the skills based needs of the future.	Strategic Risk	Ian Budd - Chief Officer - Education and Youth	Jeanette Rock - Principal Education Officer Inclusion				Open

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
IP4.1.1R2	Training places will not match current and future employer aspirations and needs.	Strategic Risk	Ian Budd - Chief Officer - Education and Youth	Jeanette Rock - Principal Education Officer Inclusion				Open

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
IP4.1.2R1	Schools do not receive and/or make best use of the support they need from the Council and GWE	Strategic Risk	Ian Budd - Chief Officer - Education and Youth	Claire Homard - Principal Education Officer Primary				Open

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
IP4.1.2R2	Numbers of school places will not be sufficient to meet the future demands of changing demographics	Strategic Risk	Ian Budd - Chief Officer - Education and Youth	Damian Hughes - Senior Manager, School Planning & Provision				Open




Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
IP4.1.2R3	Limited funding to address the backlog of known repair and maintenance works in Education and Youth assets will be further	Strategic Risk	Ian Budd - Chief Officer - Education and Youth	Damian Hughes - Senior Manager, School Planning & Provision				Open






	reduced to meet new pressures on the Education and Youth Budgets							
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5 Safe Communities




Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
IP5.1.1R1	Grant funded services that are administered through the Community Safety Partnership are not delivered effectively.	Strategic Risk	Andrew Farrow - Chief Officer - Planning and Environment	Sian Jones - Public Protection Manager - Community				Open




Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
IP5.1.1R2	Funding for the provision of CCTV with local partners will not be sustainable in the long term.	Strategic Risk	Andrew Farrow - Chief Officer - Planning and Environment	Sherryl Burrows - CCTV Manager				Open



6 Poverty




Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
IP6.1.1R1	Demand for advice and support services will not be met.	Strategic Risk	Clare Budden - Chief Officer - Community and Enterprise	Katie Clubb - Community Support Services Manager, Paul Neave - Manager - Advice and Homelessness Service				Open

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
IP6.1.1R2	Debt levels will rise if tenants are unable to afford to pay their rent	Strategic Risk	Clare Budden - Chief Officer - Community and Enterprise	Katie Clubb - Community Support Services Manager, Paul Neave - Manager - Advice and Homelessness Service				Open




Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
IP6.1.1R3	The local economy will suffer if residents have less income to spend	Strategic Risk	Clare Budden - Chief Officer - Community and Enterprise	Katie Clubb - Community Support Services Manager, Paul Neave - Manager - Advice and Homelessness Service				Open




Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
IP6.1.1R4	Resources to meet the requirements of the Universal Credit roll-out will not be sufficient	Strategic Risk	Clare Budden - Chief Officer - Community and Enterprise	Katie Clubb - Community Support Services Manager, Paul Neave - Manager - Advice and Homelessness Service				Open




Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
IP6.1.2R1	Residents do not take up the energy efficiency measures as we hope	Strategic Risk	Clare Budden - Chief Officer - Community and Enterprise	Gavin Griffith - Housing Regeneration & Strategy Manager, Leanna Jones - Home Energy Conservation Officer				Open




Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
IP6.1.2R2	Available funding falls short of public demand	Strategic Risk	Clare Budden - Chief Officer - Community and Enterprise	Gavin Griffith - Housing Regeneration & Strategy Manager, Leanna Jones - Home Energy Conservation Officer				Open




7 Environment




Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
IP7.1.1R1	Sufficient funding is not found to ensure our highways infrastructure remains safe and capable of supporting economic growth.	Strategic Risk	Stephen Jones - Chief Officer - Streetscene and Transportation	Barry Wilkinson - Highways Networks Manager				Open




Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
IP7.1.1R2	Sustainable transport options do not remain attractive to users.	Strategic Risk	Stephen Jones - Chief Officer - Streetscene and Transportation	Katie Wilby - Transportation and Logistics Manager				Open

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
IP7.1.1R3	Sufficient funding will not be found to continue to provide subsidised bus services.	Strategic Risk	Stephen Jones - Chief Officer - Streetscene and Transportation	Katie Wilby - Transportation and Logistics Manager				Open



Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
IP7.2.1R1	Agreement and funding for the renewable energy schemes is not secured.	Strategic Risk	Andrew Farrow - Chief Officer - Planning and Environment	Will Pierce - Energy Manager				Open




Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
IP7.2.1R2	Funding for the waste transfer station is not secured.	Strategic Risk	Stephen Jones - Chief Officer - Streetscene and Transportation	Harvey Mitchell - Waste and Ancillary Services Manager				Closed



Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
IP7.2.1R3	Planning approval for the waste transfer station is not secured.	Strategic Risk	Stephen Jones - Chief Officer - Streetscene and Transportation	Harvey Mitchell - Waste and Ancillary Services Manager	 Amber	 Green		Closed

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
IP7.2.1R4	Recycling programmes are not supported by the public and employees.	Strategic Risk	Stephen Jones - Chief Officer - Streetscene and Transportation	Harvey Mitchell - Waste and Ancillary Services Manager	 Amber	 Yellow		Open




8 Modern and Efficient Council




Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
IP8.1.1R1	The capacity and appetite of the community and social sectors	Strategic Risk	Ian Bancroft - Chief Officer - Organisational Change 1	Dawn Holt - Alternative Delivery Models and Transforming Social Services Programme Manager				Open




Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
IP8.1.1R2	The willingness of the workforce and trade unions to embrace change	Strategic Risk	Ian Bancroft - Chief Officer - Organisational Change 1	Dawn Holt - Alternative Delivery Models and Transforming Social Services Programme Manager				Open




Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
IP8.1.1R3	Market conditions which the new alternative delivery models face	Strategic Risk	Ian Bancroft - Chief Officer - Organisational Change 1	Dawn Holt - Alternative Delivery Models and Transforming Social Services Programme Manager				Open

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
IP8.1.1R4	Limitations on public funding to subsidise alternative models	Strategic Risk	Ian Bancroft - Chief Officer - Organisational Change 1	Dawn Holt - Alternative Delivery Models and Transforming Social Services Programme Manager				Open

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
IP8.2.1R1	The scale of the financial challenge.	Strategic Risk	Helen Stapleton - Chief Officer - People and Resources	Gary Ferguson - Corporate Finance Manager				Open

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
IP8.2.1R2	The capacity and capability of the organisation to implement necessary changes	Strategic Risk	Helen Stapleton - Chief Officer - People and Resources	Sharon Carney - Lead Business Partner				Open

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
IP8.2.1R3	The pace of procurement collaborations and our limited control over their development.	Strategic Risk	Gareth Owens - Chief Officer - Governance	Arwel Staples - Strategic Procurement Manager				Open

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
IP8.2.1R4	Public attitude to accessing services on-line.	Strategic Risk	Clare Budden - Chief Officer - Community and	Katie Clubb - Community Support Services				Open



			Enterprise	Manager, Rebecca Jones - Customer Services Team Leader				
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Integrated Risk Manager

A CAMMS SOLUTION

Risk Report

Flintshire County Council

Page 289

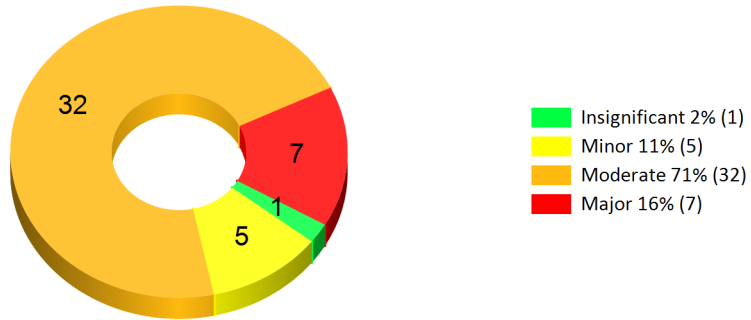


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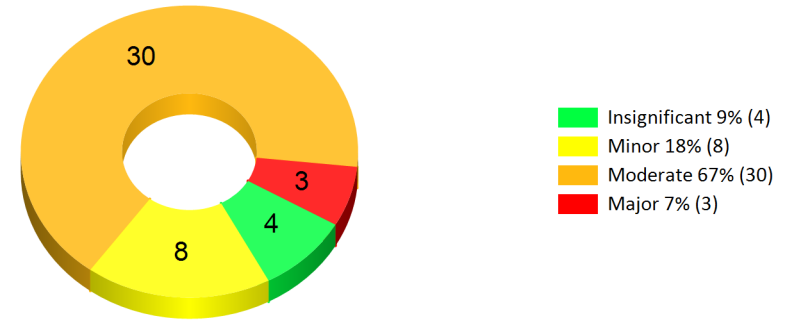
Risk Summary

Strategic Risks

Initial Risk Assessment






Current Risk Assessment



Strategic Risks

1 Housing

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
IP1.1.1R1	Homelessness will remain a growing area of demand due to the current economic climate	Strategic Risk	Clare Budden - Chief Officer - Community and Enterprise	Pam Davies - Housing Options Team Leader				Open




Potential Effects: The risks to homeless prevention / relief are with securing alternative housing. More landlords are insisting on working guarantors before they will grant a tenancy to households in receipt of social benefits. The allocation of social housing by date order means that private sector housing is the only solution for some households where a 56 days duty to relief homelessness has been accepted. Failure to provide a suitable housing solution could mean that more households will be owed a full housing duty (section 75). It also could result in the increase use of interim accommodation for longer periods of time

Management Controls: Ensure that homeless prevention activity continues to be prioritised

Lead Supporting Officer Comments: The risks to the service will increase if we see a rise in demand for the service and if there are insufficient capacity or resources to meet this demand. Forthcoming changes as a result of welfare reform will also increase risks for this service area. For example homeless single people under the age of 35 will have limited housing options due to the change in the amount of housing benefit this client group will receive in the social housing sector.

Last Updated: 04-May-2016

Page 29/1

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
IP1.1.1R2	Demand and aspirations for independent living will not be met	Strategic Risk	Neil Ayling - Chief Officer - Social Services	Michael Jones - Planning and Development Officer				Open


Potential Effects: Insufficient capacity within existing extra care provision

Management Controls: Resolve the planning issues to the Holywell Extra Care Scheme

Lead Supporting Officer Comments: Alternative options are being explored with a view to ensuring that a viable site that is identified and considered through the planning processes.

01/12/15 - This was updated on 30/10/2015 by Craig Macleod, however it has today been deleted as a project risk and re-added as a strategic risk.

Last Updated: 01-Jun-2016

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
IP1.1.1R3	The supply of affordable housing will continue to be insufficient to meet community need	Strategic Risk	Clare Budden - Chief Officer - Community and Enterprise	Denise Naylor - Customer Services Manager, Melville Evans - Strategic Housing and Regeneration Programme (SHARP) Programme Manager				Open

Potential Effects:

Management Controls: Continue to ensure that affordable housing is achieved on all sites where Local Planning Guidance No.9 is in force. Appoint to the vacant Affordable Housing Officer post.

Lead Supporting Officer Comments: Plans for the future delivery of 277 new properties through the Council's Social Housing Grant (SHG), plus 132 Section 106 properties which will be realised through the Council's Planning system were presented by the Council's Community and Enterprise Overview Committee on the 10th February 2016.

Scrutiny Committee supported the overall approach to the delivery of new social and affordable housing in Flintshire, including:




- Flintshire's Social Housing Grant (SHG) Programme for the delivery of 277 new social and affordable new homes during the period 2015/16-2018/19;
- Proposals for the projected delivery of 132 new homes through Section 106 Planning Agreements agreed to date for the period 2015/16- 2017/18;
- Supports the development of policy initiatives to increase supply of local affordable housing provision, including revision of Section 106 Agreements, improved marketing and use of social media and improved arrangements for the use of Commuted Sums.

This is in addition to the SHARP which will deliver 500 new affordable (300) and Council (200) homes over the next five years across the county. The plan has been approved by Council Cabinet and NEW Homes Board and will also see the purchase of 8 additional affordable homes and the delivery of a further 13 new build units are due to be transferred to NEW Homes during 2015/16 from 3 schemes across the county, with 3 final properties in 2016/17, providing a total of 31 homes.

NEW Homes aims to borrow against its existing assets to secure new affordable housing units. Initial plans included in the financial modelling will see NEW Homes acquire 8 properties to let at affordable rents.

Last Updated: 01-Jun-2016

Page 293

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
IP1.1.2R1	The increased work programme to deliver the WHQS will not be met due to the scale of the programme	Strategic Risk	Clare Budden - Chief Officer - Community and Enterprise	Nikki Evans - Senior Manager Council Housing Services				Open

Potential Effects:

Management Controls: Ensure sufficient staffing resource and effective procurement practices

Lead Supporting Officer Comments: Excellent progress has been made in Year 1 of the revised 6 Year Delivery Programme with £20m of the overall programme being delivered. Only one work stream, that being the Whole House Envelope Project, continued into the new financial year resulting in a committed carry forward of £1.5m.


This was due to logistical issues with Scottish Power renewing cables and a slightly later start onsite than anticipated; with this being a new programme of works.

The remainder of the first years programme will be completed in quarter 1 of 2016-2017.

As projected at the beginning of the year the majority of work onsite was delivered in quarters 3 & 4. This was due to the extensive procurement exercises required to acquire all new contracts for the revised 6 Year Delivery Programme.

All contracts have been let on 2/3/4 year basis and therefore will continue seamlessly into the new financial year with consistent delivery each quarter.

Last Updated: 03-May-2016

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
IP1.1.2R2	Council funding for adaptations and home loans will not be sufficient to meet demand	Strategic Risk	Clare Budden - Chief Officer - Community and Enterprise	Gavin Griffith - Housing Regeneration & Strategy Manager	Yellow	Yellow		Open


Potential Effects:

Management Controls: Strong budgetary control of council and Welsh Government resources to ensure as far as possible that demand, particularly statutory demand in the case of adaptations can be met.

Lead Supporting Officer Comments:

Last Updated: 29-Apr-2016

Page 294

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
IP1.1.2R3	Financial assistance available to repair residents' homes is not taken up by residents	Strategic Risk	Clare Budden - Chief Officer - Community and Enterprise	Gavin Griffith - Housing Regeneration & Strategy Manager	Amber	Amber		Open


Potential Effects:

Management Controls: Ensure that the availability of financial support to homeowners is widely promoted.

Lead Supporting Officer Comments:

Last Updated: 06-Apr-2016

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
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IP1.1.2R4	Customer expectations for the timeliness of adaptations undertaken through disabled facilities grants will not be met due to competing demands on resources	Strategic Risk	Clare Budden - Chief Officer - Community and Enterprise	Gavin Griffith - Housing Regeneration & Strategy Manager	Amber	Amber		Open
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Potential Effects:


Management Controls: Recruit to currently vacant posts and continue to streamline processes and procedures. Introduces a complete electronic document management system

Lead Supporting Officer Comments: The recruitment of three posts is progressing as planned.

The recruitment of two posts directly linked to the adaptations function is now underway. Further recruitment is planned to address the capacity gap caused by the increased WG resources of Home Improvement Loans, Houses into Homes Loans and Vibrant & Viable Places Energy works.

Last Updated: 01-Jun-2016

2 Living Well


Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
IP2.1.1R2	The quality of care home services will not meet required standards.	Strategic Risk	Neil Ayling - Chief Officer - Social Services	Lin Hawtin - Commissioning Manager	Amber	Amber		Open

Potential Effects: Negative impact on reputation of the Council.

Management Controls: Contract monitoring in place Good relationship with CSSIW Good relationships with providers

Lead Supporting Officer Comments: Residential Review of the whole sector in Flintshire has been considered by a special Scrutiny Committee, including representatives from BCUHB and independent sector providers, with recommendations to be taken forward strategically in order to sustain the sector for the future. The risk remains the same.

Last Updated: 27-Apr-2016

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
IP2.1.1R3	Children and vulnerable families are not fully supported where multi-agency services and partners do not move toward an early intervention and prevention approach together.	Strategic Risk	Neil Ayling - Chief Officer - Social Services	Gail Bennett - Early Intervention Services Manager	Green	Green		Open




Potential Effects:

Management Controls:

Lead Supporting Officer Comments:

Last Updated: 24-Jul-2015

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
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IP2.1.2R1	Funding between Health and Council does not transfer smoothly; eg. CHC, ICF, Primary Care funds	Strategic Risk	Neil Ayling - Chief Officer - Social Services	Jane M Davies - Senior Manager, Safeguarding & Commissioning				Open
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Potential Effects: Increased costs to the Council

Management Controls: Refreshed strategic direction led by BCUHB's new Executive Boards and a new operating structure currently being introduced. The structure will have more of a locality focus with a strengthened focus on increasing capacity within community based services.

Lead Supporting Officer Comments:

Last Updated: 06-Apr-2016



Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
IP2.1.2R2	Service provision is not co-ordinated / integrated.	Strategic Risk	Neil Ayling - Chief Officer - Social Services	Jane M Davies - Senior Manager, Safeguarding & Commissioning				Open

Potential Effects: Ineffective joint services

Management Controls: Refreshed strategic direction led by BCUHB's new Executive Boards and a new operating structure currently being introduced. The structure will have more of a locality focus with a strengthened focus on increasing capacity within community based services.

Lead Supporting Officer Comments:

Last Updated: 06-Apr-2016

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
IP2.2.1R1	Safeguarding arrangements do not meet the requirements of the SSWB Act.	Strategic Risk	Neil Ayling - Chief Officer - Social Services	Jane M Davies - Senior Manager, Safeguarding & Commissioning				Open


Potential Effects: Criticism from Regulator

Management Controls:

Lead Supporting Officer Comments:

Last Updated: 20-Apr-2016

3 Economy and Enterprise

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
IP3.1.1R1	Some areas within Flintshire will not be covered by superfast broadband if the joint project between Welsh Government and BT stalls.	Strategic Risk	Clare Budden - Chief Officer - Community and Enterprise	Rachael Byrne - Enterprise Manager	Amber	Amber		Open


Potential Effects: Some areas within Flintshire will not be covered by superfast broadband which may have an adverse effect on encouraging business growth and investment.

Management Controls: Limited control or influence as this is a joint WG and BT programme. However FCC will receive regular progress updates. FCC are supporting promotional activity regarding the rollout.

Lead Supporting Officer Comments: Delivery of Superfast Broadband enablement is out of FCC control.

Last Updated: 07-Apr-2016

Page 299

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
IP3.1.1R2	Businesses are not sufficiently supported to maximise opportunities presented to them through major transformational projects within Flintshire.	Strategic Risk	Clare Budden - Chief Officer - Community and Enterprise	Rachael Byrne - Enterprise Manager	Amber	Amber		Open


Potential Effects: FCC contract outside of the County and are seen as not supporting local businesses (reputational risk).

Management Controls: Business forums, held quarterly attended by public, private and third sector industries. Regular meetings of the Mersey Dee Alliance to raise awareness of transformational projects. FCC hold 'meet the buyer' events to engage businesses with the main contractors.

Lead Supporting Officer Comments: Continued delivery of supply chain development across the county and region is undertaken to mitigate the risk.

Last Updated: 07-Apr-2016

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
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IP3.1.2R1	Opportunities to access external funding programmes to invest in our urban and rural areas are not maximised.	Strategic Risk	Clare Budden - Chief Officer - Community and Enterprise	Niall Waller - Enterprise and Regeneration Manager	Amber	Amber		Open
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Potential Effects: Council will not secure sufficient external funding to invest in urban and rural areas adversely affecting the Council's reputation.

Management Controls: Close involvement in the North Wales Economic Ambition Board work stream to develop projects and share intelligence regarding the new European funding programmes. Seat secured on the decision-making body for the new Rural Development Plan funding programme. Coastal Communities Fund application submitted and funding approved - £293,135 received.

Lead Supporting Officer Comments: The Council, through the North Wales Economic Ambition Board European programme work stream, is working with partners across North Wales to keep abreast of the development of the new European programmes, steer their development where possible and to develop regional projects. Within the Council, there are four European projects currently under development; all of which are aimed at tackling unemployment. The Council is also actively investigating wider European programmes as potential sources of funding including Interreg (transnational partnership projects) and the Innovative Urban Action programme.

The Council, through partnership working with the North Wales Economic Ambition Board and the Mersey Dee Alliance has been actively lobbying for resources for infrastructure to enable economic development. The Council submitted proposals for infrastructure development in the County to the UK Government as part of the Cheshire and Warrington Local Enterprise Partnership Growth Bid.


The Council has secured £6.024m of Welsh Government funding for Deeside through the Vibrant and Viable Places programme, allocated over the 2014/15, 2015/16 and 2016/17 financial years. In addition, due to the performance of the programme in Flintshire, an additional £1.4m was allocated in 2015/16 and a further £500k has been allocated in 2016/17. The future of the Vibrant and Viable Places programme from 2017 onwards is unclear but the Council is working closely with the Welsh Government to stay abreast of developments and to be prepared for the new programme.

The Council has also secured a seat on the new Local Action Group for Flintshire, the decision-making body for the 2015-20 Rural Development Plan programme in the County. A number of Council teams are considering projects for submission into the new Rural Community Development Fund programme although the criteria have been changed by WG and are now more restrictive which will reduce the number of projects submitted. One project is currently under development for the RCDF programme which will focus on walking and cycling routes.

The Council has helped the Big Lottery to raise awareness of the new Creating your Space funding programme which applies across Flintshire. A number of community groups are considering applications. The Council has secured approximately £300k from the Lottery Coastal Communities Fund which is currently being used to develop visitor infrastructure along the Dee coastline.

The recent restructure of the Enterprise and Regeneration team has included a creation of a new Programme Development Officer role. This role focuses on building the Council's knowledge and use of external funding and will support internal colleagues in managing externally funds to ensure they are maximised.

Last Updated: 01-Jun-2016

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
IP3.1.2R2	Opportunities to access funding to invest in the promotion of tourism are not maximised	Strategic Risk	Clare Budden - Chief Officer - Community and Enterprise	Richard Jones - Regeneration Project Officer	Amber	Amber		Open

Potential Effects: Reduced number of initiatives to promote tourism across Flintshire.

Management Controls: Regional bids to be submitted to reinforce promotion within Flintshire and North East Wales


Lead Supporting Officer Comments: Regional Tourism Engagement Fund - source Welsh Government (Visit Wales). Funding round opens 1st April 2016. Ideas for projects being discussed with Destination Management Partnerships.

Rural Community Development Plan Programme/ Leader Funding - working with partners to explore opportunities for bids.

Big Lottery Fund - exploring possibility of a tourism mentoring/ grants programme.

Last Updated: 01-Jun-2016

Page 301

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
IP3.1.2R3	External funding sources are often weighted towards urban regeneration with funding for rural regeneration being limited.	Strategic Risk	Clare Budden - Chief Officer - Community and Enterprise	Niall Waller - Enterprise and Regeneration Manager	Amber	Amber		Open

Potential Effects: Rural locations will not receive the funding required to effectively regenerate them.

Management Controls: The Council has secured a seat on the decision-making body for the Rural Development Plan programme and will seek to influence the programme to ensure maximum benefit is derived for Flintshire's rural communities. The Council has also helped the Big Lottery to promote the new Creating your Space programme which applies to both rural and urban areas. The Council has also helped to promote the RWE wind farm grant funding which applies to the rural north of the County.

Lead Supporting Officer Comments: The 2015-2020 Rural Development Plan programme will provide significant resources to support community services and economic development in rural Flintshire. In addition, the Council has secured £293,135 from the Coastal Communities Fund for visitor facility development along the Dee coastline in both rural and urban areas. The LEADER programme under the Rural Development Programme has now started with Cadwyn Clwyd seeking project partners. Welsh Government have also issued an open and competitive call for proposals for the first round of the Rural Community Development Fund. The Council has also helped to promote the RWE wind farm grant funding to rural communities.

Last Updated: 01-Jun-2016

4 Skills and Learning

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
IP4.1.1R1	Local employers and learning providers do not work closely enough to identify and meet the skills based needs of the future.	Strategic Risk	Ian Budd - Chief Officer - Education and Youth	Jeanette Rock - Principal Education Officer Inclusion	Amber	Yellow	↓	Open

Potential Effects:

Management Controls:

Lead Supporting Officer Comments: Latest annual performance information has Flintshire with the lowest level of young people 16+ not in education, employment or training in Wales.

There is a continuing need to support our most vulnerable young people to access employment and training and to develop apprenticeship opportunities matched to long term market intelligence on economic development.

A Flintshire Education, Employment & Training Strategic Group has been established (December 2015) to support and further develop partnership working to actively target and meet the skills based needs of the future.

Last Updated: 01-Jun-2016

Page 302

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
IP4.1.1R2	Training places will not match current and future employer aspirations and needs.	Strategic Risk	Ian Budd - Chief Officer - Education and Youth	Jeanette Rock - Principal Education Officer Inclusion	Amber	Yellow	↓	Open

Potential Effects:

Management Controls:

Lead Supporting Officer Comments: Latest annual performance information has Flintshire with the lowest level of young people 16+ not in education, employment or training in Wales.

There is a continuing need to support our most vulnerable young people to access employment and training and to develop apprenticeship opportunities matched to long term market intelligence on economic development.

Flintshire County Council has well established relationships with training providers and employers. The Education, Employment & Training Strategic Group provides a forum to review the training opportunities and match these against Labour Market Intelligence and employer needs.

Last Updated: 01-Jun-2016

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
IP4.1.2R1	Schools do not receive and/or make best use of the support they need from the Council and GwE	Strategic Risk	Ian Budd - Chief Officer - Education and Youth	Claire Homard - Principal Education Officer Primary	Amber	Amber	↔	Open

Potential Effects: Individual school's performance reduces increasing likelihood of national categorisation being downgraded. Schools more likely to require Estyn follow up after an inspection.

Management Controls: Regular reviews by LA Senior Manager, GwE Senior Challenge Adviser and monitoring by LA's School Standards Monitoring Group

Lead Supporting Officer Comments: GwE Challenge Advisers make regular visits to schools. Regular meetings of LA Officers with GwE Senior Challenge Adviser facilitate a review of those schools least likely to make good use of the support available. Where schools are not engaging effectively with support services from either the Council or GwE, the Senior Manager for School Improvement will take appropriate action on a continuum on intervention with the most serious outcome being the issuing of a Warning Notice to the Headteacher and/or Governing Body. No warning notices have been issued in this regard. Where a situation arose where this could have been a risk, the intervention of the Senior Challenge Adviser and Senior Manager for School Improvement resulted in a successful outcome.

Last Updated: 01-Jun-2016

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
IP4.1.2R2	Numbers of school places will not be sufficient to meet the future demands of changing demographics	Strategic Risk	Ian Budd - Chief Officer - Education and Youth	Damian Hughes - Senior Manager, School Planning & Provision	Red	Amber	↓	Open

Potential Effects: Budgetary pressures, rise in cost per pupil, rising in pupil teacher ratios, unsustainable schools in some areas, over subscribed schools in others, more admission appeals


Page 303

Management Controls: Monitoring, stats, pupil projects, building developments, live births, admission process, school modernisation, school organisational change and capital investment

Lead Supporting Officer Comments: The likelihood of not having enough spaces in schools overall is low, however there may be pressures in particular locations and phases as demographics change.

Currently there are in excess of 4000 unfilled places in the school estate, doing nothing, will have a negative effect on school financial allocations and raise pupil teacher ratios.

Last Updated: 01-Jun-2016

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
IP4.1.2R3	Limited funding to address the backlog of known repair and maintenance works in Education and Youth assets will be further reduced to meet new pressures on the Education and Youth Budgets	Strategic Risk	Ian Budd - Chief Officer - Education and Youth	Damian Hughes - Senior Manager, School Planning & Provision	Red	Red		Open


Potential Effects: The fabric of Education and Youth buildings will continue to decline

Management Controls: Condition surveys identify priorities for investment County Policy for School reorganisation

Lead Supporting Officer Comments: School Modernisation remains a key tool in enabling the Authority to invest appropriately in its school portfolio, this will involve a reduction in schools within the Council's portfolio and a reduction of unfilled places.

Last Updated: 01-Jun-2016

5 Safe Communities

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
IP5.1.1R1	Grant funded services that are administered through the Community Safety Partnership are not delivered effectively.	Strategic Risk	Andrew Farrow - Chief Officer - Planning and Environment	Sian Jones - Public Protection Manager - Community	Amber	Amber		Open

Potential Effects: Decommissioning of services. Greater scrutiny from funding providers. Impact on services supporting vulnerable groups.

Management Controls: Framework and procedures have been established. Bus monitoring system is in place to include quarterly monitoring reports from service providers and financial reports. Contracts and service level agreements in place.


Lead Supporting Officer Comments: The Community Safety Team met the quarter 4 deadlines imposed by the Welsh Government and the Office of the Police and Crime Commissioner.

It is still of concern that Welsh Government grants are confirmed very late. In respect of the 2016/7, the confirmation of external grants was not received until late April 2016.

The risk level remains the same.

Last Updated: 29-Apr-2016

Page 305

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
IP5.1.1R2	Funding for the provision of CCTV with local partners will not be sustainable in the long term.	Strategic Risk	Andrew Farrow - Chief Officer - Planning and Environment	Sherryl Burrows - CCTV Manager	Yellow	Yellow		Open


Potential Effects: Funding deficit. Consideration of closure of services for example public space CCTV service.

Management Controls: Feasibility study of existing camera infrastructure. Feasibility study of end of life cameras / equipment. Consideration of reducing costs by replacing some under utilized static cameras with wireless redeployable cameras.

Lead Supporting Officer Comments: The level of risk remains the same as the Authority is still in the process of negotiating new Service Level Agreements with Stakeholders.

Last Updated: 01-Jun-2016

6 Poverty

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
IP6.1.1R1	Demand for advice and support services will not be met.	Strategic Risk	Clare Budden - Chief Officer - Community and Enterprise	Katie Clubb - Community Support Services Manager, Paul Neave - Manager - Advice and Homelessness Service	Amber	Amber		Open

Potential Effects: Service providers with insufficient resources to meet demand will quickly build up long waiting lists and residents will not be able to access timely advice that prevents problems from escalating to ones that require more costly specialist interventions. Reduced access to advice and support will result in residents facing legal enforcement action, particularly those with debt problems and residents will be unable to gain entitlement to their legal entitlement of social security income, impacting their ability to maintain their financial commitments, including housing costs. Increase in demand from residents for access to emergency provision, such as foodbanks, FCC provision, i.e., section 17 & 21 payments, etc.

Management Controls: FCC is continuing to fund the Flintshire Advice Gateway to complement the Flintshire Support Gateway. Both gateways aim to ensure residents in need of social welfare advice and support are referred to an appropriate service provider in order to, as far as practical, maximise effective use of resources. Whilst the FPPP is overseeing initiatives that is helping advice and support providers to manage the increased demand from Flintshire households experiencing social welfare problems, the provisions within the Welfare Reform and Work Bill 2015, currently being considered by the UK Parliament, will if enacted, increase the number of Flintshire households, who from April 2016, will face a reduction in their present level of social security/tax credit income. It is to be assumed that these households will seek appropriate advice and support to help resolve the problems that their loss of income will generate.

Lead Supporting Officer Comments: The Welfare Reform and Work Act 2016 is, from April 2016, introducing further reforms of working age social security benefits to save £12 billion from the social security budget by 2019/20. The latest welfare reforms will affect new Flintshire households, for example, working households, who may also seek advice and support on how to manage their loss of income.

As the impact of the welfare reforms are felt by an increasing number of Flintshire households, particularly the roll out of Universal Credit, providers will be under increasing pressures. The Government has recognised that Local Authorities will require additional funding when households that are more vulnerable claim Universal Credit. During the coming year, the Council will continue to work closely with the Department for Work and Pensions to ensure sufficient levels of funding is provided for the development and implementation of a support framework that can provide support to all Flintshire households who experience problems whilst claiming Universal Credit.

Last Updated: 06-Jun-2016

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
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Page 306

IP6.1.1R2	Debt levels will rise if tenants are unable to afford to pay their rent	Strategic Risk	Clare Budden - Chief Officer - Community and Enterprise	Katie Clubb - Community Support Services Manager, Paul Neave - Manager - Advice and Homelessness Service	Amber	Amber		Open
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Potential Effects: Rent arrears levels amongst FCC tenants will increase if they are not able to implement strategies to manage the impact generated by the reduction in their Housing Benefit award. Any reduction in income to the Housing Revenue Account negatively affects the Housing Service Business model. Increase in court action for possession being taken against social housing tenants, particularly those with existing rent arrears which are worsened by the spare room subsidy. This will create additional financial pressures upon the fulfilment of FCC statutory homeless duties.


Management Controls: Continue the proactive response to FCC tenants impacted by the spare room subsidy ensuring they are supported to remain in, or move from their property, lessening the negative impact on the Housing Revenue Account and the risk of homelessness. FCC funding a personal budgeting support service (delivered by the CAB) for Universal Credit claimants who experience problems managing their single monthly UC payment, including their housing costs. FCC continuing to provide advice and support services helping Flintshire households maximise their income through accessing social security benefits & better managing their financial commitments. FCC's effective management of Discretionary Housing Payment budget is enabling target support to households, primarily impacted by the welfare reforms.

Lead Supporting Officer Comments: Due to the continued safe and secure implementation of Universal Credit (UC) within Flintshire, the number of UC claimants who are also liable for rent is low and the personal budgeting service, delivered by the Citizen Advice Service, is easily coping with the demand for advice and support from UC claimants. Training has also been delivered to internal and external staff to raising their awareness of the safeguards that are available within the UC regulations to help tenants, who will struggle to manage their monthly UC payment. Further training will be provide ahead of the migration of claimants across to UC commence – expected to be in early 2017 in Flintshire.

FCC also advises the DWP of issues that arise with the UC Service Centre's processes for dealing with requests from social/private landlords for a UC claimant's housing costs to be paid directly to a landlord.

Last Updated: 06-Jun-2016

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
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IP6.1.1R3	The local economy will suffer if residents have less income to spend	Strategic Risk	Clare Budden - Chief Officer - Community and Enterprise	Katie Clubb - Community Support Services Manager, Paul Neave - Manager - Advice and Homelessness Service	Amber	Amber		Open
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Potential Effects: Low income households predominately spend their income on local services and business, if these households cannot replace lost social security income with earned income, or have their household income maximised in other ways, there will be less spending power within the Flintshire local economy. It is estimated that an increase of £1 million income pa amongst low income households may result in 12 job being created within a local economy – a loss of £1 million pa creates pressures upon the sustainment of such jobs and limits job creation.


Management Controls: FCC continue to forecast the projected impacts of future changes to social security legislation upon residents, service users, service providers, local businesses and design and implement appropriate mitigating actions. Provide specialist benefit and money advice to residents helping to maximise household income. Increase residents’ access to timely, low-level social welfare advice and support through training and supporting of front line staff based in the community.

Lead Supporting Officer Comments: FCC continues to provide specialist advice services that assist residents to maximise their household income by supporting residents to access their correct entitlement to social security benefits and tax credits and/or through helping them to manage their financial commitments more effectively.

During the previous financial year, the successful outcomes to the interventions by the Welfare Rights Team helped Flintshire households totalling £1, 988,740pa in ongoing payments. The team have also helped residents to claim £300,000 in one -off social security payments. This additional income will be boosting spending power within the local economy.

Last Updated: 06-Jun-2016

Page 308

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
IP6.1.1R4	Resources to meet the requirements of the Universal Credit roll-out will not be sufficient	Strategic Risk	Clare Budden - Chief Officer - Community and Enterprise	Katie Clubb - Community Support Services Manager, Paul Neave - Manager - Advice and Homelessness Service	Amber	Amber		Open


Potential Effects: Additional resources required to enable FCC housing staff to prepare tenants for the new system and help them manage the transition. Increase in rent arrears and negative impact upon the Housing Revenue Account generated by the payment of UC housing cost directly to FCC tenants. Reluctance of Private Landlords to let to tenants in receipt of UC and reducing the expansion of the private rented sector as a housing solution for lower income residents. Increased demands for financial and digital inclusion initiatives to be delivered across the County.

Management Controls: FCC has negotiated a Delivery Partnership Agreement with the DWP for 2015/16. Due to the continued slow progress in the rollout of Universal Credit across Flintshire it is expected that the resources funded within this agreement will be adequate to cope with demand from UC claimants who need help to claim UC and to manage their on going award.

Lead Supporting Officer Comments: FCC negotiated a Delivery Partnership Agreement with the DWP for 2015/16. Due to the continued slow progress in the rollout of Universal Credit across Flintshire the resources funded within this agreement were adequate to cope with demand from UC claimants who need help to claim UC and to manage their on-going award. For information during 2015/16 two claimants needed help to male an online UC claim and thirty two claimants needed help to improve their budgeting skills. FCC continues to engage with the DWP on the plans for the development of a more robust support framework that will be needed to ensure that UC continues to be delivered in a safe and secure manner when there is a significant increase in the number of working age people within Flintshire who are claiming UC.

Last Updated: 06-Jun-2016

Page 309

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
IP6.1.2R1	Residents do not take up the energy efficiency measures as we hope	Strategic Risk	Clare Budden - Chief Officer - Community and Enterprise	Gavin Griffith - Housing Regeneration & Strategy Manager, Leanna Jones - Home Energy Conservation Officer	Amber	Amber		Open

Potential Effects:

Management Controls: Ensure that the availability of financial support to homeowners is widely promoted.

Lead Supporting Officer Comments: Quarter 4 commentary is the same as for quarter 3.


The external funds received in Q1 are lower than they were in 2014/15, so publicity has been reduced to take account of this fact. Targeted promotion of funds has been carried out in the off gas areas, where there is a shortfall between project cost and external funding, resulting in the need for either a loan from the council or a householder contribution.

Additional funds have been secured through Arbed in Q2, so a targeted promotion in the affected area has begun and we are confident of attracting a sufficient number of households to spend the resource provided.

01/12/2015 - Updated 30/12/2015 by Gavin Griffith, however today it has been deleted as a project risk and re-added as a strategic risk

Last Updated: 01-Jun-2016

Page 310

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
IP6.1.2R2	Available funding falls short of public demand	Strategic Risk	Clare Budden - Chief Officer - Community and Enterprise	Gavin Griffith - Housing Regeneration & Strategy Manager, Leanna Jones - Home Energy Conservation Officer	Amber	Amber		Open


Potential Effects:

Management Controls: Ensure that funding opportunities through Welsh Government, Wales European Funding Office (WEFO) and Utility Companies are vigorously pursued.

Lead Supporting Officer Comments: The council has received the outcome of its bid for Arbed funding and was successfully awarded £860K of funding which has relieved some of the demand pressures. However, demand is always likely to outstrip the resources available.

Last Updated: 01-Jun-2016

7 Environment

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
IP7.1.1R1	Sufficient funding is not found to ensure our highways infrastructure remains safe and capable of supporting economic growth.	Strategic Risk	Stephen Jones - Chief Officer - Streetscene and Transportation	Barry Wilkinson - Highways Networks Manager	Amber	Amber		Open


Potential Effects: Deterioration of the condition of highways in Flintshire.

Management Controls: Targeting funding on those schemes that maintain or reduce the pace of deterioration of the condition of the main highway infrastructure. Targeting funding for routes accessed for road safety schemes. Following successful bid model to maximize funding received through the quality of the bid submission.

Lead Supporting Officer Comments: The network has been inspected by Technical Officers within the service and the required repairs have been prioritised and programmes developed to meet the available funding. All of the works will be completed in the 2015/16 financial year.

Last Updated: 01-Jun-2016

Page 311

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
IP7.1.1R2	Sustainable transport options do not remain attractive to users.	Strategic Risk	Stephen Jones - Chief Officer - Streetscene and Transportation	Katie Wilby - Transportation and Logistics Manager	Amber	Amber		Open




Potential Effects: Service users stop using the services, which could lead to a higher cost per passenger and make services unsustainable

Management Controls: Develop initiatives around fares, ticketing interoperability, transport integration, vehicle standards, accessibility (low floor vehicles), safety and security measures (e.g. CCTV mandatory), driver training, quality of passenger transport information, marketing and promotion of services

Lead Supporting Officer Comments:

Last Updated: 06-Apr-2016

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
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IP7.1.1R3	Sufficient funding will not be found to continue to provide subsidised bus services.	Strategic Risk	Stephen Jones - Chief Officer - Streetscene and Transportation	Katie Wilby - Transportation and Logistics Manager				Open
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Potential Effects: Loss of service

Management Controls: Develop services so that they become more commercially viable

Lead Supporting Officer Comments: Business Planning within the service has identified a gradual reduction in grant funding for the existing subsidised service. Community Transport arrangements are being developed and supported within the local Community to replace the services once they are received.

Last Updated: 01-Jun-2016

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
IP7.2.1R1	Agreement and funding for the renewable energy schemes is not secured.	Strategic Risk	Andrew Farrow - Chief Officer - Planning and Environment	Will Pierce - Energy Manager				Open

Potential Effects: Schemes cannot move forward and carbon reduction targets can not be met.




Management Controls: All funding sources fully explored. Early engagement with stakeholders. Feasibility studies on appropriate sites. Alternative site identification.

Lead Supporting Officer Comments: A number of potentially suitable sites for large scale renewable energy schemes have been identified, of which two, following a cabinet report were given approval to proceed to full planning applications. However, the U.K. Government have recently announced a consultation on the level of future subsidies for Solar and Wind projects, which has brought uncertainty to the likely financial returns. Consequently the business cases cannot be concluded until the outcome of the consultation is known, in a couple of months' time. All projects are therefore on hold and the risk level remains unchanged.

Whilst the projects themselves are on hold, due to the very tight timeframes involved (if we wait for the Governments consultation response there will be insufficient time to obtain planning and tender the works), planning applications have been developed and will be submitted. Mini tender documents have been developed with an intention to go out to tender as soon as the APSE framework contract is available. Once the projects have been tendered we will have the information to determine the business case for them and then obtain both final approval from Cabinet and funding probably through prudential borrowing. All actions are however subject to any Government announcements that might derail the financial case.

Last Updated: 01-Jun-2016

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
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IP7.2.1R2	Funding for the waste transfer station is not secured.	Strategic Risk	Stephen Jones - Chief Officer - Streetscene and Transportation	Harvey Mitchell - Waste and Ancillary Services Manager				Closed
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Potential Effects: Delay in implementation of project, funding would need to be sought from elsewhere.

Management Controls: Planning submitted, meeting with WG planned for August, meeting with NRW who have agreed in principle to the proposal

Lead Supporting Officer Comments: Funding has now been secured from the WG CCP programme. This risk is now closed.

Last Updated: 01-Jun-2016




Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
IP7.2.1R3	Planning approval for the waste transfer station is not secured.	Strategic Risk	Stephen Jones - Chief Officer - Streetscene and Transportation	Harvey Mitchell - Waste and Ancillary Services Manager				Closed

Potential Effects: Invest to save project efficiencies are not realised. A temporary permit for tipping from NRW would be required if the project does not go ahead.

Management Controls: Planning application has been submitted. NRW have agreed in principle to the project (NRW would have been the main object to the project). Consultation and engagement has been undertaken with relevant Council members prior to the planning application being submitted.

Lead Supporting Officer Comments: Funding for the scheme has been received from Welsh Government.

Last Updated: 01-Jun-2016

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
IP7.2.1R4	Recycling programmes are not supported by the public and employees.	Strategic Risk	Stephen Jones - Chief Officer - Streetscene and Transportation	Harvey Mitchell - Waste and Ancillary Services Manager				Open


Potential Effects: Decreasing income from resale of recyclates. Increased infraction charges. Carbon reduction targets not met.

Management Controls: Recycling information to public. Employee recycling schemes in place. Incentives for local business to recycle. Marketing campaigns. Targeting of areas with low participation rates. Increase meet and greet service at HRCs. Early stakeholder engagement.

Lead Supporting Officer Comments: Residents continue to recycle and the authority is on track to meet the statutory in year target.

Last Updated: 26-Nov-2015

8 Modern and Efficient Council

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
IP8.1.1R1	The capacity and appetite of the community and social sectors	Strategic Risk	Ian Bancroft - Chief Officer - Organisational Change 1	Dawn Holt - Alternative Delivery Models and Transforming Social Services Programme Manager	Amber	Yellow		Open


Potential Effects: No increase in the number and strength in community and social sectors, which in turn will mean no increase in the support to local communities to help them become more resilient.

Management Controls: Provide advice, information and guidance to community and social sectors to enable take up of these initiatives to be as simple and accessible as possible.

Lead Supporting Officer Comments: This has now resulted in 8 Community Assets being transferred or in final stages of legal completion. The 8 Assets are:

- Connahs Quay Allotments, South Site
- Gwernymyndd Village Hall
- Connahs Quay Swimming Pool
- Mancot Library
- Trelogan Village Hall
- Gwespyr Play Area
- Bagillt War Memorial
- Myndd Isa Community Centre and Library

Last Updated: 14-Jun-2016


Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
IP8.1.1R2	The willingness of the workforce and trade unions to embrace change	Strategic Risk	Ian Bancroft - Chief Officer - Organisational Change 1	Dawn Holt - Alternative Delivery Models and Transforming Social Services Programme Manager	Red	Amber		Open

Potential Effects: No increase in strength of community and social sectors and few asset transfers of Alternative Delivery Models established.

Management Controls: Work with staff and unions to increase understanding of initiatives and to enable them to be part of the process to designing the solutions.

Lead Supporting Officer Comments: Alternative Delivery Model (ADM) work in a number of services has resulted in completed business plans which managers have lead the development of and where appropriate engaged staff. The next phase of work will further engage the workforce in transition phase leading to implementation. Meetings with Unions have agreed a fortnightly meeting to update on ADMs and services are putting in place full staff engagement plans.

Last Updated: 27-Apr-2016

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
IP8.1.1R3	Market conditions which the new alternative delivery models face	Strategic Risk	Ian Bancroft - Chief Officer - Organisational Change 1	Dawn Holt - Alternative Delivery Models and Transforming Social Services Programme Manager	Amber	Amber		Open

Potential Effects: New Alternative Delivery Models will see a decrease in income and ultimately be un-sustainable.




Management Controls: Full and proper support to Alternative Delivery Models to business plan prior to being established and ensuring capacity is built in to new ADMs to retain and win new contracts.

Lead Supporting Officer Comments: No changes from Q3to Q4.

Completed Alternative Deliver Model (ADM) business plans contain some initial considerations of market conditions but further more detailed planning market analysis work will be completed in the transitional phase for those business plans approved by Cabinet. Final Community Asset Transfer (CAT) plans are on the whole progressing. At the end of this, planning market analysis work will be tested with CATs.

Last Updated: 27-Apr-2016

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
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IP8.1.1R4	Limitations on public funding to subsidise alternative models	Strategic Risk	Ian Bancroft - Chief Officer - Organisational Change 1	Dawn Holt - Alternative Delivery Models and Transforming Social Services Programme Manager				Open
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Potential Effects: Alternative Delivery Models become unsustainable as it can't meet costs with reduced funding from the Council.

Management Controls: Properly plan for reduced levels of council funding for each Alternative Delivery Model and to have worse case scenario plans for both ADM and council if funding decreases to unsustainable levels.

Lead Supporting Officer Comments: The "Is the Feeling Mutual" report published on behalf of Welsh Government identified the need to support Alternative Delivery Models (ADMs) and Community Asset Transfers (CATs) with national support and resource. The Action Plan for this work has been published for consultation and identified some funding to support local authorities and new ADMs. As a Council we responded stating the need for this funding to be put in place quickly to help offset this risk. Welsh Government have now launched their ADM action plan and we will know after elections what level of funding this may or may not provide to support the work.

Last Updated: 27-Apr-2016

Page 317

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
IP8.2.1R1	The scale of the financial challenge.	Strategic Risk	Helen Stappleton - Chief Officer - People and Resources	Gary Ferguson - Corporate Finance Manager				Open

Potential Effects: The Council does not have the ability and appetite to make big and challenging decisions for the future.

Management Controls:

Lead Supporting Officer Comments: Part 2 of the MTFs 'Meeting the Financial Challenge' was published in September 2015, setting out how the Council plans to meet the challenge.

The Welsh Government published the Provisional Local Government Settlement for the 2016/17 financial year on 9 December. The detail and implications of the Settlement for Flintshire were summarised in a report to Cabinet on 19 January 2016.




The average reduction in funding across Wales was 1.4% with Flintshire being advised of a reduction of 1.5%. Although this was still a significant reduction in core funding for Flintshire, it was less than had been assumed in the initial forecast and had the effect of improving the overall position by £3.770m.

The Settlement also notified of some intended reductions in specific grants such as the Single Environment Grant and the Families First Grant which will add further pressure to specific service areas.

The announcement is later than previous years due to the next UK Spending Review and notification of the final amount of funding will not be known until the Welsh budget is approved in March 2016. However, it is not envisaged that there will be any significant change to the funding notified at the provisional stage and the budget for 2016/17 will be set based on the provisional settlement figures.

Last Updated: 01-Jun-2016

Page 318




Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
IP8.2.1R2	The capacity and capability of the organisation to implement necessary changes	Strategic Risk	Helen Stappleton - Chief Officer - People and Resources	Sharon Carney - Lead Business Partner				Open

Potential Effects:

Management Controls:

Lead Supporting Officer Comments: The extensive programme to consider alternative delivery models across a range of services will continue to impact on available resources across portfolios and support services. Support services will need to be prioritised for those services progressing to the feasibility stage, although the numbers progressing to feasibility at this time is lower than originally anticipated. Additional/external support may be needed to support the services and support services as we near the commissioning stage.

Last Updated: 01-Jun-2016

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
IP8.2.1R3	The pace of procurement collaborations and our limited control over their development.	Strategic Risk	Gareth Owens - Chief Officer - Governance	Arwel Staples - Strategic Procurement Manager				Open


Potential Effects: The NPS has produced a number of framework contracts but more slowly than anticipated. In addition, despite the economies of scale, not every framework has been as cheap as current contracts.

Management Controls: Engagement with the NPS where contracts do not represent value for money so that they can drive better value with the contractors, and if necessary securing opt outs from NPS contracts.

Lead Supporting Officer Comments: The National Procurement Service to date have developed 31 framework agreements. However, concerns are still on going whether the framework agreements actually provide the Council with cashable efficiencies when comparing current arrangements in place.

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Last Updated: 29-May-2016

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
IP8.2.1R4	Public attitude to accessing services on-line.	Strategic Risk	Clare Budden - Chief Officer - Community and Enterprise	Katie Clubb - Community Support Services Manager, Rebecca Jones - Customer Services Team Leader	Yellow	Yellow		Open

Potential Effects: Targeted efficiencies to be achieved through people switching to accessing services will not be met.

Management Controls: Connects will promote and assist with self-service for to enable a full digital shift.

Lead Supporting Officer Comments: There is evidence to support customers are shifting to accessing Council services electronically - see IP8.2.1M17

Last Updated: 01-Jun-2016

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AUDIT COMMITTEE

Date of Meeting	Wednesday, 13 July 2016
Report Subject	Internal Audit Annual Report
Report Author	Internal Audit Manager

EXECUTIVE SUMMARY

The Internal Audit Manager is required to deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement. The annual report must incorporate

- The opinion
- A summary of the work that supports the opinion; and
- A statement on conformance with the Public Sector Internal Audit Standards (PSIAS) and the results of the quality assurance and improvement programme (QAIP).

This report fulfils that requirement. The audit opinion is that Flintshire has an adequate and effective framework of governance, risk management and control. Audit work undertaken throughout the year is summarised within the report. A self-assessment against the PSIAS, including a review of QAIP was undertaken and reported to the committee in March 2016. This showed that the Internal Audit generally conforms to the Standards and the QAIP is in operation and effective in promoting continual improvement.

The report and opinion has been used to inform the Annual Governance Statement, presented in another paper to this committee.

RECOMMENDATIONS

1	The committee is requested to consider the report and receive the internal audit annual opinion.
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REPORT DETAILS

1.00	EXPLAINING THE INTERNAL AUDIT ANNUAL REPORT
1.01	The Internal Audit Manager is required to prepare a report giving the annual internal audit opinion and summarising the outcome of all internal audit work undertaken during the year. This is part of the framework of assurances that assist the Council in preparing the Annual Governance Statement.
1.02	It also aids the Audit Committee in its role to review the effectiveness of the Authority'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 those arrangements.
1.03	The report outlines the role of the internal audit team and the professional standards it must meet. It includes a statement that the team generally conforms to the PSIAS. It then gives the annual audit opinion.
1.04	<p>The report gives the level of coverage of the audit team during the year and summarises the work undertaken in 2015/16. Summary information by Portfolio is provided on the assurance levels given to the reviews together with the categorisation and number of recommendations made.</p> <p>The work on investigations and advisory work is outlined, together with the fraud awareness work that was completed during the year.</p> <p>The overall performance of the team throughout the year against targets is then given. Efforts will be made to improve that performance during 2016/17.</p>

2.00	RESOURCE IMPLICATIONS
2.01	None as a result of this report.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	None required

4.00	RISK MANAGEMENT
4.01	Internal Audit operate to a risk-based plan designed to enable the annual opinion to be delivered. The report includes an opinion on risk management within the Council.

5.00	APPENDICES
5.01	Appendix 1 – Internal Audit Annual Report.

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>Contact Officer: David Webster Telephone: 01352 702248 E-mail: david.webster@flintshire.gov.uk</p>

7.00	GLOSSARY OF TERMS
7.01	<p>PSIAS, Public Sector Internal Audit Standards: a set of standards that all Internal Audit teams working in the public sector must comply with.</p> <p>Corporate Governance: the system by which local authorities direct and control their functions and relate to their communities. It is founded on the basic principles of openness and inclusivity, integrity and accountability together with the overarching concept of leadership. It is an inter-related system that brings together the underlying set of legislative requirements, governance principles and management processes.</p> <p>Risk Management: the process of identifying risks, evaluating their potential consequences and managing them. The aim is to reduce the frequency of risk events occurring (wherever this is possible) and minimise the severity of their consequences if they occur. Threats are managed by a process of controlling, transferring or retaining the risk. Opportunities are managed by identifying strategies to maximise the opportunity or reward for the organisation.</p> <p>CAMMS: an integrated planning, risk management and programme/project management and reporting system.</p>

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Flintshire County Council

Internal Audit Annual Report

Year ended 31 March 2016

Presented at the Audit Committee meeting of: 13th July 2016

Contents

Section	Page
1 Introduction	1
2 Internal Audit Assurance for 2015/16	2
Appendix A Internal Audit Opinions and Recommendations 2015/16	7

1 Introduction

1.1 The Definition and Role of Internal Audit

The definition of Internal Auditing in the Public Sector Internal Audit Standards (PSIAS) is as follows:

Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation achieve its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The role and responsibilities of the FCC Internal Audit department are outlined in the Internal Audit Charter, which has been approved by the Audit Committee and is part of the Constitution. It also specifies the department's independence, authority, scope of work and reporting arrangements. All audit work is carried out in accordance with the contents of the Charter.

The role of internal audit is to provide an independent and objective opinion to the organisation on the overall adequacy and effectiveness of the framework of internal control, risk management and governance. Internal audit is therefore a key part of Flintshire County Council (FCC)'s assurance cycle and if used effectively can inform and update the organisation's risk profile. Internal Audit is just one of the sources of assurance available to the Council and Audit Committee, that assist the Council prepare the Annual Governance Statement.

1.2 Professional Standards

The professional responsibilities for internal auditors are set out in the International Standards for the Professional Practice of Internal Auditing, published by the Chartered Institute of Internal Auditors (CIIA) in the UK and Ireland. PSIAS is based on these Standards.

The Standards 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 both internal and external assessments. External assessments must be completed at least every five years.

Internal assessments must include:

- Ongoing monitoring of the performance of the internal audit activity; and
- Periodic self-assessments

Ongoing monitoring of performance 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.

A self-assessment against the Standards has been completed and the results reported to the Audit Committee in March 2016. The assessment included a review of the QAIP showing actions taken from the previous year and to maintain continuous improvement against the QAIP components.

The Internal Audit Department Generally Conforms to the Standards. That 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. General Conformance does not require complete/perfect conformance, the ideal situation, etc.

It is planned for an external assessment to take place in 2016/17, using a peer review by another Local Authority in Wales.

2 Internal Audit Assurance for 2015/2016

2.1 Context

The internal audit service to FCC is required to provide the Council through the Audit Committee with an opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. In giving that opinion it should be noted that assurance can never be absolute. The most that the internal audit service can provide to the Council is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes.

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

2.2 Resources

The department has been fully resourced throughout the year. The integrated audit software in use during the year has enabled the redeployment of the Audit Administration Assistant within the Authority.

2.3 Internal Audit Opinion

For the year ending 31 March 2016 based on the work we have undertaken my opinion is that FCC has an adequate and effective framework of governance, risk management and control.

Six audits were given a 'red' assurance level during the year (2014/15 four audits), where an urgent system revision was required. These audits were spread across a range of portfolios indicating that weaknesses are not concentrated in any one area. Whilst these audits indicated areas where controls needed to be improved, they are not significant in the context of the Authority's whole control environment.

2.4 Scope of the Internal Audit Opinion

In arriving at that opinion, I have taken into account:

- The results of all internal audits undertaken during the year ended 31 March 2016 (see Appendix A for a summary of audits);
- The results of follow-up action taken in respect of audits from previous years;
- Whether recommendations have been accepted by management and, if not, the consequent risks;
- Matters arising from previous reports or other assurance providers to the Audit Committee and/or Council;

No limitations have been placed on the scope of internal audit;

No resource constraints have been imposed upon us which may have impinged on our ability to meet the full internal audit needs of the organisation; and

Where weaknesses have been identified I am happy that action plans are in place to address those weaknesses.

2.5 The Basis of the Opinion

In reaching this opinion the following factors were taken into particular consideration:-

Governance

A Corporate Governance Working Group operated during the year, charged with co-ordinating the annual governance self assessment and preparation of the annual governance statement. The group was chaired by the Internal Audit Manager and members included the Policy Performance and Partnerships Manager, the Business Performance Officer, the Member Engagement Manager and a Principal Accountant. The group updated the Council's Code of Corporate Governance, then prepared and drafted the Annual Governance Statement. To do so the group issued corporate governance self-assessment assurance certificates to Chief Officers and Chairs of Overview and Scrutiny Committees, reviewed and challenged the responses and reported the results. This process provided an opportunity for senior officers to consider the effectiveness of governance arrangements. The group also considered the overall assurance framework. The Statement explains how Flintshire County Council complies with its own Code of Corporate Governance and also meets the requirements of the Accounts and Audit (Wales) Regulations 2014.

During 2014/15 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 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.'

In their Annual Improvement Report 2015-16 Wales Audit office state that:

'The Council has made good progress in addressing the governance-related proposals for improvement arising from our 2015 corporate assessment report.'

Risk Management

A revised Risk Management Policy and Strategy were issued during the year, with an enhanced risk matrix and format of reporting. Quarterly progress reports against the Improvement Plan have been presented to Overview and Scrutiny Committees. Internal Audit reviewed risk management towards the end of the year, focusing on the progress in implementing the new corporate operating model and electronic performance management system, CAMMS. The report gave an amber/Green assurance level – key controls in place but some fine tuning required. All strategic risks have been input into CAMMS and it is anticipated that it will be used for operational and project risks. These are reported to Programme Boards. The WAO Annual Improvement Report stated that 'The Council has

strengthened its approach to risk management, to promote greater consistency, and has plans to introduce further improvements during 2016/17 and 2017/18.

The opinion is also informed by the total of risk based audit assignments completed during the year.

Internal Control

Audits were carried out in all areas of the Council during the year. The overall level of control found in audit assignments this year was good. 63% of audits resulted in a 'green' or 'amber +' assurance level. No area stood out as being worse than the others. In all cases the findings were reported to the Audit Committee. Recommendation implementation continued to show a high degree of compliance within the agreed timescale. Summary results are given in Appendix A, together with definitions of the assurance levels.

2.6 Level of audit coverage during the year

The number of audit days spent in each area compared to the original and revised plan is given in the table below

	Planned days	Actual days
Corporate	75	61
Community and Enterprise	75	83
Education and Youth	110	142
Governance	155	136
Organisational Change 1	45	26
Organisational Change 2	35	21
People and Resources	195	288
Planning and Environment	35	33
Social Services	65	86
Streetscene and Transportation	70	44
Investigations	200	242
Follow Ups	30	Note*
New Software	40	77
Consultancy	40	Note*
Provisions	80	Note*
Total	1250	1239

Note * Used within other totals

The plan is always flexible and subject to change during the year. The number of days planned for audits at the start of the year is reviewed when the audit is scoped in detail, and is also subject to change depending on the findings. The largest difference between the original planned days and the actual days used was in People and Resources. This related to audits around the implementation of single status, where a lot of time was spent ensuring the correctness of payments.

The original annual plan showed 47 audits to be completed in 1250 days. 4 audits were added to the plan during the year after management requests, with 7 audits deferred.

There is always a time lag in terms of the dates of audits, with the audit plan for any year not being completed at the end of March but in April/May. Additions and deferrals also make comparison of actual work completed against the plan more difficult. However, within 2015/16, 41 final reports were brought to the Audit Committee and at the time of this report a further 12 reports were awaiting presentation at the July committee meeting. Three major areas within the plan were completed without reports being produced, Corporate Governance as explained above, the North Wales Residual Waste Partnership and Alternative Delivery Models. In overall terms, this shows that the plan was substantially achieved.

All the deferred audits were considered during the planning meetings for the 2016/17 to 2018/19 audit strategic plan. As a result, two of them appear in the strategy.

2.7 Assurance Levels

The tables in Appendix A show the assurance levels and recommendations made in 2015/16. The definitions for the assurance levels are given in the last page of this report. The spread of opinions is similar to previous years.

2.8 Other Internal Audit Work

In addition to the reviews analysed in the Appendix, we have also carried out the following internal audit work during the year.

Area of review	Comments
Schools CRSA	Control and Risk Self Assessment carried out. Responses received from 64 Schools
Schools Audits	10 schools audits.
Investigations	See below
National Fraud Initiative	47 days on work relating to National Fraud Initiative
Advisory work	23 days on advisory work in the year.
Grant audits	14 days on audits of grants.

2.9 Investigations

At the start of the year there were six live investigations. During the year eight more were started and seven were completed, leaving seven ongoing investigations at the end of the year. There is no pattern to the subjects of the investigations. Two of the new investigations were as the result of whistleblowing.

2.10 Advisory work

This includes work that does not result in an audit report but adds value to the Authority by contributing to working groups or providing advice. Examples include advice on processes for consultants, CAMMS, the Data Protection Team and other working groups.

2.11 Fraud Awareness

During the year the department publicised an updated Anti-Fraud and Corruption Strategy and Fraud Response Plan on the Infonet.

2.12 Internal Audit Performance

The performance of the department against performance measures and targets is set out below.

Performance against target is reported to each quarterly Audit Committee, and is summarised in the table below. There was some disruption to departmental procedures during the year with the continuing rollout of new integrated audit software and the loss of the department administrator. With the exception of the time taken to issue reports, even where targets were missed performance was better than the latest Welsh average figures. Performance will be monitored closely during 2016/17.

Performance Measure	Q1	Q2	Q3	Q4	15/16	15/16 Target	Welsh Average 14/15
Audits completed within planned time	60%	71%	100%	78%	72%	80%	69%
Average number of days from end of fieldwork to debrief meeting	16.6	20.1	18.1	19.4	18.0	20	7.6
Average number of days from debrief meeting to the issue of draft report	1.9	4.1	8.8	3.3	4.0	2	
Days for departments to return draft reports	7.3	20.6	9.1	7.0	9.7	3	
Average number of days from response to issue of final report	0.9	1.9	4.1	0.9	1.8	2	1.8
Total days from end of fieldwork to issue of final report	26.7	46.7	40.1	30.1	33.5	27	
Client questionnaires responses as satisfied	100%	100%	100%	100%	100%	95%	98%
Productive audit days	80%	83%	83%	77%	81%	75%	65%
Other Targets							
Return of client satisfaction questionnaires	53.3%	50%	90%	67%	63%	70%	59%

Appendix A: Internal Audit Opinions and Recommendations 2015/16

Auditable Area	Audit Opinions					Number of Recommendations made				
	Red	Amber -	Amber +	Green	In Total	High	Medium	Low	In Total	Agreed
Corporate	1	0	2	0	3	1	12	5	18	18
Community & Enterprise	1	0	2	2	5	2	12	24	38	38
Education & Youth	1	0	3	0	4	1	17	18	36	36
Governance	0	2	1	3	6	1	11	8	20	20
Organisational Change 1	0	0	0	1	1	0	0	0	0	0
Organisational Change 2	0	0	1	0	1	0	2	2	4	4
People & Resources	2	4	3	3	12	9	32	24	65	65
Planning & Environment	0	1	0	0	1	0	3	1	4	4
Social Services	1	1	0	3	5	2	16	8	26	26
Streetscene & Transportation	0	1	0	0	1	0	7	6	13	13
External	0	0	0	2	2	0	1	4	5	5
Total	6	9	12	14	41	16	113	100	229	229



AUDIT COMMITTEE

Date of Meeting	Wednesday, 13 July 2016
Report Subject	Internal Audit Progress Report
Cabinet Member	Not Applicable
Report Author	Internal Audit Manager
Type of Report	Assurance

EXECUTIVE SUMMARY

Internal Audit produces a progress report for the Audit Committee every quarter. This shows the position of the team against the plan, changes to the plan, final reports issued, action tracking, performance indicators and current investigations. This meets the requirements of the Public Sector Internal Audit Standards, and also enables the committee to fulfil the Terms of Reference with regards to Internal Audit.

The current report is attached.

RECOMMENDATIONS

1	To consider and accept the report.
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REPORT DETAILS

1.00	EXPLAINING THE INTERNAL AUDIT PROGRESS REPORT
1.01	Internal Audit gives a progress report to the Audit Committee every quarter as part of the normal reporting process. The report is divided into several parts.

1.02	<p>Appendix A shows progress against the plan for 2015/16. This is the end of year position but shows a few audits still in progress. During the year it was affected by the transition to the new audit software, resulting in some audits exceeding their budgeted time. In addition, more than 60 days were spent in developing, implementing and rolling out the new software and the procedures around it, which was more than expected.</p> <p>A few reviews were deferred from the plan because of changing circumstances, these are shown in Appendix B.</p>
1.03	<p>Appendix C shows the 2016/17 plan, with work commencing on some reviews.</p>
1.04	<p>All reports finalised since the last committee meeting are shown in Appendix D. Details of the 'red' review is given – Section 106 Agreements.</p> <p>Copies of all final reports are available for members if they wish to see them.</p>
1.05	<p>Appendix E shows the results of the 2015/16 Control and Risk Self Assessment (CRSA) undertaken by schools. Every year school srea required to undertake a CRSA. A questionnaire is prepared by internal audit and sent to the schools, who complete it and return it. Schols are required to enter comments where applicable. The responses are analysed and the results are then used to target particular areas or topics for audit review. These reviews take place over a number of schools. This system enables audit to increase the level of assurance we can provide to the Chief Officer about the standards in schools, whilst at the same time minimising audit time in the schools by eliminating the need for traditional school visits.</p>
1.06	<p>Based on the results school audits were completed in six primary schools and two secondary schools, looking at financial controls, IT security, data protection, CCTV and the Education Improvement Grant. An overall report was prepared showing common areas of weakness.</p>
1.07	<p>The automatic tracking of actions continues using the integrated audit software. All actions are tracked automatically and the system allows Managers and Chief Officers to monitor their own teams' outstanding actions and confirm they are being implemented.</p> <p>E mail alerts are generated by the system and sent to the responsible officer and their manager before the action is due. E mails are also sent to them and copied to Chief Officers if actions are not completed on time. Monthly reports are also sent to Chief Officers informing them of outstanding actions for their teams.</p> <p>The system was rolled out from the 4th January 2016, including requiring all managers and Chief Officers to register. It included all actions from reports issued since April 2015, along with outstanding actions previously tracked. As such there was a large backlog of actions which have been completed and closed on the system.</p> <p>Appendix F shows the current situation. Of 305 actions entered into the system 199 have been cleared. Of the remaining 106, only 2 are currently overdue. In accordance with the wishes of the committee, reasons for overdue actions have been sought, along with a note on how the risk is being managed before the action is complete. These are also given in Appendix F.</p>

1.08	Appendix G shows the range of performance indicators for the department. Most improved in Q4. The few that did not improve were still green or amber. The targets need to be reviewed for the coming year.
1.09	Appendix H shows the status of current investigations into alleged fraud or irregularities. The table includes the start dates of the investigations.

2.00	RESOURCE IMPLICATIONS
2.01	None as a direct result of this report.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	None required.

4.00	RISK MANAGEMENT
4.01	The work of Internal Audit provides assurance to the Council that adequate and effective controls are in place to mitigate risks.

5.00	APPENDICES
5.01	Appendix A – Operational Plan 2015/16 Appendix B – Changes to the Operational Plan Appendix C – Operational Plan 2016/17 Appendix D – Final reports issued Appendix E – School CRSA Results Appendix F – Action Tracking Appendix G – Performance Indicators Appendix H – Investigations

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	None. Contact Officer: David Webster, Internal Audit Manager Telephone: 01352 702248 E-mail: david.webster@flintshire.gov.uk

7.00	GLOSSARY OF TERMS
7.01	Wales Audit Office: works to support the Auditor General as the public sector watchdog for Wales. They aim to ensure that the people of Wales

know whether public money is being managed wisely and that public bodies in Wales understand how to improve outcomes.

Corporate Governance: the system by which local authorities direct and control their functions and relate to their communities. It is founded on the basic principles of openness and inclusivity, integrity and accountability together with the overarching concept of leadership. It is an inter-related system that brings together the underlying set of legislative requirements, governance principles and management processes.

Wales Chief Auditors Group: An informal meeting group of Chief Auditors to discuss items of mutual interest.

Operational Plan: the annual plan of work for the Internal Audit team.

Operational Plan 2015/16

Audit	Audit Classification	IA Risk Rating	Plan Days	Actual Days	Proposed quarter / Status
Corporate					
Delivery of the Business Plans	Advisory / VFM	R	40	9	COMPLETE
Risk Management	Risk Based	A	10	12	FINAL
Clwyd Theatre Cymru	Follow Up	A	10	2	DEFERRED
North Wales Residual Waste Partnership	Risk Based	A	10		COMPLETE
Corporate Governance	Risk Based	G	5		COMPLETE
Total Planned Days – Corporate			75	23	
Community and Enterprise					
NEW Homes	Risk Based	R	10	12	FINAL
Homelessness	Risk Based	R	15	11	WIP
Housing Benefit	System Based	R	15	16	FINAL
Council Tax and NNDR	System Based	R	20	29	FINAL
Corporate Debt Management	Risk Based	R	15	16	FINAL
Flying Start	Request			4	
Total Planned Days – Community & Enterprise			75	88	
Education and Youth					
Control and Risk Self-Assessment	Risk Based	R	15	21	COMPLETE
Risk based thematic reviews across all schools including central controls	Risk Based	R	45	64	FINAL
21 st Century Schools – project management	Risk Based	R	15	4	WIP
Grants – Various WG requirement	System Based	R	15	14	COMPLETE
Free school meals - Funding arrangements	System Based	R	15	25	FINAL

School closures	Advisory	G	5		COMPLETE
Total Planned Days – Education & Youth			110	128	
Governance					
Chair of the Council's Charity / Trust Fund	Risk Based		10	10	FINAL
Network Security	Risk Based	R	* See note		DEFERRED
FOI Requests	Risk Based	R	15	22	FINAL
Data Protection	Advisory	R	10	22	FINAL
Migration to Microsoft	Risk Based	R	15	9	WIP
Disposal of ICT Equipment	Risk Based	A	10	12	DRAFT
Payment Card Industry Data Security Standard	Risk Based	A	20	6	WIP
Cloud computing	Risk Based	A	* See note		
Anti-virus procedures	Risk Based	A	15	23	FINAL
E Sourcing (Proactis)	System Based	A	15		DEFERRED
Select List Including Financial Vetting of Suppliers	System Based	A	20		DEFERRED
Contract Procedural Rules	Risk Based	A	20	33	FINAL
Electoral Register	Advisory	A	5		DELETED
Total Planned Days - Governance			155	137	
Organisational Change 1					
Alternative Delivery Models	VFM	R	20	23	COMPLETE
Leisure Services	System Based	G	20	9	WIP
Japanese Youth Exchange	Regulatory	G	5	3	FINAL
Total Planned Days – Organisational Change 1			45	35	

Organisational Change 2					
Electronic stock taking (catering bus plan)	Advisory	A	5	4	DRAFT
21 st Century Schools – contract management	Systems Based	A	15	4	WIP
CCTV	Risk Based	A	15	19	FINAL
Total Planned Days – Organisational Change 2			35	27	
People and Resources					
Payroll Follow up	Risk Based	R		12	FINAL
Payroll	System Based	R	20	16	FINAL
E-Teach (Supply Staff) – Payroll and Recruitment	VFM	R	20	31	FINAL
Use of Relief, Agency and Self Employed Workers	Risk Based	R	20	20	DRAFT
Agile Working	Risk Base	A	20		DELETED
Human Concepts Software	Advisory	G	5	1	COMPLETE
Main Accounting – Accounts Receivable (AR)	System Based	R	10	18	FINAL
Main Accounting – Accounts Payable (AP) / P2P	System Based	R	20	24	FINAL
Main Accounting – General Ledger (GL)	System Based	R	10	12	FINAL
Treasury Management	System Based	R	15	4	WIP
Capital Programme	Follow Up	R	5	1	DEFERRED
Insurance	Risk Based	R	10	15	DRAFT
Medium Term Financial Strategy	Risk Based	A	10	2	WIP
Collaborative Planning	Risk Based	G	5	18	COMPLETE
Pensions Administration and Contributions	System Based	G	15	16	FINAL
Pension Fund Governance	System Based	G	10	1	COMPLETE
Total Planned Days – People & Resources			195	191	

Planning and Environment					
Section 106 Agreements	Risk Based	R	15	34	FINAL
Pest Control	Risk Based	A	5	2	WIP
Pollution Control	Risk Based	G	15		DEFERRED
Total Planned Days – Planning & Environment			35	36	
Social Services					
Client Finances / Receivership, including Community Living	Risk Based	R	20	3	WIP
Residential Care Homes	Advisory	R	20	15	FINAL
Direct Payments	System Based	R	20	23	FINAL
PARIS – Finance Module	Advisory	A	5		DEFERRED
Housing Allocations	Request			9	
Total Planned Days – Social Services			65	50	
Streetscene and Transportation					
Concessionary Travel	Risk Based	R	20	12	FINAL
School Transport – Contract Management	Risk Based	R	10	1	DEFERRED
Waste Contract Management	Follow up	R	15	15	DRAFT
Waste Management	Follow Up	R	15	14	DRAFT
Integrated Transport	Advisory	R	5	2	COMPLETE
Fleet Management	Advisory	A	5		COMPLETE
Winter Maintenance	Request			9	
Total Planned Days – Streetscene & Transportation			70	53	

Investigations, Provisions and Developments		
Provision for investigations and pro-active fraud	200	240
Provision for ad-hoc requests from management	80	
Follow up reviews	30	
Audit development	20	85
IDEA	20	
Advisory work	40	33
Total	390	385
Overall Plan Total	1250	1131

* Note: It may be necessary to bring in external resource to complete this technical ICT audit

Definitions

Risk based audits

Work based on strategic and operational risks identified by the organisation in the Improvement Plan and Service Plans. Risks are linked to the organisation's objectives and represent the possibility that the objectives will not be achieved.

Systems based audits

Work in which every aspect and stage of the audited subject is considered, within the agreed scope of the audit. It includes review of both the design and operation of controls.

Advisory

Participation in various projects and developments in order to ensure that controls are in place.

VFM (Value For Money)

Audits examining the efficiency, effectiveness and economy of the area under review.

Follow Up

Audits to follow up recommendations from previous reviews.

Additions

Audits added to the plan at the request of management, time used from the provision for requests.

CHANGES TO THE AUDIT PLAN – SINCE THE LAST MEETING

Audits deleted /deferred from the plan

Governance

Cloud Computing

People and Resources

Agile Working

Planning and Environment

Pollution Control

CHANGES REPORTED TO PREVIOUS MEETINGS

Audits deleted /deferred from the plan

Corporate

Clwyd Theatr Cymru - new Business Plan in place, new Director, going through re-structure.

Governance

Electoral Register – data matching against other databases no longer required.

Network Security – unable to obtain an external source to complete this audit.

E Sourcing (Proactis) – system still being rolled out

Select List – will be covered by Proactis.

People and Resources

Capital Programme Follow Up – Strategy just being implemented.

Social Services

PARIS Finance Module (Advisory) –

Streetscene and Transportation

School Transport Contract Management – waiting for contract renewal exercise.

Audits added to the audit plan

Community and Enterprise

Flying Start – request from new management.

People and Resources

Payroll Follow Up

Social Services

Housing Allocations – Controls around the new process

Streetscene and Transportation

Winter Maintenance

Audit	Audit Classification	IA Risk Rating	Plan Days	Actual Days	Proposed quarter / Status
Corporate					
Consultants	Risk Based	R	15	7	DRAFT
Safeguarding (incl schools)	Risk Based	A	20		2
Clwyd Theatre Cymru	Risk Based	A	10		2
Performance Indicators	Risk Based	G	10		3
Risk Management	Risk Based	G	10		3
Corporate Governance	Risk Based	G	10		4
Compliance	Advisory	G	20	1	WIP
Total Planned Days – Corporate			95	8	
Community and Enterprise					
Gas Servicing	Risk Based	R	10		2
Disabled Facilities Grant	System Based	R	20		3
Mobile Working	Risk Based	A	15		2
Tell Us Once	Risk Based	A	10	5	WIP
Flintshire Connects	VFM	A	15	7	WIP
Council Tax and NNDR	System Based	A	15		3
Total Planned Days – Community & Enterprise			85	12	
Education and Youth					
Control and Risk Self-Assessment	Risk Based	R	10	2	WIP
Budgetary Control	System Based	R	20		2
Education Improvement Grant	Risk Based	R	20		2
Risk based thematic reviews across all schools including central controls	Risk Based	A	40		3
Youth Justice	System Based	A	15	1	WIP

School Formula	Funding	Advisory	A	15		4
Total Planned Days – Education & Youth				120	3	
Governance						
Network Security		Risk Based	R	*	See note	3
Procurement		Risk Based	A	30		4
Electronic Document Management		Risk Based	A	10		4
IT Security Policies		Systems Based	A	15		4
Digitisation		VFM	A	20		3
Cloud computing		Risk Based	G	5		3
Data Protection		Advisory	G	15		3
Total Planned Days - Governance				95		
Organisational Change 1						
Alternative Delivery Models		VFM	R	30		2
Japanese Youth Exchange		Regulatory	G	5		2
Total Planned Days – Organisational Change 1				35		
Organisational Change 2						
Industrial Units		Risk Based	A	15	5	WIP
Corporate Asset Strategy		Risk Based	A	15		4
Community Asset Transfers (CAT)		VFM	A	15		2
Total Planned Days – Organisational Change 2				45	5	

People and Resources					
E-Teach (Supply Staff) – Payroll and Recruitment	Advisory	R	5		ONGOING
Payroll	System Based	A	20		3
Compulsory & Early Voluntary Redundancy	Risk Based	A	15		2
Single Status – Equal Pay Claims	Advisory	G	5		ONGOING
Corporate Grants	Risk Based	A	15		2
Main Accounting – Accounts Payable (AP) / P2P	System Based	G	20		3
Main Accounting – General Ledger (GL)	System Based	G	15		4
Collaborative Planning (CP)	Risk Based	G	15		ONGOING
Finance Modernisation Programme – AR	Advisory	G	5		ONGOING
Accounts Governance Group	Advisory	G	5		ONGOING
Total Planned Days – People & Resources			120		
Planning and Environment					
Greenfield Valley Heritage Park	Risk Based	R	20	2	WIP
Building Control	System Based	R	20		2
Planning Enforcement	System Based	A	20		3
Total Planned Days – Planning & Environment			60	2	
Social Services					
Multi Agency SLA's Agreements with Combined Services with	Risk Based	A	15		3
Flying Start – Childcare Placements	Risk Based	A	10	2	WIP
PARIS finance module	Advisory	A	5		ONGOING
Family Information Services	Risk Based	A	15		2

Children Out of County Care and Education	Risk Based	A	20	1	WIP
Care Leavers	Risk Based	A	15		3
Total Planned Days – Social Services			80	3	
Streetscene and Transportation					
Enforcement	Risk Based	R	30	2	WIP
Fleet Management	Risk Based	R	20		3
Alltami Stores	System Based	A	15		2
Fleet Management	Advisory	A	5		ONGOING
Integrated Transport	Advisory	A	5		ONGOING
Maintenance of the Public Realm	Risk Based	A	10		3
Total Planned Days – Streetscene & Transportation			85	2	
Other					
Pensions Administration	System Based	A	15		4
Pensions Investments	System Based	A	15		4
North West Residual Waste Partnership	Risk Based	G	5		3
Total Planned Days - Other			35		

Investigations, Provisions and Developments		
Provision for investigations and pro-active fraud	200	57
Provision for ad-hoc requests from management	65	
Follow up reviews	30	
Audit development	30	
IDEA	10	
Total	335	57
Overall Plan Total		
	1190	92

Note: It may be necessary to bring in external resource to complete this technical ICT audit.

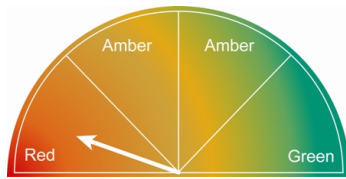
Appendix D

The following reports have been finalised since the last Audit Committee. Action plans are in place to address the weaknesses identified. For reviews which received red assurance a summary of the findings and the Action Plan is attached.

Project Reference	Project Description	Level of Assurance	Recommendations		
			High	Med	Low
15-2014/15	Document Sealing	Green	0	0	4
17-2014/15	Single Status – Additional Payments	Amber -	1	4	1
32-2015/16	CCTV	Amber +	0	4	2
46-2015-16	Housing Benefits	Green	0	0	1
17-2015/16	Freedom of Information Request	Amber +	0	2	4
34-2015/16	Main Accounting -Accounts Payable (AP) and P2P (2015/16)	Amber -	1	3	3
INV0071516	Winter Maintenance – Weather Forecasting	N/A	1	1	2
37-2015/16	Payroll	Green	0	0	4
44-2015/16	Pensions Admin	Amber +	0	1	4
43-2015/16	Risk Management	Amber +	0	3	6
13-2015/16	Section 106 Agreements	Red	1	7	6
11-2015/16	Data Protection	Amber -	0	5	1
60-2015/16	Concessionary Travel	Amber +	0	3	3
61-2015/16	Schools Risk Based Thematic Review	Amber -	2	1	2

Levels of Assurance – standard reports.

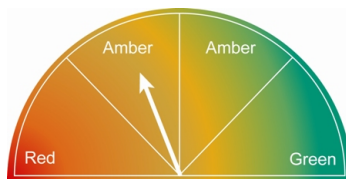
The audit opinion is the level of assurance that Internal Audit can give to management and all other stakeholders on the adequacy and effectiveness of controls within the area audited. It is assessed following the completion of the audit and is based on the findings from the audit. Progress on the implementation of agreed actions will be monitored. Findings from **Red** assurance audits or audits with **High** level recommendations will be reported to the Audit Committee.



Urgent system revision required (one or more of the following)

- Key controls are absent or rarely applied
- Evidence of (or the potential for) significant financial / other losses
- Key management information does not exist
- System / process objectives are not being met, or are being met at a significant and unnecessary cost or use of resources.

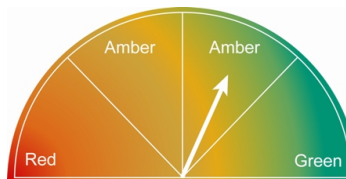
Impact: a lack of adequate or effective controls.



Significant improvement in control environment required (one or more of the following)

- Key controls exist but fail to address all risks identified and / or are not applied consistently and effectively
- Evidence of (or the potential for) financial / other loss
- Key management information exists but is unreliable
- System / process objectives are not being met, or are being met at an unnecessary cost or use of resources.

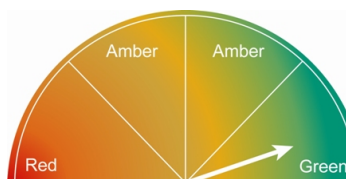
Impact: key controls are generally inadequate or ineffective.



Key Controls in place but some fine tuning required (one or more of the following)

- Key controls exist but there are weaknesses and / or inconsistencies in application though no evidence of any significant impact
- Some refinement or addition of controls would enhance the control environment
- Key objectives could be better achieved with some relatively minor adjustments

Impact: key controls generally operating effectively.



Strong controls in place (all or most of the following)

- Key controls exist and are applied consistently and effectively
- Objectives achieved in a pragmatic and cost effective manner
- Compliance with relevant regulations and procedures
- Assets safeguarded
- Information reliable

Impact: key controls have been adequately designed and are operating effectively to deliver the key objectives of the system, process, function or service.

Levels of Assurance – follow up reports.

Substantial. 75%+ of recommendations have been implemented. All high recommendations have been implemented.

Reasonable. 51-75% of recommendations have been implemented. All high recommendations have been implemented.

Some. 30-50% of recommendations have been implemented. Any outstanding high recommendations are in the process of being implemented.

Limited. <30% of recommendations have been implemented. Unsatisfactory progress has been made on the implementation of high recommendations.

Categorisation of Recommendations

High, Medium, Low

Recommendations are prioritised to reflect our assessment of risk associated with the control weaknesses

Value For Money

The definition of Internal Audit within the Audit Charter includes 'It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper economic, efficient and effective use of resources.' These value for money findings and recommendations are included within audit reports.

The findings from both the Direct Payments report and the E Teach report are predominantly about value for money.

Summary of Findings and Action Plan of Reviews with Red Assurance level

Section 106 Agreements – 13-2015/16

We have made 1 high level recommendation and 7 medium level recommendations based on the following:

- The lack of flexibility of spend of developer contributions
- The need to update the Local Planning Guidance Note (LPGN) for s106 agreements
- The funding of on-site play provisions
- The need to update the LPGN for play equipment and open space requirements
- The need to include early payments in the s106 database
- The need for Finance to be aware of the detail of all s106 agreements

No.	Findings and Implications	Agreed Action	Who	When
1	<p>Issues around the flexibility of spend of developer contributions for Education are in the process of being addressed following agreement of changes to the wording of the Planning Guidance (LPGN 23, Developer Contributions to Education) by the Planning Strategy Group on 21st January 2016. This amended guidance will now be published for consultation prior to adoption by the Council.</p> <p>Whilst these changes to the Planning Guidance, if 'defensible', will potentially address flexibility of spend of Education contributions going forward, there remain issues around lack of flexibility in the way existing developer contributions held by Education can be spent.</p>	<p>A cross directorate working group will be established to address the issues identified in the audit report. The working group will be chaired by the Chief Officer (Planning and Environment) and is likely to include representation from Planning, Education, Leisure, Finance, Legal and other services areas as appropriate.</p> <p>The working group will be time limited, and will consider;</p> <ul style="list-style-type: none"> • Section 106 linkages across the Authority, the information needs of each 	Chief Officer Planning and Environment	30/09/2016

No.	Findings and Implications	Agreed Action	Who	When
	<p>Education contributions from developers are based on a contribution formula which seeks to identify the number of children of school age likely to be generated by the development. The formula is based on statistical data and trends and in some instances may not translate into the actual number of anticipated additional pupils; there may be pupils within the new development who already attend the nearest school; or there may be pupils within the development who choose not to attend the nearest school, as such the development may not generate the anticipated number of additional pupils.</p> <p>With some existing s106 agreements limiting the use of Education contributions to projects which create 'additional capacity', and Welsh Government policy around unfilled spaces within schools (which prevent creation of additional capacity in anticipation of a development, given the level of unfilled places within the County) the Authority is in a position where we have received developer contributions for the creation of additional capacity, but as an actual 'need' has not been generated it has not been possible to spend these contributions in accordance with the restrictions within the s106 legal agreement.</p> <p>Education are currently holding approximately £1.4m of s106 contributions of which £640k may be difficult to spend in accordance with the terms of the s106 legal agreement (£500k re Broughton CP and £140k re Wepre CP).</p>	<p>service area, and the information currently held by service areas to determine where there is scope for efficiencies through the sharing of information (including the scope for sharing information on the Planning DEF database).</p> <ul style="list-style-type: none"> • The adequacy of the processes in place for effectively managing those balances which must be spent within certain time frames or returned to the developer. • The scope for utilising contributions held to ensure we maximise the benefit to the Authority (specifically Education contributions which cannot currently be spent under the terms of existing s106 agreements). • The requirement for corporate oversight of the s106 processes and the robustness of the reporting structures to ensure appropriate overall control of s106 monies. <p>UR 00317</p>		

No.	Findings and Implications	Agreed Action	Who	When
	<p>The £500k contribution for Broughton CP is "<i>to be used by the Council for increased classroom provision in primary and / or secondary schools that would cater for occupants of the development within the Broughton area required as a consequence of the development.</i>" Whilst this contribution cannot currently be spent, the legal agreement does not include a time-scale for spend.</p> <p>The £140k contribution for Wepre CP is to be used to "<i>provide additional places at the Wepre Lane Primary School</i>" and must be repaid to the developer with an indexation uplift if not spend by 6/9/16.</p> <p>For both of these the council can seek to negotiate with the developers to reach an agreement to spend the money on other improvements to the school which will benefit the residents of the developments.</p>			
2	<p>All development proposals take account of Supplementary Planning Guidance Notes (where relevant) which are a material consideration in determining planning applications and appeals.</p> <p>The Authority has recently reviewed and updated the majority of the Local and Supplementary Planning Guidance Notes to support the continued use of the adopted Flintshire Unitary Development Plan, which includes detailed guidance concerning individual sites, development issues, and particular types of development.</p> <p>These updated Planning Guidance Notes will in due course replace the existing informal Local Planning</p>	<p>The Local Planning Guidance Notes are currently being brought up to date to allow continued use of the Unitary Development Plan (UDP). Whilst the UDP has technically expired, the intention is to keep the plan 'alive' for as long as possible.</p> <p>The bulk of the 'comments' from the LPGN consultation process were reported to the Planning Strategy Group on 25th February 2016. LPGN 22 will be reviewed as required following the adoption of the updated LPGN's.</p> <p>The updated LPGN's (which are still in the</p>	Strategy Manager, planning and Environment	31/12/2016

No.	Findings and Implications	Agreed Action	Who	When
	<p>Guidance Notes (LPGN's) which are presently used for development management purposes. Public consultation on the draft Supplementary Planning Guidance Notes closed on 12th February 2016, and the consultation responses are currently being considered.</p> <p>The overarching Local Planning Guidance Note for Section 106 agreements is LPGN 22 Planning Obligations, adopted by the Authority on 20/07/2007.</p> <p>Some update is required to this LPGN to include references to other Supplementary Planning Guidance which has been put in place since the guidance note was adopted (in particular Supplementary Planning Guidance 23 - Developer Contributions to Education). Planning are aware of the need for update, but will need to wait for the outcome of the consultation on the updated Local and Supplementary Planning Guidance Notes and the adoption of this updated guidance before reviewing LPGN 23.</p>	<p>consultation period) will be adopted by 30th April 2016. If it is determined that further update to LPGN 22 is required (in particular to take account of the adoption of LPGN 23, Education Contributions - adopted July 2012) then we could expect the adoption of an updated LPGN 22 by 31st July 2016.</p> <p>UR 00285</p>		
3	<p>LPGN 13, Open Space Requirements, recognises that to meet community needs the provision of public open spaces is an important consideration within proposals for new residential developments.</p> <p>For developments in excess of 25 dwellings the Planning Guidance requires the provision of on-site open space provision. If the developer wishes to have the on-site play provision and open spaces adopted by the Local Authority they will be required to make a financial contributions in lieu of maintenance of the site for a ten year period.</p>	<p>Reports were taken to Cabinet in March 2016 providing a review of the CAT scheme and Play Sufficiency Assessment specifically to try and get an agreed policy position in relation to play areas and CAT which should help develop the future s106 position with regards to existing play areas, and help the consideration of how s106 funding might be needed in future to sustain existing play areas as well as the position in respect of new play areas. Town and Community councils will be</p>	Chief Officer Organisational Change	31/03/2017

No.	Findings and Implications	Agreed Action	Who	When
	<p>This raises an issue around the resources for long term maintenance of open space provision. Planning Guidance is clear that we want open space provision in our communities, yet for each area adopted by the Local Authority there is a cost implication (as the commuted sums for maintenance only cover a 10 year period). At a time of severe financial pressure, and at a time when we are transferring play areas and open spaces to communities under CAT's (Community Asset Transfers) strategic decisions need to be made around the continuation of the policy for adopting open spaces, and these decisions need to be reflected in the Planning Guidance.</p> <p>Planning have recently provided pre-application advice to a developer which specifically stated that "<i>the applicant will be required to provide detailed proposals for the long term maintenance, management and retention of the recreation space / facility. This can be addressed via a condition precedent.</i>" The intention is this principle would be applied to future planning applications and followed up with the drafting of a policy guidance note that would be much firmer.</p> <p>However whilst the new Draft Supplementary Planning Guidance re Open Space Provision (currently out for consultation) proposes the financial contribution to be made by developers towards the maintenance of open spaces to be extended to 15 years, para 4.13 still states that the 2 options available to developers for the maintenance of open spaces are;</p>	<p>consulted on this from May onwards.</p> <p>UR 00311</p>		

No.	Findings and Implications	Agreed Action	Who	When
	<ul style="list-style-type: none"> • Developer maintains site for 15 years and then dedicates it to the Authority for legal adoption and long term maintenance; or • The developer dedicates the site to the Authority and makes a financial contribution in lieu of maintenance of the site for a period of 15 years. <p>This fails to address the long term financial pressures faced by the Authority.</p>			
4	<p>The specifications for on-site play equipment are often challenged by developers, with developers sometimes keen to substitute cheaper equipment (which consequently has an impact on maintenance budgets once the site has been adopted by the Authority). The resulting negotiation of a position acceptable to both the Authority and the developer has an obvious impact on resources within Leisure services.</p> <p>This issue is caused by ambiguity around equipment specifications within LPGN 13, Open Space Requirements.</p>	<p>Leisure to discuss the inclusion of an upfront specification for play equipment in the LPGN with the Planning Policy team. This would allow specifications to be built into the planning application (as such any changes to specification would require an amended planning application).</p> <p>UR 00313</p>	Public Open Space Manager	31/12/2016
5	<p>Testing of a sample of s106 obligations confirmed the amounts requested from developers under LPGN 13, Open Space Requirements, agreed to the contribution formula and application thresholds in the planning guidance, however it has already been recognised by Leisure Services and Planning that the amount per dwelling claimed for off-site provision, and the thresholds for the application of the guidance under LPGN 13 are not robust and are not evidence based (as identified in the 2011 audit).</p>	<p>Leisure Services to liaise with Planning to determine whether there is scope for further amendment to the revised Planning Guidance for Open Spaces to update the amount per dwelling requested from developers, and to amend the thresholds within the Planning Guidance.</p> <p>UR 01435</p>	Public Open Space Manager	31/12/2016

No.	Findings and Implications	Agreed Action	Who	When
	<p>Planning have recently reviewed and updated LPGN 13, with an expected adoption date for the amended guidance of 30th April 2016, no changes have been made to the contribution formula or the thresholds within the Planning Guidance as part of this update. Leisure Services were not involved in the update to LPGN 13.</p>			
6	<p>The s106 database does not include 'early payments' (i.e. payments made by developers to settle a planning obligation in advance of a formal legal agreement being drawn up) as the contribution due to the Authority is received up front, and as such there is no requirement for inclusion on the database from an enforcement point of view.</p> <p>However if the 'early payment' is made in response to a s106 obligation then it does need to be identified in the s106 database to enable us to comply with CIL Reg 123, which only allow five s106 requests to be made for each identified project or infrastructure type. In addition there is a risk that 'early payments' could become repayable to the developer if the development does not commence, and as such we need to maintain a robust record of all amounts received.</p>	<p>Early payments will be added to the s106 database.</p> <p>There is potentially scope for links between the Flair system and Masterpiece to ensure all early payments are appropriately identified. Planning and Finance will need to explore this as part of the cross directorate working group.</p> <p>UR 00335</p>	Chief Officer Planning and Environment	30/09/2016
7	<p>There is no set process in place for Finance to review each s106 legal agreement and determine the correct accounting of funding received. Currently s106 monies are accounted for in two separate places on the balance sheet, Reserves: Capital Grants Unapplied and Current Liabilities: Grants Received in Advance.</p>	<p>A cross directorate working group will be established to address the issues identified in the audit report. The working group will be chaired by the Chief Officer (Planning and Environment) and is likely to include representation from Planning, Education, Leisure, Finance, Legal and other services areas as appropriate.</p>	Chief Officer Planning and Environment	30/09/2016

No.	Findings and Implications	Agreed Action	Who	When
	<p>The accounting treatment for each s106 balance has to be determined based on the wording of the legal agreement, taking into account stipulations on expenditure, and other trigger points at which the accounting treatment may change. Whilst Legal inform Finance when s106 monies are received, Finance are not always provided with copies of the completed s106 legal agreements.</p> <p>Whilst obtaining copies of all completed s106 legal agreements may partially address the issue, Finance will also need to be kept informed of the date of commencement of development in some cases, as this is the point at which FCC's entitlement to the s106 balance crystalises.</p> <p>To further complicate matters there may be s106 agreements made as unilateral undertakings which contain clauses which attempt to impose obligations on the Local Authority which are not enforceable (on the basis that we cannot be bound by an agreement we are not party to) e.g. obligations re deadlines for spend; interest rates to be paid on unspent commuted sums, etc. Finance will need to ensure this is appropriately recognised when determining the correct treatment of balances in the year end accounts.</p> <p>At the time of the audit a piece of work was ongoing to back scan all s106 legal agreements held by Land Charges onto the EDRM system to enable Finance to be able to review original legal documentation and make appropriate judgements in respect of the accounting treatment of each s106 balance held. This</p>	<p>The working group will be time limited, and will consider;</p> <ul style="list-style-type: none"> • Section 106 linkages across the Authority, the information needs of each service area, and the information currently held by service areas to determine where there is scope for efficiencies through the sharing of information (including the scope for sharing information on the Planning DEF database). • The adequacy of the processes in place for effectively managing those balances which must be spent within certain time frames or returned to the developer. • The scope for utilising contributions held to ensure we maximise the benefit to the Authority (specifically Education contributions which cannot currently be spent under the terms of existing s106 agreements). • The requirement for corporate oversight of the s106 processes and the robustness of the reporting structures to ensure appropriate overall control of s106 monies. <p>UR 00324</p>		

No.	Findings and Implications	Agreed Action	Who	When
	<p>piece of work is now complete, and Finance are in the process of reconciling legal agreements back to the ledger, initially looking for 'quick wins.'</p> <p>Finance have also asked Legal to provide them with copies of completed Legal Agreements to support all s106 monies received going forward. This will enable Finance to determine the correct accounting treatment of each of the balances received, and will also enable Finance to ensure that an appropriate ledger code has been used for the receipt.</p>			
8	<p>Following on from paragraph 1 above, there is no process in place to ensure s106 balances are returned to developers if they are not spent in accordance with the terms (and time-scales) which may be defined in the s106 legal agreements. In addition there are currently no mechanisms for providing for interest or indexation uplift which may be due to developers on these balances.</p> <p>The right to repayment plus any interest which may be payable on unspent s106 balances will be unique to each legal agreement.</p>	<p>Review of s106 legal agreements by Finance has confirmed that there are only a very small number of agreements which could be give rise to a repayment to the developer.</p> <p>However the cross directorate working group will consider;</p> <ul style="list-style-type: none"> • Section 106 linkages across the Authority, the information needs of each service area, and the information currently held by service areas to determine where there is scope for efficiencies through the sharing of information (including the scope for sharing information on the Planning DEF database). • The adequacy of the processes in place for effectively managing those balances which must be spent within certain time frames or returned to the developer. 	Chief Officer Planning and Environment	30/09/2016

No.	Findings and Implications	Agreed Action	Who	When
		<ul style="list-style-type: none">• The scope for utilising contributions held to ensure we maximise the benefit to the Authority (specifically Education contributions which cannot currently be spent under the terms of existing s106 agreements).• The requirement for corporate oversight of the s106 processes and the robustness of the reporting structures to ensure appropriate overall control of s106 monies. <p>UR 00327</p>		

Appendix E

CRSA Results

Section	2014/15					
	Total Yes	Total Partly	Total No	Total N/A	Total Blank	All Schools
1 - Governance	91.04	5.19	2.99	0.13	0.65	100.00
2 - Financial Planning	93.18	3.57	2.27	0.32	0.65	100.00
3 - Budget Monitoring	96.10	3.46	0.43	0.00	0.00	100.00
4 - Purchasing	91.49	1.82	2.47	2.08	2.14	100.00
5 - Financial Controls	88.47	6.66	3.73	0.32	0.81	100.00
6 - Income	88.20	4.33	3.03	2.71	1.73	100.00
7 - Petty Cash	55.12	0.29	6.78	37.66	0.14	100.00
8 - School Fund	92.13	3.21	3.74	0.23	0.69	100.00
9 - Assets	63.45	15.21	16.70	0.93	3.71	100.00
10 - Insurance	64.07	2.60	19.48	0.00	13.85	100.00
11 - Data Security	76.02	5.69	12.69	0.40	5.19	100.00
12 - Free Meal Entitlements	98.70	0.00	1.30	0.00	0.00	100.00
13 - CCTV	44.59	1.30	3.03	48.05	3.03	100.00
14 - Acceptable Use of IT	94.81	1.30	0.87	2.16	0.87	100.00
15 - Health & Safety	97.10	0.30	1.30	1.00	0.30	100.00
16 - Sickness Absence Monitoring	91.56	5.84	2.60	0.00	0.00	100.00
17 - Disclosure & Barring Service	98.27	1.30	0.00	0.00	0.43	100.00
18 - Pupil Statistics	71.57	2.45	7.07	9.67	9.24	100.00
19 - Other	0	0	0	0	0	0.00
20 - Payroll (Schools Operating Own Only)	0	0	0	0	0	0.00

2015/16					
Total Yes	Total Partial	Total No	Total N/A	Total Blankw	All Schools
90.26	7.79	1.17	0.00	0.78	100.00
91.43	4.16	2.08	1.56	0.78	100.00
91.43	4.16	2.08	1.56	0.78	100.00
89.94	2.99	1.75	5.00	0.32	100.00
91.28	6.86	1.48	0.37	0.00	100.00
86.47	4.44	2.92	5.63	0.54	100.00
66.09	1.01	3.03	29.73	0.14	100.00
89.11	2.53	3.61	4.18	0.58	100.00
68.09	12.99	14.84	3.71	0.37	100.00
58.44	3.90	25.97	2.60	9.09	100.00
58.44	3.90	25.97	2.60	9.09	100.00
98.70	0.00	0.65	0.65	0.00	100.00
45.89	4.33	6.06	42.86	0.87	100.00
98.70	0.43	0.43	0.00	0.43	100.00
98.18	0.26	0.39	0.78	0.39	100.00
90.26	5.19	4.55	0.00	0.00	100.00
95.32	0.52	2.08	0.26	1.82	100.00
95.32	0.52	2.08	0.26	1.82	100.00
22.08	2.60	58.44	15.58	1.30	100.00
21.10	4.22	5.19	67.53	1.95	100.00

Action Tracking – Portfolio Performance Statistics

Report Date: June 2016

Portfolio	May 2016 Stats			Live Actions - As at May 2016		
	Number of Actions Live Since January 2016	Actions Implemented since 04.01.2016 (including Actions No Longer Valid)	% of Actions Cleared To Date	Live Actions	Actions Beyond Due Date (excludes Actions with a revised due date)	Actions with a Revised Due Date
Corporate	27	11	65%	16	0	4
Community & Enterprise	31	28		3	0	3
Education & Youth	33	30		3	0	1
Governance	54	36		18	1	1
Organisational Change 1	6	0		6	0	2
Organisational Change 2	26	15		11	0	5
People & Resources	73	63		10	0	9
Planning & Environment	10	0		10	0	7
Social Services	22	7		15	1	14
Streetscene & Transportation	23	15		8	0	2
Total	305	199		106	2	48










Actions beyond due dates




Portfolio	Audit and Action	RAG	Original and Revised Due Dates	Current Position	How risk is being managed
Governance	<p>Contract Procedure Rules</p> <p>A register of declarations to pick up wider declarations other than procurement related shall be in place in each portfolio area. Chief Officer (Governance) will produce further guidance to other Chief Officers.</p>	A	31.3.16	Not commenced. Further scoping needs to be undertaken to determine how Declarations in general are managed and also where the Register of Declarations are stored for accessibility.	A new Commissioning Form has been drafted in coincide with the new Contract Procedure Rules. Within the new Form a question regarding conflict of interest has been incorporated.
Social Services	<p>Direct Payments</p> <p>Management will implement a process to identify Annual Financial reviews needing completion, and whilst recognising there is a resource issue, liaising closely with the Financial Assessments Team to prioritise financial reviews where there are known issues and for those never having had a financial review since the beginning of the direct payment start up.</p> <p>Set a target of 1 financial review completion per team member per working day. If any team members are able to achieve a greater output than this then it will be encouraged in order to clear the backlog more quickly. When the backlog is cleared, more permanent arrangements will be determined for ongoing service provision.</p>	R	31.12.15	Response not received.	

	<p>The Accountant will implement a process for team members to record their daily completions and will at the end of each completed week summarise progress and identify and address any issues where individual team members are unable to meet their assigned quota of review completions. Collective progress will then be reported to Social Services Management team with the aim of achievement of an immediate and sustained reduction in the backlog of case files awaiting their annual review.</p> <p>Consider the benefits of reinstating the financial risk measure that was developed within the DP Financial Monitoring Process. This would help prioritise financial reviews. This tool was based on the model designed by the Chartered Institute of Public Finance and Accountancy (CIPFA</p>				
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Appendix G

Internal Audit Performance Indicators

Performance Measure	Q3	Q4	Target	RAG Rating
Internal Audit Departmental Targets				
Audits completed within planned time	100%	78%	80%	 ↓
Average number of days from end of fieldwork to debrief meeting	18.1	19.4	20	 ↓
Average number of days from debrief meeting to the issue of draft report	8.8	3.3	2	 ↑
Days for departments to return draft reports	9.10	7	3	 ↑
Average number of days from response to issue of final report	4.10	0.9	2	 ↑
Total days from end of fieldwork to issue of final report	40.10	30.6	27	 ↑
Client questionnaires responses as satisfied	100%	100%	95%	 ↓
Productive audit days	82%	77%	75%	 ↓
Other Targets				
Return of client satisfaction questionnaires	90%	67%	70%	 ↓

Key  Target not achieved  Within 20% of target  Target Achieved

↑ Improving trend → No change ↓ Worsening trend

Investigations

Ref	Date Referred	Investigation Details
1. No new referrals have been received		
2. The following investigations have been reported to previous committees and are still being investigated		
2.1	20.07.2015	A whistleblow has been received concerning alleged issues at a school, an investigation has been undertaken and a report has been issued to address the findings of the whistleblow. The school governing body are now considering the report and the issues highlighted.
2.2	18.05.2015	A referral was received concerning the use of monies on a grant funded scheme. The investigation has been concluded and a report has been issued pending further information.
3. The following investigations have been completed		
3.1	05.11.2014	Internal audit were informed of the alleged theft of money from a Community Network House which has affected three service users. The Police have been informed. No further action is to be taken.
3.2	04.12.2015	A referral has been received concerning potential theft of Council equipment, an investigation was carried out and the case was unproven. An internal audit report has been issued to address control weaknesses.
3.3	25.01.2016	A referral has been received concerning monies missing from a community living house. The matter has been referred to the Police who have decided not to investigate. An internal investigation has highlighted control weaknesses, an internal audit report has been issued to address these weaknesses.
3.4	27.01.2016	A referral has been received concerning missing monies from a Council establishment, The matter has been investigated and a report has been issued to address identified control issues.



AUDIT COMMITTEE

Date of Meeting	Wednesday, 13 July 2016
Report Subject	Wales Audit Office – Regulatory Programme – Performance work 2016-17
Report Author	Chief Executive

EXECUTIVE SUMMARY

The Regulatory Programme of Performance work for 2016/17 carried out by the Wales Audit Office (WAO) is contained within this report. There are two types of work which are outlined: i) Improvement Assessment work and; ii) Local Government Studies.

Other audit work for Finance and the Clwyd Pension Fund carried out by the Wales Audit Office can be seen in the Audit papers for March 2016.

This report also includes the recently received Certificate of Compliance from the Wales Audit Office for the 2016/17 Improvement Plan publication.

RECOMMENDATIONS

1.	To note the Regulatory Programme of Performance Work 2016/17 prepared by the Wales Audit Office.
2.	To receive the Certificate of Compliance from the Wales Audit Office for the 2016/17 Improvement Plan publication.

REPORT DETAILS

1.00	REGULATORY PROGRAMME 2016-17
1.01	The Auditor General prepares an annual regulatory programme of work for Finance, the Clwyd Pension Fund and Performance. The 2016 programme was presented to Members at the March meeting (link to

	<p>meeting papers in section 6).</p> <p>At this time the Plan did not cover the Performance audit work and the Auditor General confirmed that he would write to confirm the 2016/17 programme of work as soon as possible.</p>
1.02	The letter in Appendix 1 was received by the authority in May and confirms the programme and the fees for the work.
1.03	<p>The programme of work is divided into two parts: i) the Improvement assessment work and; ii) Local Government Studies.</p> <p>The Improvement Assessment work is particular to this authority, although some aspects may be carried out across all 22 authorities. This programme follows up on previous work as well as introducing new aspects. For 2016/17 the following work is included:</p> <ul style="list-style-type: none"> • 'Improvement Plan' audit • 'Assessment of Performance' audit • Financial Resilience review • Governance review • Transformation review • Review of a sample of the Council's Invest to save/change projects • Follow up of Corporate Assessment – Proposals for Improvement <p>The Local Government Studies include:</p> <ul style="list-style-type: none"> • Addressing dependency and demand for public services through the development of effective prevention approaches • Strategic Commissioning • Improving joint work on housing and health
1.04	The detailed letter for the programme is attached at Appendix 1.
1.05	The fees for the work are itemised as £104,244 which is a slight rise on the previous two years' costs of £104,058 each year.
1.06	<p>WAO Certificate of Compliance for the Improvement Plan 2016/17</p> <p>The Wales Audit Office have a duty under the Local Government (Wales) Measure 2009 (the Measure) to establish if the Council has discharged its appropriate duties under the Measure in respect of the preparation and publication of the Improvement Plan.</p> <p>The positive certificate of compliance is attached as appendix 2.</p>
2.00	RESOURCE IMPLICATIONS
2.01	Proposed fees charged for the audit work for Flintshire County Council are included in the WAO report. These relate to £104,244 for 2016/17.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	Consultations with Chief Officers and Internal audit has been undertaken by Wales Audit Office in preparation of their plan.

4.00	RISK MANAGEMENT
4.01	All audit work is carried out on a risk based approach which is covered in detail within the reports from the Wales Audit Office.

5.00	APPENDICES
5.01	Appendix 1: 2016-17 Performance Audit Work and Fees. Appendix 2: Certificate of Compliance: WAO Audit of Flintshire County Council's 2016-17 Improvement Plan

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	Agenda for Audit Committee on Wednesday, 16th March, 2016, 10.00 am Contact Officer: Karen Armstrong, Corporate Business and Communications Executive Officer Telephone: 01352 702740 E-mail: Karen.armstrong@flintshire.gov.uk

7.00	GLOSSARY OF TERMS
7.01	Wales Audit Office: works to support the Auditor General as the public sector watchdog for Wales. They aim to ensure that the people of Wales know whether public money is being managed wisely and that public bodies in Wales understand how to improve outcomes. Local Government (Wales) Measure 2009: the Measure has sought to link council's shorter-term, annual improvement planning with their longer term strategic planning (the community strategy).

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Mr Colin Everett
Chief Executive
Flintshire County Council
County Hall
Mold
Flintshire
CH7 6NB

Date 20 May 2016
Pages 1 of 3

Dear Colin

2016-17 Performance Audit Work and Fees

Further to my letter of 16 March 2016 I am now in a position to confirm the programme of performance audit work at Flintshire County Council for 2016-17. This work is delivered under the Local Government (Wales) Measure 2009 (the Measure), the Local Government Act 1999 and the Public Audit (Wales) Act 2013.

The Auditor General for Wales has reviewed the existing local government performance audit programme in the light of the reform programme set out in the draft Local Government (Wales) Bill, taking into consideration that the Local Government (Wales) Measure 2009 will be extant, and that councils will be under an obligation to adopt the sustainable development principle from April 2016, as set out in the Well-being of Future Generations (Wales) Act 2015 (WFG Act).

As the draft Local Government (Wales) Bill proposes that the 2009 Measure will no longer apply to councils, we intend to minimise work that focusses on the process of improvement planning in favour of work that focusses on councils' capacity and capability to effect change whilst maintaining good governance.

However we will still need to satisfy audit requirements as the Measure remains in place for 2016-17. I can now confirm that we will do this through a basic audit check of your publications and will provide a certificate of compliance. I can also confirm that we will discharge our assessment requirements by undertaking three thematic reviews at all councils with the aim of providing assurance and insight as to where arrangements can support improvement and change, taking into account the requirements of the WFG Act. In addition to reporting to each council on their own arrangements, I will also publish national summary reports, funded by the WPI grant, which will provide all-Wales overviews and signpost good practice and shared learning.

I also intend to leave some headroom within the fee structure for agreeing local risk-based work. As each of the thematic reviews will result in a local report, annual reporting

will be by means of an annual letter providing summary highlights and linking to local reports.

In addition to the work outlined above, we will continue a programme of Local Government Studies as set out in the Auditor General's letter of 16 March 2016. These and the specific elements of our audit and assessment work are set out in the table below. Please note that each year's work programme and performance audit fee covers one cycle of Improvement Assessment work. However, as this work does not fit neatly within a period starting on 1 April and ending on 31 March, the delivery of the annual work programme may overlap financial years.

WAO performance audit work 2014-15	
Improvement assessment work	
'Improvement Plan' Audit	Audit of discharge of duty to publish an improvement plan.
'Assessment of Performance' Audit	Audit of discharge of duty to publish an assessment of performance.
Financial Resilience review	Councils are continuing to deal with austerity and an uncertain future. This review will seek to provide assurance that arrangements are focussed on maintaining resilience over the medium to long term.
Governance review	With the introduction of CIPFA's revised framework for 'Delivering good governance in local government', and the requirement for councils to adopt the sustainable development principle from April 2016, this review will provide councils with a baseline from which to plan improvements to governance.
Transformation review	This baseline review will examine how councils are approaching 'transformational change'.
Review of a sample of the Council's Invest to save/change projects	A review of impact and outcomes arising from a cross-section of recent Council "Invest-to-Save" / Change projects. This will include

	consideration of how post-project evaluation is used to support current and future efficiency-related initiatives.
Follow up of Corporate Assessment – Proposals for Improvement	Further follow-up of the Council's post-corporate assessment Action Plan, particularly actions that remained work-in-progress at the start of 2016-17
Local Government Studies	
Addressing dependency and demand for public services through the development of effective prevention approaches	In the last few years, councils in Wales have developed a model of public service delivery based on a 'deficit approach' – focusing on problems, needs and deficiencies of individuals and communities, designing services to fill the gaps and fix the problems, leading to individuals and communities becoming both disempowered and dependent. This review will consider how councils are reducing demand for services focussing on alternative methods of delivery, will consider the impact of decisions specifically within deprived communities, and will include a critique of the Welsh Government Anti-Poverty Strategy.
Strategic Commissioning	The sharper focus on outcomes is leading to the reorientation of public services around a 'commissioning model'. The majority of service provider relationships are borne out of a desire to cut costs and improve service delivery, however the opposite can (and often does) occur. Many local authorities underestimate the complexities involved in establishing a strong service provider partnership from the outset. This study will look at how effective councils are at strategic commissioning.

<p>Improving joint work on housing and health</p>	<p>Joint working between housing and health can reduce pressures on the NHS and improve an individual's overall wellbeing. It is widely recognised that the quality of housing and the surrounding neighbourhood are influential in shaping health and wellbeing at different points of people's lives. Given the critical role of housing in addressing health inequalities this review will consider how councils are working with health and housing bodies to deliver health improvements.</p>
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The table below sets out our indicative fee for performance audit work. This will be charged in equal instalments between April 2016 and March 2017. If during the course of the year any additional work is identified as being necessary, this may incur additional fees. Similarly should an issue arise of such importance that we consider a special inspection to be an appropriate response, we will charge an additional fee to conduct such an inspection.

Fee April 2016 to March 2017	£
Fee for WAO performance audit work	104,244
Total Performance audit fee	104,244

Should you wish to discuss any element of this work please do not hesitate to contact me (jane.holownia@audit.wales), Jeremy Evans (jeremy.evans@audit.wales) or Paul Goodlad (paul.goodlad@audit.wales).

Yours sincerely



Jane Holownia

Director

Certificate of Compliance

Audit of Flintshire County Council's 2016-17 Improvement Plan

Certificate

I certify that I have audited Flintshire County Council's (the Council) Improvement Plan (Council Plan 2016-17) in accordance with section 17 of the Local Government (Wales) Measure 2009 (the Measure) and my Code of Audit Practice.

As a result of my audit, I believe that the Council has discharged its duties under section 15(6) to (9) of the Measure and has acted in accordance with Welsh Government guidance sufficiently to discharge its duties.

Respective responsibilities of the Council and the Auditor General

Under the Measure, the Council is required to prepare and publish an Improvement Plan describing its plans to discharge its duties to:

- make arrangements to secure continuous improvement in the exercise of its functions;
- make arrangements to secure achievement of its improvement objectives; and
- make arrangements to exercise its functions so that any performance standard specified by Welsh Ministers is met.

The Measure requires the Council to publish its Improvement Plan as soon as is reasonably practicable after the start of the financial year to which it relates, or after such other date as Welsh Ministers may specify by order.

The Council is responsible for preparing the Improvement Plan and for the information set out within it. The Measure requires that the Council has regard to guidance issued by Welsh Ministers in preparing and publishing its plan.

As the Council's auditor, I am required under sections 17 and 19 of the Measure to carry out an audit of the Improvement Plan, to certify that I have done so, and to report whether I believe that the Council has discharged its duties to prepare and publish an Improvement Plan in accordance with statutory requirements set out in section 15 and statutory guidance.

Scope of the Improvement Plan audit

For the purposes of my audit work I will accept that, provided an authority meets its statutory requirements, it will also have complied with Welsh Government statutory guidance sufficiently to discharge its duties.

For this audit I am not required to form a view on the completeness or accuracy of information, or whether the Improvement Plan published by the Council can be achieved. Other assessment work that I will undertake under section 18 of the Measure will examine these issues. My audit of the Council's Improvement Plan, therefore, comprised a review of the plan to ascertain whether it included elements prescribed in legislation. I also assessed whether the arrangements for publishing the plan complied with the requirements of the legislation, and that the Council had regard to statutory guidance in preparing and publishing its plan.

The work I have carried out in order to report and make recommendations in accordance with sections 17 and 19 of the Measure cannot solely be relied upon to identify all weaknesses or opportunities for improvement.



HUW VAUGHAN THOMAS

AUDITOR GENERAL FOR WALES

CC: Mark Drakeford, Cabinet Secretary for Finance and Local Government

Jeremy Evans, Manager

Paul Goodlad, Performance Audit Lead



AUDIT COMMITTEE

Date of Meeting	Wednesday, 13 July 2016
Report Subject	Action Tracking
Cabinet Member	N/A
Report Author	Internal Audit Manager
Category	Advisory

EXECUTIVE SUMMARY

The report shows the action points from previous Audit Committee meetings and the progress made in completing them. The majority of the requested actions have been completed, with some still outstanding. They will be reported back to a future meeting.

RECOMMENDATIONS

1	The committee is requested to accept the report.
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REPORT DETAILS

1.00	EXPLAINING THE ACTION TRACKING REPORT
1.01	In previous meetings requests for information, reports or actions have been made. These have been summarised as action points. This paper summarises those points and provides an update on the actions resulting from them.

2.00	RESOURCE IMPLICATIONS
2.01	None as a result of this report.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	Action owners contacted to provide an update on their actions.

4.00	RISK MANAGEMENT
4.01	None as a result of this report.

5.00	APPENDICES
5.01	Appendix 1 – Action Points.

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	None. Contact Officer: David Webster, Internal Audit Manager Telephone: 01352 702248 E-mail: david.webster@flintshire.gov.uk

7.00	GLOSSARY OF TERMS
7.01	None

AUDIT COMMITTEE ACTION SHEET

3rd JUNE 2015				
Agenda Item No.	Report	Action Required	Responsible Officer	Action Taken
12	Internal Audit Progress Report	To ensure that the audit on S106 Agreements is scheduled into the Plan for 2015/16.	Internal Audit Manager	Audit completed, report to this meeting.

27th JANUARY 2016				
Agenda Item No.	Report	Action Required	Responsible Officer	Action Taken
42	Risk Management Update	To provide more detail on exploring all funding opportunities for regeneration/rural projects as part of the next Improvement Plan report to the Community and Enterprise Overview and Scrutiny Committee	Policy and Performance Manager	This was included in the Q3 Improvement plan monitoring report to Community and Enterprise Overview and Scrutiny Committee with management controls to explain what has been undertaken.
42	Risk Management Update	Assurances on this issue to be clarified in the next Risk Management update report to the Audit Committee.	Policy and Performance Manager	Included in the Risk Management update report to this committee.

27th JANUARY 2016

Agenda Item No.	Report	Action Required	Responsible Officer	Action Taken
43	Consultants	That additional information supplied as part of the annual accounts on individual consultants include spend on all use of consultants	Chief Executive / Finance Manager – Technical Accountancy	Information on consultancy spend reported to CROSC in March and July 2016. Information supplied with the annual accounts includes all payments made to professional advisors including consultants.
43	Consultants	That officers look at the reasons for any further non-compliance with corporate requirements and procedures and check appropriate management actions and accountability	Chief Executive	Report to this committee.
43	Consultants	That a separate report outside the usual follow-up update be received at the meeting on 13 th July 2016.	Internal Audit Manager	Report to this committee.
43	Consultants	To highlight the concerns with the management group and with the workforce to state the need for accountability for non-compliance.	Chief Executive	Report to this committee.

16th MARCH 2016

Agenda Item No.	Report	Action Required	Responsible Officer	Action Taken
55	Minutes	Guidance on the use of consultants, circulated to managers and P2P users, to also be shared with Members	Internal Audit Manager	Completed, circulated to members 21 st March 2016.
58	Internal Audit Strategic Plan	Wording to be amended	Internal Audit Manager	Completed.
58	Internal Audit Strategic Plan	The Internal Audit Manager to be involved in compiling appraisal data for the next workforce information report to CROSC. The results to be shared with the Audit Committee to give assurance on tracking progress of appraisals.	Chief Executive / Lead HR Business Partner / Internal Audit Manager	Workforce information to be reported to CROSC on 14 th July.
62	FWP	That the Internal Audit Manager liaise with the Chair and Vice-Chair on the number of meetings required.	Internal Audit Manager	Completed, additional June meeting next year.
63	Internal Audit Progress Report	A follow up review on direct payments to be undertaken.	Internal Audit Manager	Added to audit plan.

16th MARCH 2016

Agenda Item No.	Report	Action Required	Responsible Officer	Action Taken
63	Internal Audit Progress Report	The action tracking section to be revised for future meetings to include information previously provided, e.g. start date, new deadline, risk category and how it is being managed.	Internal Audit Manager	Reported to this meeting.
63	Internal Audit Progress Report	To consider how best to report PIs on future reports.	Internal Audit Manager	PI's to be reviewed before the September meeting.
63	Internal Audit Progress Report	To discuss with Cllr Bateman his query on investigation 2.2 outside the meeting.	Internal Audit Manager	Completed.
64	Internal Audit Progress Report – Supplementary Report	That the Employment Services Manager report to the portfolio holder and the Education & Youth OSC following the conclusion of the current review of the E Teach system. The review to incorporate alternative providers of supply teachers to schools and to seek the views of Head Teachers, supply teachers and professional associates.	Employment Services Manager.	The review is ongoing, consultation with Heads Federation Groups has been completed and the Education Consultative Committee has been advised. A proposal to cease the provision of a Council Supply Register for teachers (only) is to be put before the School Budget Forum in September with the final decision to be taken by COT.



AUDIT COMMITTEE

Date of Meeting	Wednesday, 13 July 2016
Report Subject	Forward Work Programme
Cabinet Member	N/A
Report Author	Internal Audit Manager
Category	Advisory

EXECUTIVE SUMMARY

The Audit Committee presents an opportunity for Members to determine the Forward Work programme of the Committee of which they are Members. By reviewing and prioritising the Forward Work Programme Members are able to ensure it is Member-led and includes the right issues. A copy of the Forward Work Programme is attached at Appendix 1 for Members' consideration which has been updated following the last meeting.

The Committee is asked to consider, and amend where necessary, the Forward Work Programme for the Audit Committee.

RECOMMENDATION

1	That the Committee considers the draft Forward Work Programme and approve/amend as necessary.
2	That the Internal Audit Manager, in consultation with the Chair and Vice-Chair of the Committee be authorised to vary the Forward Work Programme between meetings, as the need arises.

REPORT DETAILS

1.00	EXPLAINING THE FORWARD WORK PROGRAMME
1.01	Items feed into a Committee's Forward Work Programme from a number of sources. Many items are standard every quarter, six months or annually, and Members can also suggest topics for review by the Committee. Items can also be referred by the Cabinet, County Council or Chief Officers.
1.02	<p>In identifying topics for future consideration, it is useful for a 'test of significance' to be applied. This can be achieved by asking a range of questions as follows:</p> <ol style="list-style-type: none">1. Will the review contribute to the Council's priorities and/or objectives?2. Is it an area of major change or risk?3. Are there issues of concern in governance, risk management or internal control?4. Is it relevant to the financial statements or financial affairs of the Council?5. Is there new Government guidance of legislation?6. Is it prompted by the work carried out by Regulators/Internal Audit?
2.00	RESOURCE IMPLICATIONS
2.01	None as a result of this report.
3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	Publication of this report constitutes consultation.
4.00	RISK MANAGEMENT
4.01	None as a result of this report.
5.00	APPENDICES
5.01	Appendix 1 - Draft Forward Work Programme
6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>None.</p> <p>Contact Officer: David Webster Internal Audit Manager</p> <p>Telephone: 01352 702248</p> <p>E-mail: david.webster@flintshire.gov.uk</p>

7.00	GLOSSARY OF TERMS
	<p><u>WAO, Wales Audit Office</u> works to support the Auditor General as the public sector watchdog for Wales. They aim to ensure that the people of Wales know whether public money is being managed wisely and that the public bodies in Wales understand how to improve outcomes.</p> <p><u>PSIAS, Public Sector Internal Audit Requirements</u> A set of standards that all Internal Audit teams working in the public sector must comply with.</p>

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AUDIT COMMITTEE
FORWARD WORK PROGRAMME 2016/17

MEETING DATE	AGENDA ITEM	AUTHOR
Wednesday 13th July 2016 10.00	Certification of Grants and Returns Report (WAO)	Liz Thomas
	Annual Improvement Report (WAO)	Karen Armstrong
	Draft Statement of Accounts	Gary Ferguson
	Supplementary Financial Information to Draft Statement of Accounts 2015/16	Liz Thomas
	Draft Annual Governance Statement	Gareth Owens
	Treasury Management Update and Annual Report 2015/16	Liz Thomas
	Internal Audit Annual Report	David Webster
	Internal Audit Progress Report	David Webster
	Risk Management Update	Karen Armstrong
	Financial Procedure Rules	Sara Dulson
	Consultancy Follow Up	David Webster
	Asset Disposals and Capital Receipts	Neal Cockerton

MEETING DATE	AGENDA ITEM	AUTHOR
	Action Tracking	David Webster
	Forward Work Programme	David Webster
September 2016	Statement of Accounts 2015/16	Gary Ferguson
	Supplementary Financial Information to Statement of Accounts	Gary Ferguson
	Audit of Financial Statements (WAO)	
	Internal Audit Progress Report	David Webster
	Internal Audit Charter	David Webster
	Corporate Governance Report	David Webster
	Action Tracking	David Webster
	Forward Work Programme	David Webster
January 2017	Internal Audit Progress Report	David Webster
	Risk Management update	Karen Armstrong
	Treasury Management Mid-Year Update and Strategy	Liz Thomas
	Annual Report on external inspections	David Webster

MEETING DATE	AGENDA ITEM	AUTHOR
	Action Tracking	David Webster
	Forward Work Programme	David Webster
March 2017	Audit Plan (WAO)	
	Annual Improvement Report (WAO)	Karen Armstrong
	Treasury Management Update	Liz Thomas
	Internal Audit Progress Report	Neal Cockerton
	Internal Audit Strategic Plan	David Webster
	PSIAS Compliance	David Webster
	Audit Committee Self Assessment	David Webster
	Action Tracking	David Webster
	Forward Work Programme	David Webster
	Private Meeting (WAO and IA)	David Webster
June 2017	Certification of Grants and Returns Report (WAO)	Liz Thomas
	Annual Improvement Report (WAO)	Karen Armstrong

MEETING DATE	AGENDA ITEM	AUTHOR
	Treasury Management Update and Annual Report 2015/16	Liz Thomas
	Internal Audit Annual Report	David Webster
	Internal Audit Progress Report	David Webster
	Risk Management Update	Karen Armstrong
	Financial Procedure Rules	Sara Dulson
	Asset Disposals and Capital Receipts	Neal Cockerton
	Action Tracking	David Webster
	Forward Work Programme	David Webster
July 2017	Draft Statement of Accounts	Gary Ferguson
	Supplementary Financial Information to Draft Statement of Accounts 2015/16	Liz Thomas
	Draft Annual Governance Statement	David Webster