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To: Cllr Tim Newhouse (Chairman)

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

Co-opted Member:
Paul Williams

16 September 2016

Dear Councillor

You are invited to attend a meeting of the Audit Committee which will be held at 10.00 am on Monday, 26th September, 2016 in the Clwyd Committee Room, County Hall, Mold CH7 6NA to consider the following items

A G E N D A

1 **APOLOGIES**

Purpose: To receive any apologies.

2 **DECLARATIONS OF INTEREST (INCLUDING WHIPPING DECLARATIONS)**

Purpose: To receive any Declarations and advise Members accordingly.

3 **MINUTES** (Pages 3 - 14)

Purpose: To confirm as a correct record the minutes of the meeting held on 13 July 2016 (copy enclosed).

4 **STATEMENT OF ACCOUNTS 2015/16** (Pages 15 - 222)

Report of Corporate Finance Manager enclosed.

Purpose: Presenting the final audited version of the Statement of Accounts 2015/16 incorporating any changes for Audit Committee's recommendation to Council

5 **ANNUAL IMPROVEMENT REPORT OF THE AUDITOR GENERAL FOR WALES** (Pages 223 - 270)

Report of Chief Executive enclosed. Portfolio of the Leader of the Council and Cabinet Member for Finance.

Purpose: Purpose: to receive the Annual Improvement Report from the Auditor General for Wales and note the Council's response

6 **CONTRACT PROCEDURE RULES** (Pages 271 - 334)

Report of Chief Officer (Governance) enclosed. Portfolio of the Cabinet Member for Corporate Management.

Purpose: To approve revised contract procedure rules

7 **INTERNAL AUDIT PROGRESS REPORT** (Pages 335 - 358)

Report of Internal Audit Manager enclosed.

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

8 **INTERNAL AUDIT CHARTER** (Pages 359 - 380)

Report of Internal Audit Manager enclosed.

Purpose: To outline to Members the updated Internal Audit Charter

9 **ACTION TRACKING** (Pages 381 - 386)

Report of Internal Audit Manager enclosed.

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

10 **FORWARD WORK PROGRAMME** (Pages 387 - 394)

Report of Internal Audit Manager enclosed.

Purpose: To consider the Forward Work Programme of the Internal Audit Department

Yours faithfully



Peter Evans
Democracy & Governance Manager

AUDIT COMMITTEE 13 JULY 2016

Minutes of the meeting of the Audit Committee of Flintshire County Council held in the Clwyd Committee Room, County Hall, Mold on Wednesday, 13 July 2016

PRESENT:

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

CO-OPTED MEMBER: Mr. Paul Williams

APOLOGY: Councillor Alison Halford

ALSO PRESENT: Councillors Aaron Shotton and Bernie Attridge, Leader and Deputy Leader of the Council

IN ATTENDANCE:

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

Ms. Amanda Hughes of Wales Audit Office

Chief Officer (Organisational Change) - for minute number 10

Corporate Business & Communications Executive Officer - for minute number 12

Chief Officer (Planning & Environment) - for minute number 14

1. APPOINTMENT OF CHAIR

Councillor Ian Dunbar's nomination for Councillor Tim Newhouse was seconded by Councillor Ian Roberts. On being put to the vote, this was carried. No further nominations were received.

RESOLVED:

That Councillor Tim Newhouse be appointed Chair of the Committee.

(From this point, Councillor Newhouse chaired the remainder of the meeting)

2. APPOINTMENT OF VICE-CHAIR

The Chair proposed that Mr. Paul Williams be appointed as Vice-Chair. This was seconded by Councillor Glyn Banks and on being put to the vote, was carried.

RESOLVED:

That Mr. Paul Williams be appointed Vice-Chair of the Committee.

3. DECLARATIONS OF INTEREST (INCLUDING WHIPPING DECLARATIONS)

No declarations of interest were made.

4. MINUTES

The minutes of the meeting held on 16 March 2016 were submitted.

On minute number 60, Public Sector Internal Audit Standards, Councillor Arnold Woolley pointed out a typing error in the final paragraph.

RESOLVED:

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

5. CONSULTANCY FOLLOW UP

The Internal Audit Manager introduced a report on the implementation of the new system for managing the Council's use of consultants, as an update to the report received in January 2016. Following initial work, the new procedures had been fully implemented across the organisation by April 2016 and issues identified during the early stages had been addressed as set out in the report. The outcome of the review showed that the system was effective in ensuring that the use of consultants and associated spend was being controlled and monitored.

The Chief Executive thanked the Internal Audit Manager for his input along with that of the Finance officers in helping to address the miscoding errors. He also thanked the Corporate Resources Overview & Scrutiny Committee for its interest in the value for money element of consultants. The latest update report to that Committee gave an analysis of consultants used during 2015/16 and demonstrated value for money and impact. Of those consultants, two were continuing work into 2016/17. In making a summary of the findings of the report, the Chief Executive advised that the total expenditure on consultants engaged during 2015/16 (£484,522) was a much lower figure than had previously been (incorrectly) reported and included work on some significant projects. He felt that the new process enabled a greater degree of ownership on the use of consultants, and would share the Overview & Scrutiny report with the Vice-Chair.

The Chief Officer (Governance) explained that the procurement system included a 'trigger' for diverting approval of orders with consultancy codes to the Chief Officers and Chief Executive (under £25K in value) and to the Chief Executive (over £25K in value).

Councillor Ian Dunbar acknowledged the work which had been undertaken to improve the process. In response to a query on the P2P procurement system, the Internal Audit Manager said that a different template was used for engaging consultants. The manual forms currently used to enable the system to be set up in time would later be replaced by electronic forms.

Mr. Williams asked whether the use of coding for suppliers and consultants was being monitored and checked. The Internal Audit Manager said

that use of the two new codes were checked against authorisation forms and that the old codes were now closed. The Chief Officer confirmed that codes were checked by the Procurement team with any inaccuracies highlighted and explained to the relevant officer. Due to the potential for suppliers to be categorised in other groups as well as consultants, manual checking was undertaken. As a further control measure, the Corporate Finance Manager spoke about involvement by the Finance Management Team in monitoring specific codes.

Councillor Arnold Woolley raised concerned that some forms were not being sent to the Procurement team on completion of projects and sought reassurance that employees were aware of their responsibilities, particularly in view of the changing workforce. The Internal Audit Manager advised that the Procurement team would follow this up with the relevant managers after the project end date.

Councillor Glyn Banks suggested that an automatic trigger could be built into the system to highlight the need for officers to return the third stage forms following the project end date. The Internal Audit Manager said that this would be considered when the manual forms were computerised. On the control form, Councillor Banks felt that the reason for any increase in costs should be flagged up following procurement of the consultant (section 2) as opposed to waiting until the completion of the project (section 3). The Chief Executive said that any such changes were expected to be identified during the monitoring stage.

RESOLVED:

That the Committee is assured that expenditure on consultants is being controlled.

6. DRAFT STATEMENT OF ACCOUNTS 2015/16

The Corporate Finance Manager presented the Statement of Accounts 2015/16 (subject to audit) for information only at this stage. The final audited accounts would be submitted to the Committee on 26 September for approval and recommendation to County Council on the same day, prior to the statutory publishing deadline of 30 September.

A presentation was given covering the following areas:

- Purpose and Background
- Action Plan Update
- Governance Group
- Changes to Statement of Accounts for 2015/16
- Links to Budget Monitoring Report
- Headline Figures
- Timeline and Next Steps

The Committee was advised that no comments had been raised by the Clwyd Pension Fund Committee on the draft accounts for the Clwyd Pension Fund.

The Finance Manager - Technical Accountancy referred to the updated action plan for issues raised during the audit of the 2014/15 accounts. Most actions had been completed with significant progress made on the three outstanding. The work of the Accounts Governance Group had helped to oversee and support the preparation of the accounts at a strategic level. The Chief Executive said that this approach was viewed as a good model in helping to raise ownership of the accounts and to fast-track any issues arising.

Councillor Glyn Banks asked whether a different financial arrangement could have been made alongside other councils to exit the Housing Revenue Account subsidy. It was explained that all 11 stock-retaining councils in Wales had signed the voluntary agreement as a group which included a requirement to borrow from the Public Works Loan Board (PWLB) at pre agreed rates. This was a complex agreement made in advance of the legislation, with all of the councils paying the same rate. Councillor Banks referred to the loan period ending in three years' time and asked whether an arrangement could be made at the end of the loan period to help cover the debt. It was explained that the Council would need to make total pre-determined interest payments for the first five years of the agreement. After the five year period ended, the best approach would be considered as part of wider Treasury Management activity with repayment and re-financing options being considered. In response to a further question, the Finance Manager provided clarification on the beacon valuation technique used for council housing stock, valued at market value with an adjustment factor to reflect that properties would be owned in perpetuity for rent to social housing tenants.

On borrowing, Councillor Arnold Woolley asked if a 'sinking fund' could be considered and how the Council intended to repay borrowing and interest in the future. He was advised that the Welsh Government anticipated that councils would acquire some debt to finance the provision of long-term capital assets each year, supported through revenue funding within the Settlement to service the cost of debt. Borrowing was only undertaken to fund long-term capital assets. The borrowing cost was spread over the life of the asset so to match the benefits of the use of the asset with the costs in future periods. The central loans and investment account had an annual budget of circa £14m and included amounts set aside to repay debt and interest on debt. This was built into the annual budget setting process and the Medium Term Financial Strategy. The Corporate Finance Manager stated that variances to the budget were set out in detail as part of Revenue Budget Monitoring reports.

Following a query on capital expenditure, the Finance Manager drew attention to the recently updated Prudential Indicator report which demonstrated the prudence, sustainability and affordability of the Council's capital expenditure plans. She offered to discuss separately with Councillor Woolley the links to sustainable borrowing. The Chief Executive spoke about the cautious approach to prudential borrowing and the additional strain which could be created if, as an example, decisions were taken to build new schools funded from borrowing.

When asked by Councillor Haydn Bateman about the interest on the £79m Housing Revenue Account settlement payment, it was explained that this was in the region of £3.3m, though the Council anticipated savings of around £1m a year

as a result of the end of the subsidy system. Concerning the increased costs for rock salt, officers explained that stocks were periodically replenished and stored.

On the movement of earmarked reserves, Councillor Bateman queried the reduction in the amount transferred in for Single Status/Equal Pay in 2015/16. The Finance Manager said that adjustments may have been needed to the different elements involved in implementing the Single Status agreement, however she would provide specific details separately. The Corporate Finance Manager said that there had been a two month overlap to the introduction of the Single Status agreement which had resulted in two months' budget being added in. The Chief Executive gave a reminder that this budget was ringfenced with some contingencies included for any future unforeseen costs. Implementation of the Single Status Agreement was nearing completion and any remaining reserves would be used for people 'exit costs' to support the Portfolio Business Plans. Officers would also provide separate clarification on the £147K transferred out for car parking charges in 2015/16.

Mr. Paul Williams sought assurance that the £899K overspend in Streetscene & Transportation had been dealt with by Overview & Scrutiny. The Chief Executive confirmed that this was the case, and cited the main reason for the variance as non-achievement of long-term efficiencies in-year. Mr. Williams went on to refer to the issues raised during the previous audit, and welcomed the work undertaken by the Accounts Governance Group and Finance team to put in place improvements. The Chief Executive spoke about the importance of the views and influence of the Committee in strengthening the process.

Councillor Ian Roberts raised concerns about school balances in general and asked whether officers were satisfied that there was sufficient capacity in Education to give the necessary support to schools with considerable deficits. The Chief Executive said that the School Budget Forum had discussed this and that advice had been given to schools, however assurance could not be given that all schools had plans in place to recover any deficit. Councillor Roberts said there was real concern about the impact on schools with positive balances. He therefore asked that a confidential general report on school balances for all schools be brought to a future meeting to raise awareness.

When questioned if this was a matter for Overview & Scrutiny, Councillor Roberts felt that the Committee should be made aware that this could become a corporate risk if pressures continued on school budgets. Mr. Williams said that any concerns/recommendations from the Education & Youth Overview & Scrutiny Committee should be fed into the report to help the Audit Committee focus on the process. It was agreed that the report would be scheduled accordingly to include the views of both Overview & Scrutiny and the School Budget Forum.

In response to a question from Councillor Bateman on operating leases, the Finance Manager agreed to provide a separate response on the reason for the reduced amount for vehicles, plant and equipment. The Chief Executive said that current work on reducing the fleet size would form part of this explanation.

RESOLVED:

- (a) That the draft Statement of Accounts 2015/16 (including the Annual Governance Statement), be noted; and
- (b) That Members note the ability to discuss any aspect of the Statement of Accounts with officers or the Wales Audit Office throughout July, August and September prior to the final audited version being brought back to the Committee for recommendation to Council for final approval on 26 September 2016.

7. SUPPLEMENTARY FINANCIAL INFORMATION TO DRAFT STATEMENT OF ACCOUNTS 2015/16

The Finance Manager - Technical Accountancy presented supplementary financial information to accompany the Draft Statement of Accounts 2015/16 in line with the Notice of Motion made in 2013. The information on consultants and non-permanent posts across the Council included theoretical annualised costs if those individuals had been employed for the whole year, as well as the actual costs incurred.

RESOLVED:

That the report be noted.

8. ANNUAL GOVERNANCE STATEMENT

The Internal Audit Manager introduced a report to consider and approve the draft Annual Governance Statement (AGS) for 2015/16 as included in the draft Statement of Accounts. The Corporate Governance Working Group, of which he was Chair, had co-ordinated preparation of the AGS with involvement from Chief Officers, Statutory Officers and Overview & Scrutiny Chairs. Comments put forward by Council Members had also been incorporated in the document.

Mr. Paul Williams questioned the availability of a new 'light touch' appraisal in view of previous concerns expressed on the completion of appraisals. The Chief Executive summarised the findings of a progress report on appraisals due to be considered by the Corporate Resources Overview & Scrutiny Committee. He explained that 'light touch' appraisals applied only to certain larger workgroups of employees with similar, defined roles, where general updates could be shared. Whilst individual appraisals would be disproportionate to these workgroups, those employees could opt for a separate discussion if they wished. This approach had been supported by Trade Union representatives.

RESOLVED:

That the Annual Governance Statement attached to the Statement of Accounts be recommended to Council.

9. **TREASURY MANAGEMENT ANNUAL REPORT 2015/16; TREASURY MANAGEMENT UPDATE QUARTER 1 2016/17**

The Finance Manager - Technical Accountancy introduced the Annual Report on the Council's Treasury Management Policy, Strategy and Practices 2015/16 together with an update on Treasury Management activity in Quarter 1 of 2016/17. If supported, the Annual Report would be submitted to Cabinet and Council for approval in September.

In referring to the prospect of reduced interest rates, Councillor Haydn Bateman asked about the impact on investment counterparties and the prospect of further investment with the Debt Management Office (DMO). The Finance Manager spoke about current predictions and the Council's strategy to reduce investments as the borrowing requirement increased, with the focus of treasury activity shifting to short-term borrowing. Decisions surrounding which counterparties to invest with would include consideration of the DMO as one of the options available as always.

When asked by Councillor Glyn Banks about borrowing for NEW Homes, the Finance Manager said this was likely to be done through the Public Works Loan Board (PWLB) due to the level of flexibility offered, with the Council on-lending to the company in the same way at a margin. If there was a need to re-finance the loan, this could be done with PWLB at a cost but with some flexibility. In response to a question on the investment portfolio, the Finance Manager spoke about the benefits of using small local authorities due to their higher credit quality.

Following concerns from Councillor Arnold Woolley about the expectation for a need to borrow for capital purposes from 2016/17 onwards, the Finance Manager said that borrowing requirements would depend on cash reserves held. She said that projections had been set in line with the capital expenditure plans, subject to monitoring throughout the year, and that figures could be shared.

RESOLVED:

- (a) That the draft Treasury Management Annual Report 2015/16 be noted; and
- (b) That the Treasury Management 2016/17 Quarter 1 update be noted.

10. **ASSET DISPOSAL AND CAPITAL RECEIPTS GENERATED 2015/16**

The Chief Officer (Organisational Change) presented the report on total asset disposals in 2015/16. He explained that the majority of the capital receipts generated during the period were from agricultural assets due to a range of reasons. In summarising the report, he said that the information had been provided on a ward by ward basis and that this linked to the Council's combined Capital Strategy and Asset Plan.

Councillor Glyn Banks asked whether overages were included as a future safeguard. The Chief Officer said that this was the case where possible and appropriate, together with negotiated restrictive covenants to protect the

Council's interests. When questioned about the risk management section of the report, it was pointed out that the information in the report was retrospective.

RESOLVED:

That the report be noted.

11. CERTIFICATION OF GRANT CLAIMS AND RETURNS 2014/15

The Corporate Finance Manager introduced the grant claim certification from Wales Audit Office (WAO) for the year ending 31 March 2015. To address the findings of the report, the Finance team had developed an action plan. This included the continuation of work on the grant completion checklist to incorporate service manager authorisation, which was an area outside the control of the Finance team. The £0.128m net adjustment to claims mainly related to a one-off issue which had been resolved; this was a small proportion of the overall grants total and resulted in no financial loss to the Council. There had been improvement to grant claims year on year, with some work still to do alongside WAO colleagues.

Ms. Amanda Hughes recalled the concerns raised by the Committee on the report of the previous year which had led to training sessions with those involved in grant claims. Out of the 16 grant claims certified, seven were unqualified and nine were subject to either qualification or amendment or both. Whilst acknowledging that some improvements had been made, Ms. Hughes remained disappointed, particularly as the number of claims was reducing year on year. She drew attention to the recommendations listed within the report to address these concerns.

Mr. Paul Williams referred to the checklist and workforce training which had taken place, stating his disappointment that issues of non-compliance with the Contract Procedure Rules (CPRs) remained ongoing. The Chief Executive shared these frustrations but gave assurances that work was underway to identify the main issues to target specific training and reinforce controls. Risks were being highlighted with senior managers and Chief Officers, and an interim report indicating levels of confidence on progress with actions would be received in the Autumn.

When asked by Councillor Glyn Banks about follow-up action from WAO, Ms. Hughes said it should be recognised that responsibility for the errors was spread across the Council. She said that compliance with CPRs was also an issue in other Authorities and welcomed the approach to target specific areas with individual training.

The Chief Officer (Governance) advised that the Joint Procurement Unit was working to simplify the new set of CPRs and that training would be given to raise awareness. Discussions would take place on refreshing the approvals process, involving a range of key officers and Members including the Chair and Vice-Chair of the Committee. The formal approvals process for CPRs would be shared with the Committee in September, prior to final approval at Council in October.

Following concern by Mr. Williams that the current process was not being followed, the Chief Executive said that an update on progress with compliance would be given at the September meeting, with periodic updates shared with WAO colleagues to give reassurance.

Councillor Arnold Woolley commented on the need to view comparative information on grant claim outcomes of other Authorities, to give a greater understanding of the situation. Ms. Hughes agreed to follow up this request and provide a response, stating it was likely that Flintshire's statistics were amongst the lowest.

Councillor Woolley suggested that some of the issues may be due to lack of capacity or adequate support to enable employees to carry out their tasks. The Chief Executive said that this was not a valid reason for non-compliance of processes and that the refresher work with managers on CPRs would help to address the problem.

RESOLVED:

That the content of the Grant Claim Certification for 2014/15 be noted.

12. RISK MANAGEMENT UPDATE

The Corporate Business & Communications Executive Officer presented an update report on the strategic risks contained within the Council's Improvement Plan at the end of 2015/16. She gave a reminder of the Committee's role in seeking assurance that risks were being successfully managed. An improved position was reported on risk status with 30 being assessed as moderate and 12 as minor/insignificant. There were three areas of major (red) risks, although it was expected that the red risk on Alternative Delivery Models (ADMs) would reduce during the year. Over the year of the Improvement Plan, four major risks had reduced whilst one on the transfer of Health funding had increased slightly. The risk register summarised the status of all 45 risks in the eight Priorities whilst more detail on management controls and supporting comments were also shared.

Councillor Arnold Woolley sought clarity on the 'yellow' risk rating and was informed that changes to the matrix as part of the Risk Management Strategy showed more clearly how risks were changing.

Following a question from the Chairman, the Chief Executive provided clarification on the lead officer arrangements for Human Resources and Finance in the absence of the Chief Officer through long-term illness.

RESOLVED:

That the status of the 2015/16 end of year summary of the strategic risks of the Improvement priorities of the Council be noted; endorsing the successful management of the risks.

13. INTERNAL AUDIT ANNUAL REPORT

The Internal Audit Manager introduced the report on the outcome of all audit work carried out during 2015/16. He summarised the key points of the report and confirmed the audit opinion that an adequate and effective framework of governance, risk management and control was in place in Flintshire.

RESOLVED:

That the report and the annual audit opinion be noted.

14. INTERNAL AUDIT PROGRESS REPORT

The Internal Audit Manager presented the update report on progress of the Internal Audit department.

On the finalised reports, he explained that the 'red' review was a corporate review on how Section 106 monies were spent, with the current value around £4m. It was stressed that this had been a corporate review due to the community benefits and that improvements had already been made since the review. As recommended by Internal Audit, a cross-directorate working group had been set up to address the issues identified.

As Chair of the working group, the Chief Officer (Planning & Environment) was in attendance to give further clarification. He explained that the Planning section was able to procure S106 monies but was unable to spend them. The working group would seek to release this capital and with the support of the Planning Strategy Group and Cabinet, had reviewed the Supplementary Planning Guidance to adopt a more flexible approach to spend.

The Chief Officer was able to report progress to Councillor Ian Dunbar on a matter relating to S106 spend in his ward.

On Appendix E, the Internal Audit Manager referred to the results of the Control and Risk Self-Assessment questionnaire completed by schools, explaining that the responses reflected the way in which the questions were phrased.

An update on Action Tracking indicated that out of a total of 106, only two remained overdue on Contract Procedure Rules (Governance portfolio) and Direct Payments (Social Services). In line with the request previously made, details were given on the management of those risks. A late response received on Direct Payments reported that some progress had been made although this was limited due to the volume of payments.

On Direct Payments, Mr. Paul Williams questioned whether there were sufficient resources to address the issue and any risk. The Internal Audit Manager gave assurance that the question of resources would be part of the full response to the Action Tracking.

On investigations, Mr. Williams pointed out that cases 3.1 and 3.3 had not been followed up by the Police and asked if this was due to the control

weaknesses in those respective areas, as referred to in the report. The Internal Audit Manager felt that this could be due to the amounts of money involved.

RESOLVED:

That the report be accepted.

15. VARIATION IN ORDER OF BUSINESS

The Chair indicated that there would be a slight change in the order of business to bring forward Agenda Item 19 on Car User Allowances. The remainder of the items would be considered in the order shown on the agenda.

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

That the press and public be excluded from the meeting as the following item was considered to be exempt by virtue of paragraph 15 of Part 4 of Schedule 12A of the Local Government Act 1972 (as amended).

17. CAR USER ALLOWANCES

As background to the item, the Internal Audit Manager said that car user allowances had formed part of an Internal Audit report on additional payments and had subsequently become a topic of wider interest.

The Chief Executive provided a verbal update on the car user allowance (CUA) scheme as an exempt item, due to negotiations ongoing with Trade Unions. He described the criteria for the scheme and said that the introduction of changes with stricter controls was a matter currently under discussion. If agreement was reached, there was potential to exceed the savings target. At the stage of agreement, a workforce communication would be issued with advance details shared with the Committee. The suggestion made by Councillor Glyn Banks on retrospective claims would be taken into consideration in conjunction with the necessary specialist advice.

RESOLVED:

That the update be noted.

18. WALES AUDIT OFFICE - REGULATORY PROGRAMME - PERFORMANCE WORK 2016/17

The Chief Executive introduced the proposed Regulatory Programme of performance work by the Wales Audit Office (WAO) for 2016/17, following receipt of the programme of work for Finance and the Clwyd Pension Fund at the previous meeting. The letter appended to the report set out the programme and fees for the performance work. The Certificate of Compliance was also presented for the publication of the Council's 2016/17 Improvement Plan.

The Chief Executive advised the Committee that the recent performance assessment had resulted in no new proposals for improvement.

RESOLVED:

- (a) That the Regulatory Programme of Performance Work 2016/17 prepared by the Wales Audit Office be noted; and
- (b) That the Certificate of Compliance from the Wales Audit Office for the 2016/17 Improvement Plan publication be received.

19. 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.

20. FORWARD WORK PROGRAMME

The Internal Audit Manager presented the report to consider the Forward Work Programme for the next year. The suggested items on School Balances and interim progress on Grant Claims would be scheduled along with an update on Mobile Phones requested by the Chairman. An update on Car User Allowances would be shared for information only.

RESOLVED:

- (a) That the Forward Work Programme be accepted with amendments; and
- (b) 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.

21. 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 12.45 pm)

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Chairman



AUDIT COMMITTEE

Date of Meeting	Monday 26 September 2016
Report Subject	Statement of Accounts 2015/16
Report Author	Corporate Finance Manager

EXECUTIVE SUMMARY

The report presents the;

- Final version of the Statement of Accounts 2015/16 incorporating those changes agreed with Wales Audit Office (WAO) during the course of the audit for Members recommendation to Council.
- WAO's reports in connection with the audit of the 2015/16 financial statements for Flintshire County Council and the Clwyd Pension Fund.
- Letters of Representation for Flintshire County Council and the Clwyd Pension Fund for Members recommendation to Council.

RECOMMENDATIONS

1	Members are requested to recommend to County Council the final version of the Statement of Accounts 2015/16.
2	Members are requested to consider WAO's reports; Audit of the Financial Statements – Flintshire County Council, and Audit of the Financial Statements – Clwyd Pension Fund.
3	Members are requested to recommend to County Council; the Letter of Representation - Flintshire County Council, and the Letter of Representation - Clwyd Pension Fund.

REPORT DETAILS

1.00	EXPLAINING THE STATEMENT OF ACCOUNTS
1.01	The Audit Committee received the draft Statement of Accounts 2015/16 on 13th July 2016 - for information only at that stage; the Accounts and Audit (Wales) Regulations 2014 specify the statutory deadline for the approval of the accounts, being 30th September.
1.02	The audit of the 2015/16 accounts is now substantially complete; the audit continues up until the point at which the accounts are signed off by the auditors.
1.03	A copy of the Statement of Accounts for 2015/16 incorporating those changes agreed with WAO during the course of the audit and up to the point of writing this report is attached at Appendix 1.
1.04	Various questions/queries were raised by Members in connection with the draft Statement of Accounts as presented at Audit Committee on 13th July - no further questions have been received over the summer period. Responses to all matters raised have been provided by letter to all Members of the Council along with the opportunity to contact Officers to raise further queries or seek further explanation.
	<u>WAO's audit of the Statement of Accounts</u>
1.05	Under the International Standards on Auditing (ISA) 260, WAO is required to communicate relevant matters relating to the audit of the final statements to those charged with governance, which for Flintshire is the County Council with responsibility for scrutiny delegated to the Audit Committee.
1.06	The WAO's ISA 260 reports 'Audit of the Financial Statements – Flintshire County Council' and 'Audit of the Financial Statements – Clwyd Pension Fund' are attached at Appendix 2 and Appendix 3. Officers from the WAO will be in attendance to present their reports at the meeting.
1.07	Each WAO report includes details of significant issues arising from the audit, and a summary of corrections made to the draft financial statements.
1.08	It is usual, within the course of the audit of any organisation, that items will be brought to the attention of the body being audited (in this case Flintshire County Council / Flintshire County Council – Administering Body of the Clwyd Pension Fund). The audit findings have been discussed in detail with the WAO, and those adjustments made have been reflected in the Statement of Accounts.
1.09	The Letter of Representation requires the Council to confirm the accuracy of the audit. In this letter, the Council confirms to the WAO that all the information contained within the financial statements is true and accurate and that all information has been disclosed.

1.10	The Letter of Representation - Flintshire County Council, and the Letter of Representation - Clwyd Pension Fund, are included at Appendix 4 and Appendix 5.
	<u>The Council's response to the audit findings</u>
1.11	Members of the Committee will recall that Officers were in a position to report positively in July when the draft accounts were presented on progress in implementing recommendations to address the issues raised during the 2014/15 audit. It is pleasing that the WAO in their report (Appendix 2) are able to confirm this and have commended the Council's response in addressing the issues in a positive and proactive manner. Issues raised in prior years have not re-occurred this year.
1.12	<p>The WAO's report highlights 3 new issues;</p> <ul style="list-style-type: none"> • Valuation method used to revalue Council Houses, • Investigations into the Council's potential liabilities at former waste disposal sites, and • Accuracy of pension records within the Clwyd Pension Fund <p>The Council's initial response to these issues is outlined in the paragraphs below.</p>
1.13	<p>Flintshire's accounting policy in estimating the total value of its stock of council houses for accounting purposes is called the beacon methodology. A percentage adjustment factor is applied to an open market based valuation to reflect that all properties will be owned in perpetuity for rent at social rent levels to social housing tenants.</p> <p>The Council obtained the market valuation from an external company and, in the absence of any national guidance being available from Welsh Government in calculating an adjustment factor, used a formula that had been used by a neighbouring authority for some years. The resulting valuation contained within the draft accounts was reviewed and considered reasonable.</p> <p>During the course of the audit regrettably arithmetic errors were found within the market valuation, which in turn exposed weaknesses in the formula for calculating the adjustment factor.</p> <p>The errors have been corrected and a revised formula for calculating the adjustment factor applied. There is no further action needed by the Council, though the issue does highlight the need for regional adjustment factors to be published by Welsh Government in the same way they are in England. It is important to note that this issue relates to a valuation for use within the accounts only, and does not have an operational impact.</p>
1.14	In accordance with the requirements of Part 2A of the Environmental Protection Act 1990 and the Council's Contaminated Land Inspection

	<p>Strategy, former waste disposal sites within the county, will be considered and the condition of each, assessed. The results of the assessments may mean that the Council has to carry out some remediation works at the sites. The Council accepts the findings of the WAO and recognises that as the results of the various site assessments are known the costs of any remediation works will need to be estimated and provided for in full regardless of when the work is undertaken.</p> <p>The Council has a strategic plan for completing all of the assessments, which are complex, can involve different land owners and other public bodies such as Natural Resources Wales, and often take a number of years to be completed. Assessments at two of the sites are now nearing completion.</p> <p>In recognition that some capital funding maybe required to fund a provision at any of the sites in the future, £250k has been set aside in the 2016/17 capital programme. It is impossible to say at this point in time if this will be sufficient.</p> <p>A more detailed report outlining the issue, the risks and how the Council will mitigate those risks will be brought to Cabinet and the relevant Overview and Scrutiny Committee to track progress.</p>
1.15	<p>During the course of the audit of the Clwyd Pension Fund the quality of membership data held for members from the 3 unitary authorities was raised. The Fund and these employing bodies were already aware of this issue.</p> <p>Whilst not having a material impact on the 2015/16 accounts, the Council accepts the findings of the WAO in that there is a risk to; annual accounts, triennial valuations results, and the ability of the Fund to meet legal and performance expectations.</p> <p>The risk is documented in the Fund's risk register and Business Plan which is monitored by the Pension Committee and Board. A Steering Group of Senior Officers from the Fund and the unitary authorities has been set up which meets periodically to discuss and resolve such issues. Further details are included in the management response in appendices 2 and 3.</p> <p>The Actuary will discuss any impact on the triennial valuation results for employers with both the Steering Group and Pension Committee in due course.</p>
1.16	<p>The Pension Committee on 27th September 2016 will consider the WAO's audit findings and recommendations for the Clwyd Pension Fund.</p>

2.00	RESOURCE IMPLICATIONS
2.01	The resource implications in responding to the WAOs recommendations will be considered as part of the additional report outlined in 1.14 and Steering Group considerations outlined in 1.15.

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

4.00	RISK MANAGEMENT
4.01	Actions will be taken in year (2016/17) to address recommendations from the WAOs reports as outlined within the body of the report.

5.00	APPENDICES
5.01	<ol style="list-style-type: none"> 1. Statement of Accounts 2015/16 2. Audit of the Financial Statements – Flintshire County Council 3. Audit of the Financial Statements – Clwyd Pension Fund 4. Letter of Representation – Flintshire County Council 5. Letter of Representation – Clwyd Pension Fund

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</p>

and private entities.

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.

STATEMENT OF ACCOUNTS

2015-16



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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 spending 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 are published quarterly, with the latest report for Quarter 3 (September to December) 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 providing 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	228,348	228,681	333
Central loans and investment account	14,971	14,912	(59)
Central and Corporate Finance	9,138	8,088	(1,050)
Total net expenditure	252,457	251,681	(776)
Contribution from reserves	(1,000)	(1,000)	0
Budget requirement	251,457	250,681	(776)
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	251,457	252,170	(713)
Net variance - (underspend)	0	(1,489)	(1,489)

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 £000	2015/16 Actual £000	Variance £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)
Net variance - (underspend)	0	0	0

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	140,287

* 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	140,287

* 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.

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.

NARRATIVE REPORT

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 £251,901k 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	Other	2015
	£000	Underspend	£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 £168,190k (£271,210k as 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 £709,764k).

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 delivery 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 £117,479k;

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 £136,496k; 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 £168,190k 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, incorporate 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 £000	Earmarked Council Fund Reserves £000	Housing Revenue Account Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves of the Authority £000
At 31st March 2015	10,515	30,232	1,510	6,764	4,814	53,835	217,375	271,210
Surplus/(deficit) on the provision of services	(7,729)	0	(128,767)	0	0	(136,496)	0	(136,496)
Other comprehensive income and expenditure	0	0	0	0	0	0	33,476	33,476
Total comprehensive income and expenditure	(7,729)	0	(128,767)	0	0	(136,496)	33,476	(103,020)
Adjustments between accounting and funding basis under	5 4,871	0	128,774	1,205	(1,478)	133,372	(133,372)	0
Net increase/(decrease) before transfers to earmarked reserves	(2,858)	0	7	1,205	(1,478)	(3,124)	(99,896)	(103,020)
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)	(99,896)	(103,020)
At 31st March 2016	10,144	27,745	1,517	7,969	3,336	50,711	117,479	168,190

MOVEMENT IN RESERVES STATEMENT

for the year ended 31st March 2015

	Council Fund Balance £000	Earmarked Council Fund Reserves £000	Housing Revenue Account Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves of the Authority £000
At 31st March 2014	11,161	39,292	1,662	4,293	3,804	60,212	302,174	362,386
Surplus/(deficit) on the provision of services	(10,484)	0	(11,444)	0	0	(21,928)	0	(21,928)
Other comprehensive income and expenditure	0	0	0	0	0	0	(69,248)	(69,248)
Total comprehensive income and expenditure	(10,484)	0	(11,444)	0	0	(21,928)	(69,248)	(91,176)
and funding basis under regulations	5 778	0	11,292	2,471	1,010	15,551	(15,551)	0
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.

	Note	2016		2015			
		Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
		£000	£000	£000	£000	£000	
Service Expenditure Analysis	37						
Adult social care		62,528	(12,903)	49,625	58,420	(13,300)	45,120
Central services to the public*		13,172	(1,759)	11,413	13,287	(1,410)	11,877
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		7,464	(5,435)	2,029	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*		48,868	(45,554)	3,314	52,148	(46,768)	5,380
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	34,914	0	34,914	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		534,175	(149,014)	385,161	419,057	(152,153)	266,904
Other Operating Expenditure	2			23,438			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				136,496			21,928
(Surplus)/deficit arising on revaluation of non-current assets				351			(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				103,020			91,176

* Expenditure of £10,136k in 2014/15 was incorrectly included within the Housing – Council fund line of the Service Expenditure Analysis. This related to the Council's total costs of the Council Tax Reduction Scheme which under the Service Reporting Code of Practice should have been included within the Central service to the public line. The 2014/15 figures have been amended.

	2015		Variance
	Original Gross Expenditure	Revised Gross Expenditure	
	£000	£000	£000
Service Expenditure Analysis			
Central services to the public	3,151	13,287	10,136
Housing - Council fund	62,284	52,148	(10,136)

BALANCE SHEET

as at 31st March 2016

		2016		2015	
	Note	£000	£000	£000	£000
NON-CURRENT ASSETS					
Property, Plant & Equipment					
	6				
Council dwellings		216,186		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			679,153		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>712,102</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>168,190</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		55,016		57,858	
Capital adjustment account		380,112		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			117,479		217,375
TOTAL RESERVES			168,190		271,210

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		(136,496)		(21,928)	
Adjustment to surplus or deficit on the provision of services for non-cash movements		92,716		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 flows 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> <u>(17,616)</u>		<u>951</u> <u>2,174</u>
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	(1,084)	(499)
Admin. expenses on the net defined benefit liability	406	418
	23,438	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 42)	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

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 £65,423k 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	(65,423)	(59,759)
Less - Cost of collection	(338)	(362)
Increase/Decrease in bad debts provision	303	45
Relief Schemes	418	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 £133,372k (£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	18,672	0	26,197	0	0	(44,869)
Revaluation losses on Property, Plant and Equipment	3,338	0	35,305	0	0	(38,643)
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	905	0	0	(2,113)
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	4,871	0	128,774	1,205	(1,478)	(133,372)

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	(84,143)	(3,497)	0	(2,802)	0	0	0	(90,442)
Assets Derecognised	0	(1,822)	(1,792)	0	0	0	0	(3,614)
Reclassifications	(466)	(3,286)	0	2,717	0	0	0	(1,035)
Other movements in cost or valuation	0	583	0	688	0	0	(68)	1,203
At 31st March 2016	242,376	302,266	27,506	8,719	222,108	4,711	21,089	828,775

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	216,186	259,963	14,962	8,693	153,549	4,711	21,089	679,153
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	216,186	259,963	9,091	8,693	153,549	4,711	21,089	673,282
Finance Lease	0	0	5,871	0	0	0	0	5,871
At 31st March 2016	216,186	259,963	14,962	8,693	153,549	4,711	21,089	679,153

NOTES TO THE CORE FINANCIAL STATEMENTS

Movements 2014/15

	Council Dwellings & Garages	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Surplus Assets	Infrastructure Assets	Community Assets	Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
At 1st April, 2014	293,335	317,605	27,096	7,848	213,359	4,720	4,582	868,545
Reclassifications *	0	(170)	644	0	(297)	(177)	0	0
Total	293,335	317,435	27,740	7,848	213,062	4,543	4,582	868,545
Additions and Acquisitions	12,422	8,266	1,766	21	6,623	0	3,031	32,129
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	(1,126)	0	(84)	0	0	0	(1,210)
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	0	(20,391)	0	(625)	0	0	0	(21,016)
Assets Derecognised	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 Derecognised	0	0	2,254	0	0	0	0	2,254
Assets reclassified (to)/from Held for Sale	0	111	0	(56)	0	0	0	55
At 31st March 2015	(49,067)	(35,532)	(10,980)	(520)	(62,904)	0	0	(159,003)

Balance Sheet at 31st March 2015	256,346	271,696	16,272	7,426	156,781	4,543	3,771	716,835
Balance Sheet at 1st April 2014	263,031	273,562	16,347	7,807	155,600	4,720	4,582	725,649

Nature of Asset Holding

Owned	256,346	271,696	9,768	7,426	156,781	4,543	3,771	710,331
Finance Lease	0	0	6,504	0	0	0	0	6,504
At 31st March 2015	256,346	271,696	16,272	7,426	156,781	4,543	3,771	716,835

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

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
Additions	0	469	0	469
Assets newly classified as held for sale	466	568	1,123	2,157
Assets declassified as held for sale	0	0	0	0
Net Reclassifications	466	568	1,123	2,157
Impairments	0	(438)	0	(438)
Revaluation gains	0	716	350	1,066
Revaluation losses	0	(139)	(102)	(241)
Net Revaluations	0	577	248	825
Assets sold	(466)	(719)	(928)	(2,113)
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 decreased from £255,511k at the last balance sheet date by £34,914k which is debited to the HRA line of the Comprehensive Income and Expenditure Account representing a downwards movement in the valuation of the Council's housing stock 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 £000	2015 £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	83,075	87,393

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

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 £3,534k incorporates the following balances :-

	2016	Movement Out	Movement In	2015
	£000	£000	£000	£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	0	0	44
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	(4,352)	1,463	5,381
Non-Current Liabilities				
Claims (Employees)	9	0	0	9
Aftercare of former landfill sites	1,033	(493)	503	1,023
Total	1,042	(493)	503	1,032

- 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	Movement	2015
	£000	Out	In	£000
		£000	£000	
Accumulated absences	1,891	(3,296)	1,891	3,296
Total	<u>1,891</u>	<u>(3,296)</u>	<u>1,891</u>	<u>3,296</u>

Short-term accumulating compensated absences refer to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the Authority. The most significant benefit covered by this heading is 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	<u>2,404</u>	<u>3,379</u>

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	55,016	57,858
Available-for-sale financial instruments reserve	0	0
Capital adjustment account	380,112	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	117,479	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	(3,214)		(5,250)	
Surplus or deficit on revaluation of non-current assets not posted to the surplus/deficit on the provision of services		(352)		173
Difference between fair value depreciation and historical cost depreciation	(1,938)		(1,531)	
Accumulated gains on assets sold or scrapped	(552)		(1,320)	
Amount written off to the capital adjustment account		(2,490)		(2,851)
Balance at 31st March		55,016		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	(44,870)		(29,550)	
- Revaluation losses on PP&E	(38,643)		(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	(2,113)		(3,560)	
- Movements in the market value of investment properties debited or credited to the Comprehensive Income & Expenditure Statement	906		(1,774)	
	<u>(176,899)</u>		<u>(53,203)</u>	
Adjusting amounts written out of the revaluation reserve	<u>2,490</u>		<u>2,851</u>	
Net written out amount of the cost of non-current assets consumed in the year		(174,409)		(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		<u>380,112</u>		<u>504,216</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

Financial Instruments Adjustment Account

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

	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 1:7.73 (for 2014/15 this was also 1:7.73).

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	2,278,077	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 onwards.

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	<u>(1,185)</u>	<u>(1,116)</u>
(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	2015		FCC Share	
	£000	£000		2016 £000	2015 £000
Gross Expenditure			Expenditure - allocation basis		
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	<u>(513)</u>	<u>(530)</u>
	<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	175,673	175,673	0	0	0	175,673
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	358,237	534,174	(65,938)	(83,075)	(149,013)	385,161
Other Operating Expenditure	0	26,635	26,635	(3,197)	0	(3,197)	23,438
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	412,130	588,067	(200,863)	(250,708)	(451,571)	136,496

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	2015
	£000	£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	Payments to	Amount
	Sum	date	Outstanding
	£000	£000	£000
Council Fund			
Holywell, Community 3-16 Campus	26,732	18,729	8,003
External Wall Insulation	1,768	1,375	393
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>
	<u>32,236</u>	<u>22,545</u>	<u>9,691</u>
Housing Revenue Account			
Council Dwellings - Achievement of WHQS	11,890	6,717	5,173
Solar PV Installations	<u>3,000</u>	<u>2,920</u>	<u>80</u>
	<u>14,890</u>	<u>9,637</u>	<u>5,253</u>
Total Commitments	<u>47,126</u>	<u>32,182</u>	<u>14,944</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 £000	2015 £000	2016 £000	2015 £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 Net Total £000	2015 Net Total £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	Total	Financial Liabilities	Financial Assets	Total
	Liabilities Measured at Amortised Cost	Loans and Receivables		Liabilities Measured at Amortised Cost	Loans and Receivables	
	£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 AA+	£4m 5 years	£7m 5 years	£7m 25 years	£4m 5 years	£4m 10 years
AA	£4m 4 years	£7m 4 years	£7m 15 years	£4m 4 years	
AA-	£4m 3 years	£7m 3 years	£7m 10 years	£4m 3 years	
A+	£4m 2 years	£7m 2 years	£7m 5 years	£4m 2 years	£4m 5 years
A	£4m 1 year	£7m 1 year		£4m 1 year	
A-	£4m 6 months	£7m 6 months		£4m 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 125, 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	(25,473)	(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
Expenditure		
Repairs and maintenance	6,723	8,261
Management and supervision	4,727	3,925
Specialist Services	1,392	0
Rents, rates, taxes and other charges	111	879
Housing revenue account subsidy payable	0	6,234
Depreciation and impairment of non-current assets	26,426	18,775
Settlement Payment	79,248	0
Valuations - Dwellings	34,914	
Debt management costs	47	10
Increase in bad debt provision	346	186
Total expenditure	153,934	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	123,869	9,643
Comprehensive Income and Expenditure Statement		
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	123,875	9,912
Other Operating Expenditure		
Net (gain) / loss on the disposal of non-current assets	(559)	(289)
Admin. expenses on the net defined benefit liability*	22	22
Financing and Investment Income and Expenditure		
Interest payable and similar charges*	4,907	1,281
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	128,767	11,444

* Within 2014/15 accounts £22k admin. expenses on net defined benefit liability had been included incorrectly with interest payable and similar cl

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		(128,767)	(11,444)
Total comprehensive income and expenditure		(128,767)	(11,444)
Adjustments between accounting and funding basis under regulations	5	128,774	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 £000	Capital Grants & Contributions £000	Revenue Contributions £000	Borrowing £000	Total £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 £000	2015 £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 £5,139k (£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 £000	2015 £000	
Dwellings	5,043	5,099	(equating to the value of MRA)
Garages	17	11	
Plant and equipment	79	0	
	5,139	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 decreased from £255,511k at the last balance sheet date by £34,914k which is debited to the HRA line of the Comprehensive Income and Expenditure Account representing a downwards movement in the market valuation of the Council's housing stock 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	<u>6</u>		<u>197</u>	
Other Operating Expenditure -		1,010		1,031
Administration expenses	<u>22</u>		<u>22</u>	
Financing and Investment Income and Expenditure		22		22
Net interest expense	<u>522</u>		<u>525</u>	
Total HRA Charge		<u>1,554</u>		<u>1,578</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		(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	(7,806)	(128,767)	(136,573)	0	(136,573)	55	(136,518)
Other comprehensive income and expenditure	0	0	0	33,476	33,476	780	34,256
Total comprehensive income and expenditure	(7,806)	(128,767)	(136,573)	33,476	(103,097)	835	(102,262)
Adjustments between group accounts and authority accounts	77	0	77	0	77	(77)	0
Net increase/(decrease) before transfers	(7,729)	(128,767)	(136,496)	33,476	(103,020)	758	(102,262)
Adjustments between accounting and funding basis under regulations	4,871	128,501	133,372	(133,372)	0	0	0
transfers to earmarked reserves	(2,858)	(266)	(3,124)	(99,896)	(103,020)	758	(102,262)
Transfers to/(from) earmarked reserves	2,487	(2,487)	0	0	0	0	0
Increase/(decrease) in year	(371)	(2,753)	(3,124)	(99,896)	(103,020)	758	(102,262)
At 31st March 2016	10,144	40,567	50,711	117,479	168,190	2,489	170,679

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
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

	2016			2015			
	Note	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		13,172	(1,759)	11,413	13,287	(1,410)	11,877
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		7,464	(5,435)	2,029	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		48,928	(45,597)	3,331	52,153	(46,792)	5,361
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	0	0	0
Housing revenue account (HRA) - Valuations		34,914	0	34,914	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		534,235	(149,057)	385,178	419,062	(152,177)	266,885
Other Operating Expenditure				23,438			23,323
Financing and Investment Income and Expenditure				20,761			20,617
Taxation and Non-Specific Grant Income				(292,864)			(288,916)
(Surplus)/deficit on the provision of services				136,513			21,909
Tax expenses of subsidiary				5			4
Group (Surplus)/deficit				136,518			21,913
(Surplus)/deficit arising on revaluation of non-current assets				(429)			(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				102,262			89,445

GROUP BALANCE SHEET

as at 31st March 2016

		2016		2015	
Note	£000	£000	£000	£000	£000
NON-CURRENT ASSETS					
Property, Plant & Equipment					
Council dwellings		216,186		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		682,231		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		715,171		752,239	
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		65,097		82,271	
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		(36,856)		(44,505)	
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		(572,733)		(517,064)	
NET ASSETS		170,679		272,941	

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		57,470		59,574	
Capital adjustment account		380,112		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			119,933		219,091
TOTAL RESERVES			<u>170,679</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		(136,513)		(21,913)	
Adjustment to surplus or deficit on the provision of services for non-cash movements		92,786		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	15,989	15,941
Pensioners & Survivors		
Ex employees	9,862	9,272
Survivors	1,616	1,591
Other		
Preserved benefits/ Undecided	13,176	12,433
Frozen Refund	1,022	871
	<u>41,665</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 16 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
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	14,029		14,544		
Lump sums (death grants)	1	<u>2,247</u>		<u>1,807</u>		
			69,198		66,689	
Payments to and on account of leavers :						
Refunds of contributions		121		83		
Transfers out (individual)		1,936		1,788		
Transfers out (bulk)	2	3,889		0		
Other		129		165		
Expenses borne by the scheme	3	<u>17,621</u>		<u>18,289</u>		
			<u>23,696</u>		<u>20,325</u>	
				92,894		87,014
NET (ADDITIONS) WITHDRAWALS				<u>15,890</u>		<u>8,133</u>
Returns on Investments						
Investment income	5		(5,863)		(5,345)	
Change in market value of investments (Realised and Unrealised) [(Increase)/Decrease]	5		4,706		(184,629)	
NET RETURNS ON INVESTMENT				<u>(1,157)</u>		<u>(189,974)</u>
NET DECREASE/(INCREASE) IN THE FUND				14,733		(181,841)
OPENING NET ASSETS OF THE SCHEME				<u>1,395,408</u>		<u>1,213,567</u>
CLOSING NET ASSETS OF THE SCHEME				<u>1,380,675</u>		<u>1,395,408</u>

CLWYD PENSION FUND ACCOUNTS

	Note	2016 £000	2015 £000	
Net Assets Statement				
Investment Assets :				
	5/6			
Fixed Interest Securities		170,331	172,749	
Managed overseas equity funds		202,826	247,289	
Managed multi strategy funds		227,037	205,260	
Property funds		109,233	103,522	
Infrastructure funds		27,351	34,128	
Timberland / Agricultural funds		25,937	26,207	
Commodity funds		0	24,962	
Private equity funds		139,582	142,808	
Hedge Fund		139,221	48,750	
Liability Driven Investment		315,530	329,101	
Opportunistic Funds		8,240	9,998	
		1,365,288	1,344,774	
Cash	8	15,034	47,591	
		15,034	47,591	
Current Assets :				
Due within 1 year	9	5,349	6,236	
		5,349	6,236	
Current liabilities				
Due within 1 year	9	(4,996)	(3,193)	
		(4,996)	(3,193)	
NET ASSETS AT 31st MARCH		1,380,675	1,395,408	

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	Contributions Receivable	Benefits Payable	Contributions Receivable
Scheduled Bodies	£000	£000	£000	£000
Flintshire County Council	23,903	25,215	24,610	24,648
Wrexham County Borough Council	21,199	22,438	20,241	21,789
Denbighshire County Council	16,632	17,525	14,895	17,549
Fund apportionment with:				
Gwynedd and Powys County Councils	2,317	0	2,353	0
Educational Organisations	3,191	4,215	2,982	6,737
Town and Community Councils	124	298	131	286
Others - scheduled bodies	888	1,478	605	1,359
Others - admitted bodies	944	1,067	872	585
	<u>69,198</u>	<u>72,236</u>	<u>66,689</u>	<u>72,953</u>

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

2. BULK TRANSFER

The bulk transfer amount of £3.889m referred to in the accounts relates to monies paid to Gwynedd Pension Fund in relation to Education staff who were transferred from Flintshire County Council, Denbighshire County Council and Wrexham Borough County Council.

3. EXPENSES BOURNE BY THE FUND

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 £000	2015 £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).

4. 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 and JLT Consultants. Their reports 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.

5. 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 (£9.546)m (£127.416m increase in 2014/15). Therefore, the decrease in market value of investments (realised and unrealised) is (£4.706)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
Fixed Interest Securities	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	7,400	109,233	2,741
Infrastructure	34,128	78	(10,509)	12	3,642	27,351	1,125
Timber & Agriculture	26,207	782	(2,306)	0	1,254	25,937	94
Commodities	24,962	0	(25,703)	(12,246)	12,987	0	0
Private Equity	142,808	21,935	(40,980)	9,669	6,150	139,582	1,644
Opportunistic	9,998	4,036	(496)	93	(5,391)	8,240	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>(18,878)</u>	<u>1,365,288</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>(9,546)</u>	<u>1,380,322</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>

6. 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 £1,365.288m (£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 £000	2015 £000
UK	429,081	431,010
Europe	103,471	114,087
North America	93,321	100,667
Emerging/ Frontier markets	104,121	93,653
Global Investments	635,294	605,357
	1,365,288	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	109,233	8	103,522	8
Infrastructure	27,351	2	34,128	2
Timber / Agriculture	25,937	2	26,207	2
Private Equity	139,582	10	142,808	10
Opportunistic	8,240	1	9,998	1
	1,365,288	100	1,344,774	100

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

By Listed /Managed

	2016			2015		
	Listed Managed £000	Listed £000	Unlisted £000	Listed Managed £000	Listed £000	Unlisted £000
Fixed Interest Securities	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	38,988	0	70,245	36,018	0	67,504
Infrastructure	0	11,417	15,934	0	6,712	27,416
Timber / Agriculture	0	0	25,937	0	0	26,207
Commodities	0	0	0	0	0	24,962
Private Equity	0	1,998	137,584	0	1,969	140,839
Hedge Fund	0	0	139,221	21,977	0	26,773
Opportunistic	0	0	8,240	0	0	9,998
Liability Driven Investment	315,530	0	0	329,101	0	0
	<u>784,381</u>	<u>13,415</u>	<u>567,492</u>	<u>789,346</u>	<u>8,681</u>	<u>546,747</u>
			<u>1,365,288</u>			<u>1,344,774</u>

7. 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
Fixed Interest Securities	170,331	0	170,331	0
Liability Driven Investment	315,530	0	0	315,530
Overseas Equities Active	202,826	60,073	142,753	0
Multi Strategy	227,037	170,110	56,927	0
Property (1)	109,233	0	38,988	70,245
Infrastructure (1)	27,351	11,417	0	15,934
Timber & Agriculture (1)	25,937	0	0	25,937
Private Equity (2)	139,582	1,998	0	137,584
Hedge Fund	139,221	3,889	127,319	8,013
Opportunistic Funds (2)	8,240	0	0	8,240
	<u>1,365,288</u>	<u>247,487</u>	<u>536,318</u>	<u>581,483</u>
Cash	15,034	15,034	0	0
Total 2015/16	<u>1,380,322</u>	<u>262,521</u>	<u>536,318</u>	<u>581,483</u>

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; (£296.928m) 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 £000	Level 1 £000	Level 2 £000	Level 3 £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
	<u>1,344,774</u>	<u>702,009</u>	<u>367,884</u>	<u>274,881</u>
Cash	47,591	47,591	0	0
Total 2014/15	<u>1,392,365</u>	<u>749,600</u>	<u>367,884</u>	<u>274,881</u>

8. 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:

	Rating	2016 £000	2015 £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
Fixed Interest Securities	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	109,233	0	38,988	0	0	70,245	0
Infrastructure	27,351	11,417	0	0	0	15,934	0
Timber & Agriculture	25,937	0	0	0	0	25,937	0
Private Equity	139,582	1,998	0	0	0	137,584	0
Hedge Fund	139,221	111,391	21,816	0	0	0	6,014
Opportunistic Funds	8,240	0	0	0	0	8,240	0
	1,365,288	1,035,847	65,487	0	0	257,940	6,014

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 (<) %
Fixed Interest Securities	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
Multi strategy 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	109,233	IPD Balanced PUTs	Exceed	5.0
Infrastructure funds	Various	27,351	3 Month LIBOR	+5.0%	10.0
Timber /Agricultural funds	Various	25,937	3 Month LIBOR	+5.0%	10.0
Private equity funds	Various	139,582	3 Month LIBOR	+5.0%	28.0
Opportunistic funds	Various	8,240	3 Month LIBOR	+5.0%	28.0
		1,365,288			

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	162,521	23	39	>280
Private Equity / Opportunistic	147,822	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%
Fixed Interest Securities	4.03%
Liability Driven Investing	13.12%
Pooled Multi Strategy	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
Fixed Interest Securities	170,331	4.03	177,195	163,467
Liability Driven Investing	315,530	13.12	356,928	274,132
Pooled Multi Strategy	227,037	5.67	239,910	214,164
Alternatives	340,331	2.51	348,873	331,789
Property	109,233	2.49	111,953	106,513
	<u>1,380,322</u>		<u>1,470,713</u>	<u>1,289,931</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
Fixed Interest Securities	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	Change in year in net assets available to pay benefits	
	2015/16	+25BPS	-25BPS
	£000	£000	£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	Change in year in net assets available to pay benefits	
	2014/15	+75BPS	-75BPS
	£000	£000	£000
Cash and cash equivalents	3,856	29	(29)
Cash balances	43,735	328	(328)
	<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	Market Value
	2015/16 £000	2014/15 £000
Fixed Interest Securities	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	32,056	37,867
Infrastructure	12,441	19,449
Timber / Agriculture	25,937	26,207
Opportunistic	8,240	9,998
Private Equity	118,118	121,233
	<u>936,207</u>	<u>913,764</u>

Following analysis of the historical data in consultation with the fund's Performance Measurers, WM Company, and analysis of the exposures to foreign currency for the year to 31st March 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	Percentage Change	Value on Increase	Value on Decrease
	2015/16 £000	%	£000	£000
Fixed Interest Securities	170,331	5.85	180,288	160,374
Overseas Equity - Active	202,826	5.85	214,682	190,970
Multi Strategy	227,037	5.85	240,309	213,765
Hedge Fund	139,221	5.85	147,359	131,083
Timber & Agriculture	25,937	5.85	27,453	24,421
Infrastructure	12,441	5.85	13,168	11,714
Property	32,056	5.85	33,930	30,182
Opportunistic	8,240	5.85	8,722	7,758
Private Equity	118,118	5.85	125,022	111,214
	<u>936,207</u>		<u>990,933</u>	<u>881,481</u>

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

	2014/15	%	£000	£000
Fixed Interest Securities	172,749	5.44	182,152	163,346
Overseas Equity - Active	247,289	5.44	260,749	233,829
Multi Strategy	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>

9. RECEIVABLES/PAYABLES

	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	(3,324)		(2,246)	
Death grants	(755)		(144)	
Administering authority	(284)		(265)	
Added years	(195)		(41)	
H.M. Revenue and Customs	(5)		(9)	
Miscellaneous	(427)		(481)	
		(4,996)		(3,193)
Net Current Assets		<u>353</u>		<u>3,043</u>

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

Analysis of receivables	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 payables	2016	2015
	£000	£000
Central Government Bodies	(5)	(9)
Other Local Authorities	(468)	(271)
Other Entities and Individuals	(4,523)	(2,913)
	<u>(4,996)</u>	<u>(3,193)</u>

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

11. 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

12. ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCs)

In accordance with Regulations of 4(2)b of The Pension Scheme (Management and Investment of Funds) Regulations 2009, 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

13. 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).

14. 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

15. 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 Boar	7
4	Welsh Water Authority	4
4	Magistrates Court	4
1	Llanasa Community Council	1
1	Cefn Mawr Community Council	1
8,207		8,365

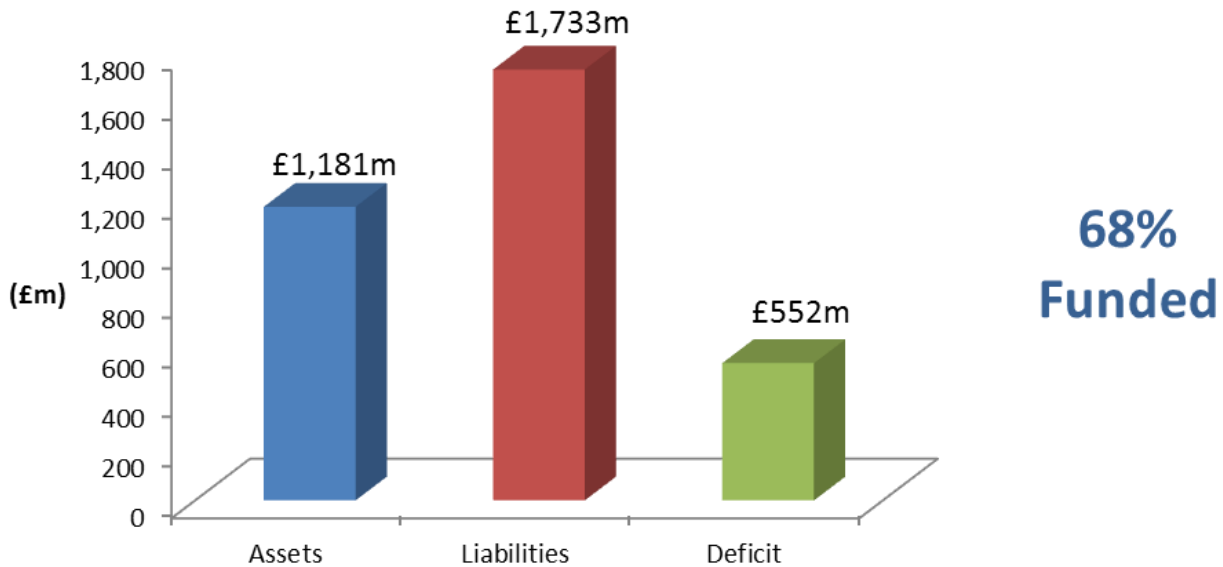
16. ACTUARIAL VALUATION & VALUE OF PROMISED RETIREMENT BENEFITS FOR THE PURPOSE OF IAS 26 (Provided by the Fund's Actuary)

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

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

I have audited the accounting statements and related notes of:

- Flintshire County Council; and
- Flintshire County Council Group; and
- Clwyd Pension Fund

for the year ended 31 March 2016 under the Public Audit (Wales) Act 2004.

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

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

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

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2016 based on International Financial Reporting Standards (IFRSs).

Respective responsibilities of the responsible financial officer and the independent auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the responsible financial officer is responsible for the preparation of the statement of accounts, including Flintshire County Council's Group accounting statements and Clwyd Pension Fund's accounting statements, which gives a true and fair view.

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

Scope of the audit of the accounting statements

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

In addition, I read all the financial and non-financial information in the Narrative report to identify material inconsistencies with the audited accounting statements and related notes and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

Opinion on the accounting statements of Flintshire County Council

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of Flintshire County Council as at 31 March 2016 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016.

Opinion on the accounting statements of Flintshire County Council Group

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of Flintshire County Council Group as at 31 March 2016 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16.

Opinion on the accounting statements of Clwyd Pension Fund

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

- give a true and fair view of the financial transactions of Clwyd Pension Fund during the year ended 31 March 2016 and of the amount and disposition of the fund's assets and liabilities as at that date; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Opinion on other matters

In my opinion, the information contained in the Narrative report is consistent with the accounting statements and related notes.

Matters on which I report by exception

I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

- adequate accounting records have not been kept;
- the accounting statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit;
- the Governance Statement contains material misstatements of fact or is inconsistent with other information I am aware of from my audit.

Certificate of completion of audit

I certify that I have completed the audit of the accounts of Flintshire County Council in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Code of Audit Practice issued by the Auditor General for Wales.

**For and on behalf of
Huw Vaughan Thomas
Auditor General for Wales
24 Cathedral Road
Cardiff
CF11 9LJ**

Signature

Date: 29th September 2016

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.

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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.

ANNUAL GOVERNANCE STATEMENT

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 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.

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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, 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.

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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.

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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.

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.

ANNUAL GOVERNANCE STATEMENT

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

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.

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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.

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In accordance with the requirements of the PSIAS the Internal Audit Manager reports to the Audit Committee a summary of audit findings each quarter. He prepares an annual report that summarises the internal audit work completed during the year and gives an opinion on the overall adequacy and effectiveness of the Councils governance, risk and control framework.

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.

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

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<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>

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<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>

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<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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Audit of Financial Statements Report

Flintshire County Council

Audit year: 2015-16

Issued: September 2016

Document reference: 518A2016

Status of report

This document has been prepared as part of work performed in accordance with statutory functions.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000. The section 45 Code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties.

In relation to this document, the Auditor General for Wales and the Wales Audit Office are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at info.officer@audit.wales.

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Summary report

Introduction

1. The Auditor General is responsible for providing an opinion on whether the financial statements give a true and fair view of the financial position of Flintshire County Council at 31 March 2016 and its income and expenditure for the year then ended.
2. We do not try to obtain absolute assurance that the financial statements are correctly stated, but adopt the concept of materiality. In planning and conducting the audit, we seek to identify material misstatements in your financial statements, namely, those that might result in a reader of the accounts being misled.
3. The quantitative levels at which we judge such misstatements to be material for Flintshire County Council is £4.7 million. Whether an item is judged to be material can also be affected by certain qualitative issues such as legal and regulatory requirements and political sensitivity.
4. International Standard on Auditing (ISA) 260 requires us to report certain matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action.
5. This report sets out for consideration the matters arising from the audit of the financial statements of the Flintshire County Council, for 2015-16, that require reporting under ISA 260. A separate report has been provided to you summarising our findings in relation to the audit of Clwyd Pension Fund.

Status of the audit

6. We received the draft financial statements for the year ended 31 March 2016 by the statutory deadline of 30 June 2016 and have now substantially completed our audit work.
7. We are reporting to you the more significant issues arising from the audit, which we believe you must consider prior to approval of the financial statements. The audit team has already discussed these issues with Gary Ferguson Corporate Finance Manager.

Proposed audit report

8. It is the Auditor General's intention to issue an unqualified audit report on the financial statements once you have provided us with a Letter of Representation based on that set out in [Appendix 1](#).
9. The proposed audit report is set out in [Appendix 2](#).

Significant issues arising from the audit

Uncorrected misstatements

10. There are no misstatements identified in the financial statements which remain uncorrected.

Corrected misstatements

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

Other significant issues arising from the audit

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

We did not encounter any significant difficulties during the year and the Council was proactive in addressing the issues identified in 2014-15

13. Following on from the difficulties encountered during the audit of the 2014-15 financial statements, I want to commend the Council's response which was both positive and proactive in addressing the issues identified.
14. With the agreement of the Audit Committee, the Council established an Accounts Governance Group (the Group) to oversee the production of the financial statements and ensure the difficulties encountered last year were not repeated. The Group ensured both corporate ownership for the production of the financial statements and that the relevant finance teams obtained the necessary support and responses that it needed from across the organisation to address the key points. We have met with the Group at key stages during the audit to explain how the audit was progressing and clarify any concerns or delays which helped ensure they were addressed promptly and appropriately.
15. It is therefore pleasing to report that all the significant issues reported last year were successfully addressed as part of this year's financial statements production and audit process. Recommendations from 2014-15, and how they were addressed, are set out in [Appendix 4](#).
16. Whilst previous concerns have now been addressed, there are new challenges on the horizon; namely, changes in accounting for the highways network asset, streamlining the financial statements and meeting the requirements for financial statements to be prepared earlier in future years. Therefore we would encourage the Accounts

Governance Group to continue to play an active role in supporting the Finance team and ensuring that the wider organisation engages appropriately.

We have one issue to report concerning the qualitative aspects of your accounting practices and financial reporting

The valuation method adopted in revaluing the Council's Housing stock during the year was flawed and needed to be restated

17. There is a lack of guidance across Wales on the appropriate basis of valuing social housing. As a result, the Council used a model which resulted in a valuation that, on review at the accounts preparation stage, appeared reasonable. However, on closer inspection at audit, it was evident that the basis of valuation was flawed. This was further aggravated by the receipt of an inaccurate external report which was integral to the valuation.
18. Consequently, the basis of valuation has been revisited during the audit window to establish an appropriate basis for valuing dwellings that are used for social housing. This has resulted in a downward amendment to the carrying value of council stock of £84.664 million.
19. It is important to note, that this amendment has no bearing on the fabric of the housing stock itself or the delivery of the housing functions within Flintshire. Instead it reflects accounting entries relating to the valuation of the housing stock reported in the financial statements.

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

The Council needs to accelerate its investigations into the potential liabilities arising from a number of former waste disposal sites

20. In the financial statements (Note 34 - Contingent liabilities), the Council outlines that there may be potential liabilities arising from a number of former waste disposal sites. Investigations designed to identify the need for remedial works and ongoing monitoring arrangements have been ongoing for a number of years and have increased over the past two years. However, the Council is still of the view that it is not possible to estimate the extent of any liabilities as a result of the uncertainty around the outcome of the ongoing investigations.
21. Whilst it is unknown at present, there is the potential for any liabilities to be significant should, for instance, there be a need for a landfill cap to be installed or replaced, or if alternative treatment plans are required.
22. If there is a need for landfill restoration, because it arises as a result of past events, ie waste disposal activities when the sites were previously open, it would be necessary to set aside a financial provision to meet any future costs.
23. We acknowledge that currently the information available is insufficient to prepare a reliable estimate, but it is essential that the Council accelerates its activities to ensure that it can appropriately recognise any financial liabilities as an accounting provision in

its financial statements. Continued disclosure within the contingent liability note alone is not sufficient nor, more importantly, does it address the funding issues from a budgetary perspective.

The Council needs to ensure that it works closely with the Clwyd Pension Fund administrator to accurately maintain pension records

24. International Accounting Standard 19 (Employee Benefits) requires bodies to disclose in their annual financial statements the assets, liabilities and transactions, together with certain information regarding underlying assumptions, in respect of retirement benefits.
25. The figures disclosed within the financial statements are based on 'Pension Scheme Accounting Figures' prepared annually by the Clwyd Pension Fund actuary, Mercer ('the Actuary'). In turn, the figures provided by the Actuary rely on accurate data supplied to them by the administering authority of Clwyd Pension Fund ('the Fund').
26. When auditing the Fund we identified that information provided to the Actuary in respect of the Council's membership data was not up to date. Although we are satisfied that this does not have a material impact on the 2015-16 accounts, inaccurate data does risk having a significant effect on the annual accounting figures and the triennial valuation prepared by the Actuary.
27. It is critical therefore that the administering authority's membership records are up to date and accurately record data for active, deferred and pensioner records. Both the employer body (via its payroll team) and the administering authority need to work together to ensure that this is the case. In doing so, this will ensure that the Actuary can prepare the annual IAS19 disclosures, and triennial valuation, based on robust data.

There are no other matters that we need to report to you

28. There are no other matters to report to you. In particular:
 - there were no significant matters discussed and corresponded upon with management which we need to report to you;
 - we did not identify any material weaknesses in your internal controls that we have not reported to you already; and
 - there are no other matters specifically required by auditing standards to be communicated to those charged with governance.

Recommendations arising from our 2015-16 financial audit work

29. The recommendations arising from our financial audit work are set out in [Appendix 5](#). Management has responded to them and we will follow up progress on them during next year's audit. Where any actions are outstanding, we will continue to monitor progress and report it to you in next year's report.

Independence and objectivity

30. As part of the finalisation process, we are required to provide you with representations concerning our independence.
31. We have complied with ethical standards and in our professional judgment, we are independent and our objectivity is not compromised. There are no relationships between the Wales Audit Office and Flintshire County Council that we consider to bear on our objectivity and independence.

Appendix 1

Final Letter of Representation

Auditor General for Wales
Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

26 September 2016

Representations regarding the 2015-16 financial statements

This letter is provided in connection with your audit of the financial statements of Flintshire County Council for the year ended 31 March 2016 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

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

Management representations

Responsibilities

We have fulfilled our responsibilities for:

- The preparation of the financial statements in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the UK; in particular the financial statements give a true and fair view in accordance therewith.
- The design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

Information provided

We have provided you with:

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

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

Financial statement representations

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

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

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

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

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

The financial statements are free of material misstatements, including omissions. The effects of uncorrected misstatements identified during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Representations by Flintshire County Council

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

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by Flintshire County Council on 26 September 2016.

We confirm that we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware.

Signed by:

Signed by:

Gary Ferguson
Corporate Finance Manager

Date: 26 September 2016

Councillor Peter Curtis
Chair of Flintshire County Council

Date: 26 September 2016

Appendix 2

Proposed audit report of the Auditor General to Flintshire County Council

I have audited the accounting statements and related notes of:

- Flintshire County Council;
- Flintshire County Council Group; and
- Clwyd Pension Fund;

for the year ended 31 March 2016 under the Public Audit (Wales) Act 2004.

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

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

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

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2016 based on International Financial Reporting Standards (IFRSs).

Respective responsibilities of the responsible financial officer and the Auditor General for Wales

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the responsible financial officer is responsible for the preparation of the statement of accounts, including Flintshire County Council's Group accounting statements and Clwyd Pension Fund's accounting statements, which gives a true and fair view.

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

Scope of the audit of the accounting statements

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

In addition, I read all the financial and non-financial information in the Narrative report to identify material inconsistencies with the audited accounting statements and related notes

and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

Opinion on the accounting statements of Flintshire County Council

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of Flintshire County Council as at 31 March 2016 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016.

Opinion on the accounting statements of Flintshire County Council Group

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of Flintshire County Council Group as at 31 March 2016 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16.

Opinion on the accounting statements of Clwyd Pension Fund

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

- give a true and fair view of the financial transactions of Clwyd Pension Fund during the year ended 31 March 2016 and of the amount and disposition of the fund's assets and liabilities as at that date, and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16.

Opinion on other matters

In my opinion, the information contained in the Narrative report is consistent with the accounting statements and related notes.

Matters on which I report by exception

I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

- adequate accounting records have not been kept;
- the accounting statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit;
- The Governance Statement does not reflect compliance with guidance.

Certificate of completion of audit

I certify that I have completed the audit of the accounts of Flintshire County Council in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.

For and on behalf of
Huw Vaughan Thomas
Auditor General for Wales
[Date]

Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

Appendix 3

Summary of corrections made to the draft financial statements which should be drawn to the attention of Flintshire County Council

During our audit we identified the following misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process.

Value of correction	Nature of correction	Reason for correction
+£10.124 million -£10.124 million	Comprehensive Income and Expenditure Statement Changes to Gross Expenditure Central Services to the Public Housing – Council Fund. The gross cost of the Council Tax Reduction Scheme had been incorrectly classified under SERCOP requirements.	To correct expenditure per the SERCOP analysis.
-£84.644million	Note 6 – Property, Plant & Equipment Adjustment made following the reduction in the valuation of the Council Dwellings. This has had an impact on numerous notes and statements and appropriate adjustments have been made.	To correct for the adjusted Council Dwellings Valuation.
£29,000	Note 6 – Property, Plant & Equipment To adjust the value of Council Dwellings reclassified as Held for Sale due to the change in the valuation. This has had an impact on numerous notes and statements and appropriate adjustments have been made.	To correct for the adjusted Council Dwellings Valuation.
£41,000	Note 22 – Unusable Reserves Adjustments made between the Capital Adjustment Account and Revaluation Reserve. This has had an impact on numerous notes and statements and appropriate adjustments have been made.	To correctly reflect asset movements in the year.

Value of correction	Nature of correction	Reason for correction
Narrative	Note 26 – Officers Remuneration Correction made to the Remuneration Ratio which was previously shown as 1:73, but should be 1:7.73.	To correct narrative error.
£192,000	Note 38 – Future Capital Commitments Expenditure incorrectly included against External Wall Insulation commitment (£38,000). Contract Sums amended for External all Insulation (-£236,000) and WHQS (£390,000).	To correctly reflect the commitment position.
£1.95 million	Group Comprehensive Income and Expenditure Statement Amendments made to Planning Services income (£2.802 million), Housing – Council Fund income (-£4.752 million), and to Taxation and Non-Specific Grant Income (£1.950 million).	To correct figures due to late changes to the initial draft accounts.

Appendix 4

Responses to recommendations arising from our 2014-15 financial audit work

We set out all the recommendations arising from our 2014-15 audit work with a summary of action taken by management during 2015-16. We have followed these up as part of the 2015-16 audit and summarise our findings:

Recommendation	Management and Audit Response
<p>Preparation of the Comprehensive Income and Expenditure Statement (CIES)</p> <p>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.</p>	<p>Management Response</p> <p>Comprehensive exercise undertaken to map all transactional codes to ensure accurate classification of income and expenditure within the CIES.</p> <p>Audit response</p> <p>We have reviewed the code map in detail and have identified no issues. As such we are satisfied that the CIES is materially stated.</p>
<p>Allocation of support services and other overheads</p> <p>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 SeRCOP.</p>	<p>Management Response</p> <p>The apportionment of support costs has been reviewed.</p> <p>Audit Response</p> <p>We have carried out a high level review of the apportionment of support costs and identified no issues.</p>
<p>Internal recharging</p> <p>Ensure that all internal transactions are coded correctly within income and expenditure so as to allow them to be correctly excluded from the CIES.</p>	<p>Management Response</p> <p>A review has been undertaken to determine the different kinds of internal charging across the Council and agree standard processing for the different kinds of charging.</p> <p>Audit Response</p> <p>Audit work has confirmed that we are satisfied that internal charges are appropriately netted out of the CIES.</p>
<p>Bank Reconciliation</p> <p>Ensure that the bank reconciliation is correctly prepared and that all transactions are fully reconciled.</p>	<p>Management Response</p> <p>The year-end bank reconciliation has been reconciled to the cash book.</p> <p>Audit Response</p> <p>We are satisfied that the bank reconciliation has been appropriately prepared.</p>
<p>Weaknesses in Payroll controls</p> <p>Ensure that the detailed Internal Audit report recommendations are implemented.</p>	<p>Management Response</p> <p>The key recommendations arising from the Internal Audit report issued in August 2015 have been addressed. Internal Audit conducted a follow-up review</p>

Recommendation	Management and Audit Response
<p>Employee Contract documentation Ensure that employee salaries and any other payments are supported by relevant employment contracts.</p>	<p>in November 2015 and were satisfied that good progress had been made. Audit Response As Internal Audit were satisfied with progress in this area, we have not performed any specific work on the implementation of controls. However, we can confirm that testing on payroll transactions as part of the audit did not identify any issues.</p>
<p>Quality review 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.</p>	<p>Management Response Additional processes were built into the closedown programme to review significant variances in transactions and balances in 2015/16. Audit Response We obtained satisfactory explanation for all significant variances.</p>
<p>Understanding the accounts and audit process Ensure that all relevant departments are clear about their respective roles and responsibilities in the accounts and audit process.</p>	<p>Management Response An Accounts Governance group was established to oversee the accounts process and joint (FCC and Wales Audit Office) training events were held to promote understanding. Audit Response We identified no issues in terms of the wider organisation engaging with the accounts and audit process.</p>
<p>Faster Closing Review the accounts processes, in conjunction with the auditors, to look for opportunities to streamline the processes.</p>	<p>This work is ongoing.</p>

Appendix 5

Recommendations arising from our 2015-16 financial audit work

We set out all the recommendations arising from our audit with management's response to them. We will follow up these next year and include any outstanding issues in next year's audit report:

Matter arising 1 – Basis of Housing stock valuation was not appropriate

Findings	The basis of the housing stock valuation was not appropriate and needed to be reviewed and recalculated
Priority	High
Recommendation	For the next housing stock valuation (as at 1/4/2020) ensure that an appropriate basis for revaluation is used.
Benefits of implementing the recommendation	<i>To ensure that housing stock is valued in accordance with the requirements of the Code of Practice.</i>
Accepted in full by management	Accepted
Management response	The Council has reviewed and revised the basis for calculating the housing stock valuation which will be used in future accounting periods.
Implementation date	31 March 2021

Matter arising 2 – The Council needs to accelerate progress in assessing any potential financial liabilities relating to landfill restoration and aftercare

Findings	The Council is currently unable to estimate the value of any potential liabilities relating to the cost of landfill restoration and aftercare.
Priority	High
Recommendation	Progress ongoing investigations into the status of former sites to establish whether there is the need for restoration or aftercare. Should that identify that liabilities exist, set aside a financial provision in the accounts.
Benefits of implementing the recommendation	<i>To determine whether there is a need to set aside a financial provision in the accounts.</i>
Accepted in full by management	Accepted

Matter arising 2 – The Council needs to accelerate progress in assessing any potential financial liabilities relating to landfill restoration and aftercare

Management response	<p>The Council recognises that as the results of the various site assessments are known the costs of any remediation works will need to be estimated and provided for in full.</p> <p>The Council has a strategic plan for completing all of the assessments, which are complex, can involve different land owners and other public bodies such as Natural Resources Wales, and often take a number of years to be completed. However, assessments at two of the sites are now nearing completion.</p> <p>A more detailed report outlining the issue, the risks and how the Council will mitigate those risks will be brought to Cabinet and the relevant Overview and Scrutiny Committee to track progress.</p>
Implementation date	This will be an ongoing issue until investigations at all sites are completed which will take some years.

Matter arising 3 – The Council needs to work closely with the Pension Fund administrator to ensure that pension records are maintained accurately

Findings	There are discrepancies in pension data that need to be resolved.
Priority	High
Recommendation	The Council needs to liaise with the Pension Fund administrator to resolve discrepancies in pension data.
Benefits of implementing the recommendation	<i>To ensure that the Actuary has appropriate information on which to base the triennial valuation and IAS19 figures.</i>
Accepted in full by management	Accepted
Management response	<p>A Steering Group of Senior Officers from the Clwyd Pension Fund and the unitary authorities has been set up which meets periodically to discuss and resolve such issues.</p> <p>Plans are in place to implement an online computer module that will allow information to be submitted by employers more directly and efficiently into the pension administration system. This will be implemented on a phased basis with each unitary authority in 2016/17 and 2017/18.</p>
Implementation date	31 March 2018

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Audit of Financial Statements Report

Clwyd Pension Fund

Audit year: 2015-16

Issued: September 2016

Document reference: 508A2016

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

The Auditor General intends to issue an unqualified audit report on the Clwyd Pension Fund's financial statements, however, there are some issues to report to you prior to their approval.

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Summary report

Introduction

1. The Auditor General is responsible for providing an opinion on whether the financial statements give a true and fair view of the financial position of the Clwyd Pension Fund (the Pension Fund) at 31 March 2016 and its income and expenditure for the year then ended.
2. We do not try to obtain absolute assurance that the financial statements are correctly stated, but adopt the concept of materiality. In planning and conducting the audit, we seek to identify material misstatements in your financial statements, namely, those that might result in a reader of the financial statements being misled.
3. The gross assets controlled by the Pension Fund amount to £1.381 billion. The quantitative level at which we judge such misstatements to be material for the Pension Fund is £13.8 million. Whether an item is judged to be material can also be affected by certain qualitative issues such as legal and regulatory requirements and political sensitivity.
4. International Standard on Auditing (ISA) 260 requires us to report certain matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action to be taken, should there be any required.
5. This report sets out for consideration the matters arising from the audit of the financial statements of the Pension Fund for 2015-16 which require reporting under ISA 260. A separate report has been issued covering Flintshire County Council (the Council).

Status of the audit

6. We received the draft financial statements for the year ended 31 March 2016 on 30 June 2016 and have now substantially completed our audit work.
7. We are reporting to you the more significant issues arising from the audit, which we believe you must consider prior to approval of the financial statements. We have already discussed these issues with Pension Fund officers.

Proposed audit report

8. It is the Auditor General's intention to issue an unqualified audit report on the financial statements once you have provided us with a Letter of Representation based on that set out in [Appendix 1](#).
9. The proposed audit opinion on the Pension Fund is included within the audit report on Council's main financial statements as set out in [Appendix 2](#) of the Audit of Financial Statements report for Flintshire County Council.

Significant issues arising from the audit

Uncorrected misstatements

10. There are no misstatements identified in the financial statements, which remain uncorrected.

Corrected misstatements

11. There were a number of misstatements which have been corrected by management but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process. They are set out with explanations in [Appendix 2](#). There were also a number of other minor presentational amendments made to the financial statements during the audit process.

Other significant issues arising from the audit

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

We have one concern about the qualitative aspects of your accounting practices and financial reporting as there are some unexplained differences between the financial ledger and the pensions administration system

13. Monthly reconciliations of transactions relating to lump sums and death benefit pension payments between the financial ledger and the pensions administration system are completed by the Pension Fund. As in previous years, our review of the reconciliations identified a number of differences that had not been explained or corrected.
14. It is essential that the records in both systems are reconciled on a regular basis and any differences corrected in the relevant system to ensure that transactions are both accurate and complete.

There is one other matter relevant to the oversight of the financial reporting process that we need to report to you

- 15.** International Accounting Standard 19 (Employee Benefits) requires employer bodies to disclose in their accounts the assets, liabilities and transactions, together with certain information regarding underlying assumptions, in respect of retirement benefits.
- 16.** The actuary prepares both a triennial funding valuation and an annual valuation of the pension fund liabilities, on an IAS19 basis, which provides both revenue and balance sheet disclosures for inclusion in the financial statements. This is prepared using a range of data, provided by the administering authority, and actuarial assumptions.
- 17.** It is critical therefore that the administering authority's membership records are up to date and accurately record data for active, deferred and pensioner records. Both the employer body (via their payroll team) and the administering authority need to work together to ensure that membership records are kept up to date. This not only has implications for the IAS19 disclosures in the employer body financial statements, but also for the individuals concerned.
- 18.** Whilst the administering authority process changes notified to them by the employer bodies throughout the year, the employer body also submits an annual contributions return. This allows for the data to be reconciled and often identifies changes, eg starters, leavers or additional roles, for which the administering authority has not been notified.
- 19.** We identified that membership records held in the pensions administration system were not up to date. Whilst it is the responsibility of the employer bodies to notify the administering authority of changes in the status of members e.g. starters, we identified instances where membership records from the three main employer bodies, namely Denbighshire County Council, Flintshire County Council, and Wrexham County Borough Council, were not always kept up to date and therefore accurate.
- 20.** Other than the actuarial present value of promised retirement benefits being disclosed in Note 16, this issue does not directly impact on the financial statements of the pension fund. It is essential that the Council, in its role as the administering authority, continues to working with employer bodies to ensure that the membership data is kept up to date. We have also reported this matter to the employer bodies.

There are no other matters that we need to report to you

- 21.** There are no other matters to report to you. In particular:
- We did not encounter any significant difficulties during the audit.
 - There were no significant matters discussed and corresponded upon with management which we need to report to you.
 - We did not identify any material weaknesses in your internal controls that we have not reported to you already.
 - There are no other matters specifically required by auditing standards to be communicated to those charged with governance.

Recommendations arising from our 2015-16 financial audit work

- 22.** The key recommendations arising from our financial audit work are set out in [Appendix 3](#). Management has responded to them and we will follow up progress on them during next year's audit. Where any actions are outstanding, we will continue to monitor progress and report it to you in next year's report.

Independence and objectivity

- 23.** As part of the finalisation process, we are required to provide you with representations concerning our independence. We have complied with ethical standards and in our professional judgment, we are independent and our objectivity is not compromised. There are no relationships between the Wales Audit Office and the Pension Fund that we consider to bear on our objectivity and independence.

Appendix 1

Final Letter of Representation

Auditor General for Wales
Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

Representations regarding the 2015-16 financial statements

This letter is provided in connection with your audit of the financial statements of the Clwyd Pension Fund (the Pension Fund) for the year ended 31 March 2016 for the purpose of expressing an opinion on their truth and fairness.

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

Management representations

Responsibilities

We have fulfilled our responsibilities for:

- The preparation of the financial statements in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom; in particular the financial statements give a true and fair view in accordance therewith.
- The design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

Information provided

We have provided you with:

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

- The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- Our knowledge of fraud or suspected fraud that we are aware of and that affects the Pension Fund and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements.
- Our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others.
- Our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
- We have informed you of any concerns raised or comments made by regulators about the pension fund, its fund managers and any assets/liabilities.
- The identity of all related parties and all the related party relationships and transactions of which we are aware.

Financial statement representations

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

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

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

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

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

The financial statements are free of material misstatements, including omissions. The effects of uncorrected misstatements identified during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Representations by Flintshire County Council

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

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by the members of Flintshire County Council on 26 September 2016.

We confirm that we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware.

Date

Gary Ferguson
Corporate Finance Manager
(Chief Finance Officer)

Date

Councillor Peter Curtis
Chair to the Council

Appendix 2

Summary of corrections made to the draft financial statements which should be drawn to the attention of Flintshire County Council

During our audit we identified the following misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process.

Nature of correction	Reason for correction	Impact
<p>The analysis of the membership of the fund at 31st March 2016 was amended for the following</p> <ul style="list-style-type: none"> • 'Active Members' from 16,282 to 15,989. • 'Pensions and survivors': <ul style="list-style-type: none"> – 'Ex employees' from 9,815 to 9,862. – 'Survivors' from 1,601 to 1,616. • 'Other': <ul style="list-style-type: none"> – 'Preserved benefits/ Undecided' from 13,052 to 13,176 – 'Frozen Refund' from 955 to 1,022. 	<p>The analysis was revised to the most up to date information provided by the pension administration team in July 2016 following the preparation of the draft financial statements</p>	<p>The change to the analysis had no other impact on the Council's financial statements.</p> <p>Presentational disclosure only.</p>
<p>The table containing the analysis market value of investments 2015-16 in Note 4 was amended for the following:</p> <ul style="list-style-type: none"> • 'Property' from £109,422,000 to £109,233,000. • 'Infrastructure' from £27,436,000 to £27,351,000. • 'Timber & Agriculture' from £25,832,000 to £25,937,000. • 'Private Equity' from £139,117,000 to £139,582,000. • 'Opportunistic' from £8,384,000 to £8,240,000. 	<p>To ensure market value of investment disclosed in Note 4 reflected the most up to date valuations.</p>	<p>The amendments increased the market value of investments by £152,000. Appropriate amendments were included in corresponding notes and value of Investment Assets disclosed in the 'Net Asset Statement'.</p>
<p>Note 6 'Fair value of investments – Hierarchy – Overseas Equities Active' table was amended:</p> <ul style="list-style-type: none"> • 'Level 1' from £86,317,000 to £60,073,000. • 'Level 2' from £116,509,000 to £142,753,000 	<p>The Investment with Aberdeen Frontier was reclassified from 'Level 1' to 'Level 2' to agree with the classification provided by the Investment Manager.</p>	<p>Appropriate corresponding adjustments were included in the total columns of the analysis. The change had no other impact on the Council's financial statements.</p>

Nature of correction	Reason for correction	Impact
<p>Note 9 'Receivables/Payables - Current Liabilities' was amended for the following:</p> <ul style="list-style-type: none"> • 'Lump sums' from £(2,717,000) to £(3,324,000). • 'Death grants' from £(418,000) to (£755,000) 	<p>Note 9 was amended to agree to Pension Fund records, due to delays in processing lump sum payments after the year-end.</p>	<p>Corresponding amendments were made to the 'Analysis of Creditors' in Note 9 and 'Current liabilities – due within one year' in the 'Net Asset Statement'.</p>

Appendix 3

Recommendations arising from our 2015-16 financial audit work

We set out our two recommendations arising from our audit with management's response to them. We will follow up these next year and include any outstanding issues in next year's audit report.

Matter arising 1 – Maintaining up to date membership records

Findings	Membership records held in the pension's administration system are not up to date for the three main employer bodies, namely Denbighshire County Council, Flintshire County Council, and Wrexham County Borough Council.
Priority	High
Recommendation	The Council should continue working with employer bodies to ensure that membership records are brought up to date and subsequently maintained.
Benefits of implementing the recommendation	To ensure that membership records are accurate and complete.
Accepted in full by management	Yes
Management response	The 3 year Business Plan for the pension fund includes working with the unitary authorities to implement an on line computer module that will allow information to be submitted by employers more directly and efficiently into the pension administration system. This will be implemented on a phased basis with each unitary authority (as well as with some other employing bodies) through 2016-17 and 2017-18. In addition the completion of some outstanding backlog relating to deferred members and implementation of the Fund's Administration Strategy will vastly improve data quality and highlight any on-going problems. Progress is monitored by the Pension Fund Committee and Board. There is a Steering Group of senior finance officers from the unitary authorities who also discuss these operational issues. The Fund's actuary will discuss any impact of data quality on the results of the Actuarial Valuation with employers and the Committee
Implementation date	Work in progress with planned completion across all employer bodies in 2017-18.

Matter arising 2 – Reconciliation of lumps sums and death benefit pension payments

Findings	Monthly reconciliations of the transactions relating to lump sums and death benefit pension payments between the financial ledger and the pensions administration system are performed. As in previous years, our review of the reconciliations identified a number of differences that had not been explained or corrected.
Priority	High
Recommendation	The Pension Fund to fully reconcile the monthly reconciliation of transactions relating to lump sums and death benefit payments, ensuring any differences are corrected.
Benefits of implementing the recommendation	To ensure that transactions are both accurate and complete.
Accepted in full by management	Yes
Management response	An efficient method of reconciling the pension system and the accounting ledger has proved problematic. Work is on-going to correct outstanding differences and reconciliation procedures. Greater resource and management oversight on progress will be applied.
Implementation date	31 March 2017

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Gary Ferguson
Chief Finance Officer
Prif Swyddog Cyllid



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Our Ref/Ein Cyf
Date/Dyddiad
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LOR 15.16
26 September 2016
Liz Thomas
01352 702289
01352 700149

Dear Sir,

Representations Regarding the 2015/16 Financial Statements

This letter is provided in connection with your audit of the financial statements of the Flintshire County Council for the year ended 31 March 2016 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

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

Management Representations

Responsibilities

We have fulfilled our responsibilities for:

- The preparation of the financial statements in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom; in particular the financial statements give a true and fair view in accordance therewith.
- The design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

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Neuadd y Sir, Yr Wyddgrug. CH7 6NB
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Information Provided

We have provided you with:

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

- The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

- Our knowledge of fraud or suspected fraud that we are aware of and that affects Flintshire County Council and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements.

- Our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others.

- Our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements

- The identity of all related parties and all the related party relationships and transactions of which we are aware.

Financial Statement Representations

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

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

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

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

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

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

The effects of uncorrected misstatements identified during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Representations by Flintshire County Council

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

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by Flintshire County Council on 26th September 2016.

We confirm that we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware.

Signed by:

Signed by:

Gary Ferguson
Corporate Finance Manager (Chief
Finance Officer)

Cllr Peter Curtis
Chair to the Council

Date: 26th September 2016

Date: 26th September 2016

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Colin Everett
Chief Executive
Prif Weithredwr
Administrator to the Fund / Gweinyddwr y Gronfa

Cronfa Bensiynau Clwyd
Clwyd Pension Fund

Gary Ferguson, CPFA
Corporate Finance Manager (Section 151 Officer)
Rheolwr Cyllid Corfforaethol (Swyddog adran 151)
Treasurer to the Fund / Trysorydd y Gronfa

Auditor General for Wales,
Wales Audit Office,
24 Cathedral Road,
Cardiff.
CF11 9LJ

Your Ref/Eich Cyf

Our Ref/Ein Cyf

Date/Dyddiad

Ask for/Gofynner am

Direct Dial/Rhif Union

Email/ Ebst

LOR 15/16

26th September 2016

Philip Latham

01352 702264

Dear Sir,

Representations regarding the 2015/16 financial statements

This letter is provided in connection with your audit of the financial statements of the Clwyd Pension Fund (the Pension Fund) for the year ended 31 March 2016 for the purpose of expressing an opinion on their truth and fairness.

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

Management Representations

Responsibilities

We have fulfilled our responsibilities for:

- The preparation of the financial statements in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom; in particular the financial statements give a true and fair view in accordance therewith.
- The design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

Administered by
Gweinyddwyd gan



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

Information Provided

We have provided you with:

- Full access to:
 - as a result of fraud.
 - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
 - additional information that you have requested from us for the purpose of the audit; and
 - unrestricted access to staff from whom you determined it necessary to obtain audit evidence.
- The results of our assessment of the risk that the financial statements may be materially misstated
- Our knowledge of fraud or suspected fraud that we are aware of and that affects the Pension Fund and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements.
- Our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others.
- Our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements
- The identity of all related parties and all the related party relationships and transactions of which we are aware.

Financial Statement Representations

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

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

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

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

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

The financial statements are free of material misstatements, including omissions. The effects of uncorrected misstatements identified during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Representations by Flintshire County Council

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

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by the members of Flintshire County Council on 26th September 2016.

We confirm that we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware.

Signed by:

Signed by:

Gary Ferguson
Corporate Finance Manager (Chief
Finance Officer)

Cllr Peter Curtis
Chair to the Council

Date: 26th September 2016

Date: 26th September 2016

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AUDIT COMMITTEE

Date of Meeting	Monday 26 September 2016
Report Subject	Annual Improvement Report of the Auditor General for Wales
Portfolio Holder	Leader of the Council
Report Author	Chief Executive
Type of Report	Strategic

EXECUTIVE SUMMARY

This Annual Improvement Report (AIR) summarises the audit work undertaken at the Council by the Wales Audit Office since the last report was published in March 2015.

Overall the Auditor General for Wales has reached a positive conclusion: *“Despite increasing financial pressures, the Council has continued to improve performance within its priority areas and to strengthen its corporate arrangements.”*

RECOMMENDATIONS

1.	To accept the Annual Improvement Plan and note the updated response to the Proposals for Improvement from the 2015 report.
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REPORT DETAILS

1.00	The Annual Improvement Report
1.01	The Auditor General under the Local Government (Wales) Measure 2009 (Measure) undertakes and publishes an annual improvement report for all Welsh Councils, Fire and Rescue Authorities and National Park Authorities.
1.02	This is the sixth such Annual Improvement Report for Flintshire. It includes the Appointed Auditor's Annual Audit Letter as previously reported to Audit Committee in January 2016.

1.03	<p>It also includes an updated assessment of the review of the seven proposals for improvement which were incorporated within last year's Annual Improvement Report as part of the four year cycle of Corporate Assessments.</p> <p>The full report is appended at Appendix 1.</p>
1.04	<p>Overall the Auditor General has concluded that: <i>“Despite increasing financial pressures, the Council has continued to improve performance within its priority areas and to strengthen its corporate arrangements.”</i></p>
1.05	<p>The Auditor General has reached this conclusion as verified within the three sections of the report:</p> <p>Performance: <i>a) despite increasing budget pressures the Council continues to make good progress against its priority areas and maintains compliance with the Local Government Measure 2009;</i></p> <p>Use of Resources <i>b) the Council is strengthening its management of financial resources, but has made less consistent progress revising other resource management strategies; and</i></p> <p>Governance <i>c) the Council has made good progress in addressing the governance-related proposals for improvement arising from our 2015 corporate assessment report.</i></p>
1.06	<p>Of particular significance is the assessment made of the Council's own performance for 2014/15.</p> <p><i>“During 2014-15, the Council maintained or improved its performance for almost two-thirds (63 per cent) of national performance indicators. Although this was slightly below the 67 per cent achieved in 2013-14, it is still good performance, considering the significant financial pressures facing local government.”</i></p> <p><i>“The Council's performance relative to other councils in Wales improved significantly. The proportion of indicators where performance was better than the national average improved from 51 per cent in 2013-14 to 62 per cent in 2014-15 and a higher proportion of national indicators were in the top half – 60 per cent in 2014-15 compared to 54 per cent in 2013-14.”</i></p>
1.07	<p>The Auditor General has not made any statutory recommendations with which the Council must comply, nor any further advisory proposals for improvement.</p>
1.08	<p>The Council's updated response to the seven proposals for improvement from last year's report are attached as Appendix 2.</p>

2.00	RESOURCE IMPLICATIONS
2.01	Resource implications have been considered during preparation of the Medium Term Financial Strategy and will continue to be monitored during the regular budget monitoring and financial planning arrangements.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	All Overview and Scrutiny Committees have the opportunity to review the performance of the Improvement Plan priorities for 2015/16 and have been involved throughout the year with the quarterly monitoring reports.

4.00	RISK MANAGEMENT
4.01	Delivery of the plan objectives is risk managed as part of each of the sub priorities of the Improvement Plan and is monitored and reported against quarterly by the Overview and Scrutiny Committees.

5.00	APPENDICES
5.01	<p>Appendix 1: Annual Improvement Report June 2016</p> <p>Appendix 2: Flintshire's updated executive response</p> <p>Appendix 3: Annual Improvement Report incl. Corporate Assessment 2014</p>

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<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	Annual Improvement Report: The Annual Improvement Report is publicised by the Wales Audit Office (WAO) on behalf of the Auditor General for Wales. It brings together, with the input of other inspectorates such as Estyn and the Care and Social Services Inspectorate for Wales (CSSIW), a summary of the regulatory work of the past year.
7.02	Corporate Assessment: In 2013/14 the Wales Audit Office (WAO) began a new four year cycle of Corporate Assessments of improvement authorities in Wales. An in-depth Corporate Assessment reports on the Council's track record of performance and outcomes as well as the key arrangements

	necessary to underpin improvements in services and functions. Flintshire's first Corporate Assessment was conducted in late 2014 and the report on its outcomes was included in the Annual Improvement Report published in March 2015.
7.03	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
7.04	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.



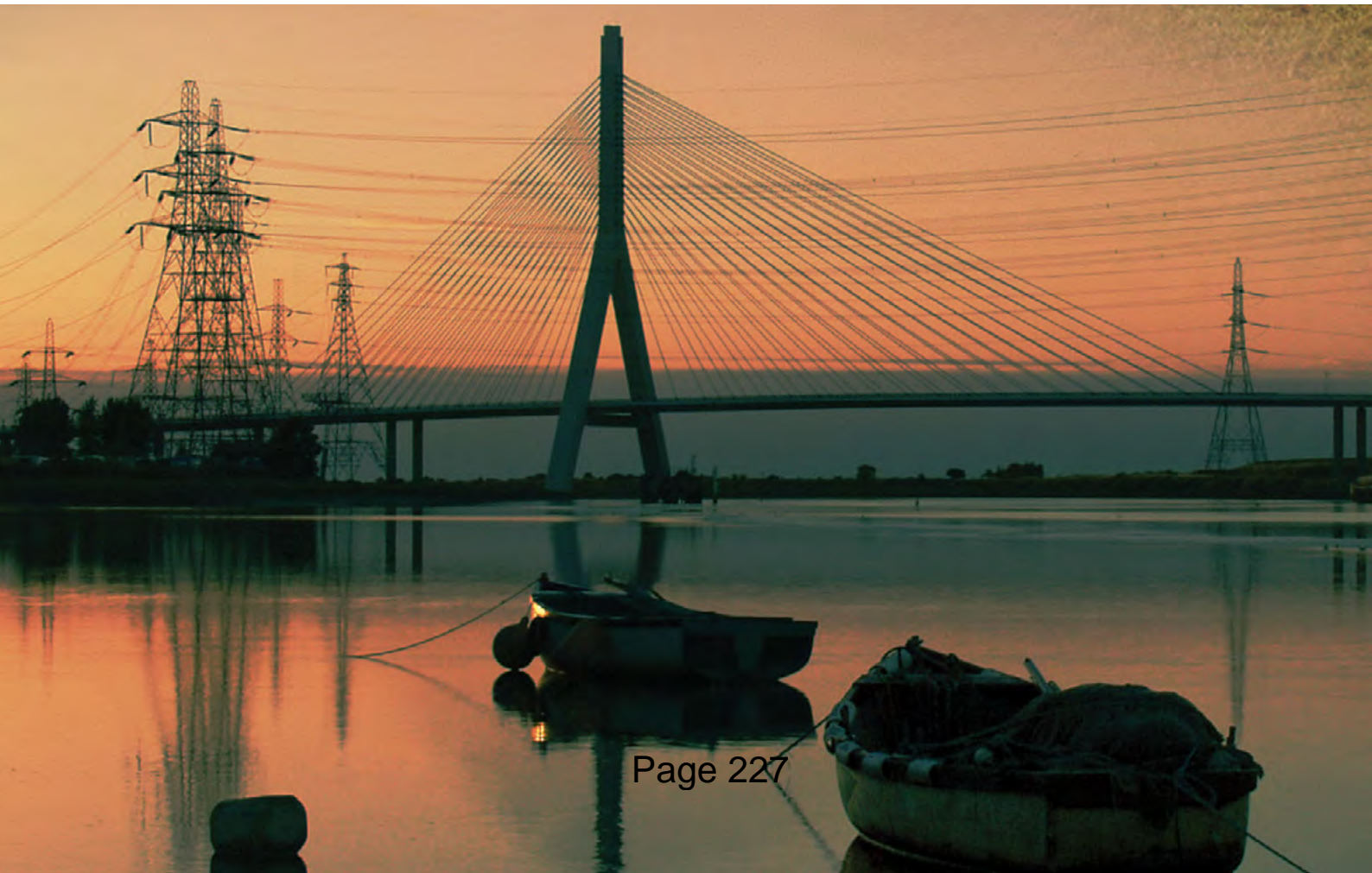
WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Annual Improvement Report 2015-16

Flintshire County Council

Issued: June 2016

Document reference: 336A2016



This Annual Improvement Report has been prepared on behalf of the Auditor General for Wales by Jeremy Evans and Paul Goodlad under the direction of Jane Holownia.

**Huw Vaughan Thomas
Auditor General for Wales
Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ**

The Auditor General is independent of government, and is appointed by Her Majesty the Queen. The Auditor General undertakes his work using staff and other resources provided by the Wales Audit Office Board, which is a statutory board established for that purpose and to monitor and advise the Auditor General. The Wales Audit Office is held to account by the National Assembly.

The Auditor General audits local government bodies in Wales, including unitary authorities, police, probation, fire and rescue authorities, national parks and community councils. He also conducts local government value for money studies and assesses compliance with the requirements of the Local Government (Wales) Measure 2009.

Beyond local government, the Auditor General is the external auditor of the Welsh Government and its sponsored and related public bodies, the Assembly Commission and National Health Service bodies in Wales.

The Auditor General and staff of the Wales Audit Office aim to provide public-focused and proportionate reporting on the stewardship of public resources and in the process provide insight and promote improvement.

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Summary report

About this report

- 1 This Annual Improvement Report (AIR) summarises the audit work undertaken at Flintshire County Council (the Council) since the last such report was published in March 2015. This report also includes a summary of the key findings from reports issued by 'relevant regulators', namely: the Care and Social Services Inspectorate Wales (CSSIW); Her Majesty's Inspectorate for Education and Training in Wales (Estyn); and the Welsh Language Commissioner (WLC). Nonetheless, this report does not represent a comprehensive review of all the Council's arrangements or services. The conclusions in this report are based on the work carried out at the Council by relevant external review bodies and, unless stated otherwise, reflect the situation at the point in time that such work was concluded.
- 2 Taking into consideration the work carried out during 2015-16, the Auditor General will state in this report whether he believes that the Council is likely to make arrangements to secure continuous improvement for 2016-17.
- 3 This statement should not be seen as a definitive diagnosis of organisational health or as a prediction of future success. Rather, it should be viewed as providing an opinion on the extent to which the arrangements currently in place are reasonably sound insofar as can be ascertained from the work carried out.
- 4 We want to find out if this report gives you the information you need and whether it is easy to understand. You can let us know your views by e-mailing us at info@audit.wales or writing to us at 24 Cathedral Road, Cardiff, CF11 9LJ.

2015-16 performance audit work

- 5 The work carried out since the last AIR, including that of the 'relevant regulators', is set out below:

Project name	Brief description
Wales Audit Office Financial Resilience Review	Review of the Council's financial position and how it is budgeting and delivering on required savings.
Wales Audit Office Annual 'Improvement Plan' Audit	Review of the Council's published plans for delivering on improvement objectives.
Wales Audit Office Annual 'Assessment of Performance' Audit	Review of the Council's published performance assessment, including testing and validation of performance information.
CSSIW: Review of the Social Services Department's performance 2014-15	Annual Review and Evaluation of Performance of the Council's Social Services functions for 2014-15.
Estyn desk top analysis	An overview of key issues at the Council, prepared by Estyn.
Wales Audit Office Benchmarking social services costs against performance	A review across the six North Wales councils, exploring the value of current social services performance indicators and their links if any to service delivery costs.
Wales Audit Office Performance Assessment	Assessment of progress against the proposals for improvement included within the Council's Annual Improvement Report 2014 (incorporating the Corporate Assessment Report 2014), published in March 2015.
Follow-up work	To seek assurance that the Council has appropriate corporate processes for responding to Wales Audit Office reports, tracking implementation of recommendations and reporting this to the appropriate committee.
National Reports	<ul style="list-style-type: none"> • The financial resilience of councils in Wales • Community safety partnerships • Income generation and charging • Council funding of third-sector services

Despite increasing financial pressures, the Council has continued to improve performance within its priority areas and to strengthen its corporate arrangements

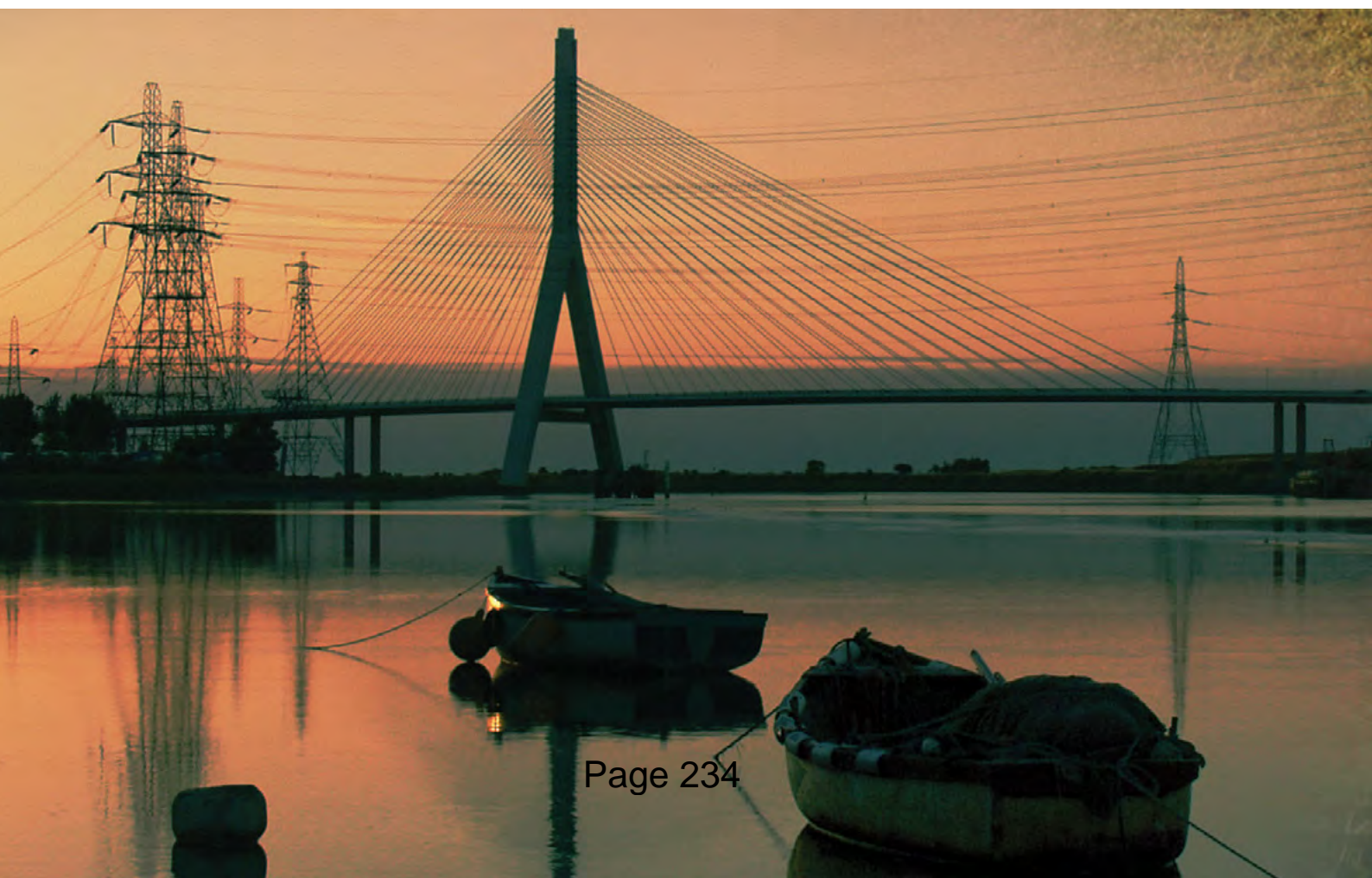
- 6 Based on, and limited to, the work carried out by the Wales Audit Office and relevant regulators, the Auditor General believes that the Council complies with the requirements of the Measure and is likely to comply with the requirements of the Measure and secure improvement during 2016-17.
- 7 The Auditor General has reached this conclusion because:
 - a despite increasing budget pressures the Council continues to make good progress against its priority areas and maintains compliance with the Local Government Measure 2009;
 - b the Council is strengthening its management of financial resources, but has made less consistent progress revising other resource management strategies; and
 - c the Council has made good progress in addressing the governance-related proposals for improvement arising from our 2015 corporate assessment report.

Recommendations

- 8 Given the wide range of services provided by the Council and the challenges it is facing, it would be unusual if we did not find things that can be improved. The Auditor General is able to:
 - a make proposals for improvement – if proposals are made to the Council, we would expect it to do something about them and we will follow up what happens;
 - b make formal recommendations for improvement – if a formal recommendation is made, the Council must prepare a response to that recommendation within 30 working days;
 - c conduct a special inspection, publish a report and make recommendations; and
 - d recommend to Ministers of the Welsh Government that they intervene in some way.
- 9 During the course of the year, the Auditor General did not make any formal recommendations, but other reports issued to the Council did identify lower-priority issues, known as proposals for improvement, and may be referred to later on in this report. We will continue to monitor proposals for improvement during the course of our improvement assessment work.

- 10 The Auditor General also makes recommendations that may be relevant to the Council in his Local Government National Reports. A list of recommendations contained in reports issued during 2015-16 is included in [Appendix 3](#).
- 11 In addition, the Care and Social Services Inspectorate Wales (CSSIW), and the Welsh Language Commissioner (WLC) included areas for improvement/action in their inspection reports and letters issued to the Council during the year. These are available at www.cssiw.org.uk and www.comisiynyddygybraeg.org.
- 12 Estyn did not issue any inspection reports to the Council during 2014-15.

Detailed report



Performance

Despite increasing budget pressures the Council continues to make good progress against its priority areas and maintains compliance with the Local Government Measure 2009

- 13 The Council has complied with the Local Government Measure 2009. We issued compliance certificates for the Council's Improvement Plan 2015-16 in July 2015 and for the 2014-15 Annual Performance Report in November 2015.

The Council has a protocol for dealing with national reports produced by the external auditor, other regulators and inspectors and continues to strengthen its approach for responding to recommendations

- 14 The Council's Policy and Performance team is responsible for circulating all external audit and inspection reports to appropriate officers and committees. Distribution arrangements remain flexible, especially where national reports may have implications for a wider internal audience. This approach helps to ensure that officers and Members are aware of reports and associated recommendations affecting their area of responsibility.
- 15 During 2013, the Council updated its approach for reviewing and reporting its compliance with external audit and inspection report recommendations. These arrangements are still maturing. For example, there is no prescribed approach for routinely reporting progress against agreed actions; officers provide feedback to the appropriate committee, but this happens on a more ad hoc basis. However, the Audit Committee receives a comprehensive annual report, intended to provide assurance that all external regulator and inspection reports have been considered in the appropriate Member committees and action taken in response to the recommendations, where appropriate. The Internal Audit Manager presented the third annual report to the Audit Committee in January 2016.

The Council has accelerated the rate of progress against its improvement priorities

- 16 The Council prioritised the protection of frontline services when setting its annual budgets. This has contributed to an ongoing improvement in performance, as measured by national performance indicators. During 2014-15, the Council maintained or improved its performance for almost two-thirds (63 per cent) of national performance indicators. Although this was slightly below the 67 per cent achieved in 2013-14, it is still good performance, considering the significant financial pressures facing local government.
- 17 The Council's performance relative to other councils in Wales improved significantly. The proportion of indicators where performance was better than the national average improved from 51 per cent in 2013-14 to 62 per cent in 2014-15 and a higher proportion of national indicators were in the top half – 60 per cent in 2014-15 compared to 54 per cent in 2013-14. Data from the National Survey for Wales¹ reinforces this view of relative performance. The Council was one of only

¹ The National Survey for Wales involves around 12,000 people a year across the whole of Wales. The Welsh Government uses the results to help make Wales a better place to live in.

three councils in Wales where public perceptions about the quality of services² did not deteriorate between 2013-14 and 2014-15. This moved the Council up from seventh out of 22 to second in 2014-15, for that specific aspect of the survey.

- 18 The Council's Annual Performance Report routinely evaluates performance and progress against its improvement priorities³, the underlying sub-priorities and the high-level activities that support these priorities. Over recent years, our own analysis of the Council's progress and performance has confirmed that its self-evaluations are well balanced and supported by good evidence. A comparison of the Council's assessment of progress in 2013-14 and 2014-15 (**Exhibit 1**) also shows progress across the Council's hierarchy of strategic and operational improvement priorities.

Exhibit 1: Comparison of the Council's evaluation of progress in 2013-14 and 2014-15

Area of progress	Self-Assessment Data from the 2013-14 Performance Report	Self-Assessment Data from the 2014-15 Performance Report
Progress against the Council's eight Improvement Priorities	Good Progress: 2 Satisfactory Progress: 6 Limited Progress: 0	Good Progress: 7 Satisfactory Progress: 1 Limited Progress: 0
Progress against the Council's sub-priorities	Good Progress: 11 Satisfactory Progress: 13 Limited Progress: 0 (24 sub-priorities in 2013-14)	Good Progress: 16 Satisfactory Progress: 6 Limited Progress: 0 (22 sub-priorities in 2014-15)
Progress against the Council's high-level activities	Good Progress: 55 Satisfactory Progress: 41 Limited Progress: 2 (98 high-level activities in 2013-14)	Good Progress: 50 Satisfactory Progress: 28 Limited Progress: 1 (79 high-level activities in 2014-15)

Source: Flintshire County Council

- 19 The Council secured the full Welsh Government Outcome Agreement grant for 2013-14 and 2014-15; this helps the Council to demonstrate that it has continued to improve outcomes for local people within the context of national priorities.

² In both 2013-14 and 2014-15, 61 per cent of survey respondents from Flintshire either strongly agreed, or tended to agree, that their local authority provided high quality services.

³ The Council's eight Improvement Priorities focus on Housing, Living Well, Economy & Enterprise, Skills and Learning, Safe Communities, Poverty, Environment, Modern and Efficient Council.

The Council has made progress in the majority of improvement areas previously identified by CSSIW, but some areas of weaker performance remain in both children's and adult services

- 20 The CSSIW published its Annual Review and Evaluation of Performance 2014-15 for Flintshire County Council in October 2015. This section of the report summarises CSSIW's evaluation of the Council's performance in delivering its social services functions; the full report is available on their [website](#).
- 21 The CSSIW found that the Council is facing significant challenges in accommodating the new responsibilities created by the Social Services and Well-being (Wales) Act 2014. The Council is realistic about the risks posed by increasing demand, meeting greater complexity of need and growing budgetary pressures. In response, it has developed a number of new service models as part of a strategic transformation programme that is increasingly focused upon the goal of creating an integrated preventative system for care.
- 22 The Council accepts that the early benefits and achievements gained through its reablement programme can no longer be achieved on the same scale, and anticipates increasing numbers of older people in particular who will have ongoing support or complex care needs. As a consequence, the Council is developing improved access arrangements, investing in smarter commissioning and forging stronger and more integrated working arrangements with an outcome focus. In particular, there is more confidence that the new working structure being implemented by Betsi Cadwaladr University Health Board (BCUHB) will provide a more solid locality focus.
- 23 Adult safeguarding arrangements are in transition and require strengthening in order to provide a more consistent response. Thresholds are inconsistently applied and adults at risk need to have a stronger voice and be at the centre of working practice. During mid-2015, CSSIW inspected Children's Social Services at the Council, focusing on access to services and the quality of work in children's services during the past year. In particular, the inspection looked at the impact for children, young people and their families and how well the Council responded to their needs.
- 24 The CSSIW found that the Council needs to review its early intervention and prevention arrangements to ensure a timely and consistently appropriate response. Re-referral rates have significantly increased; the Council needs to understand and then address the reasons for this increase. Full details of the inspection – which was reported in September 2015 – are available from [CSSIW's website](#).
- 25 Life chances for looked after children require sustained commitment and determination if they are to improve. Whilst recent outcomes have been good, there are indications that corporate parenting is not as effective as it could be. A significant number of placements are not in the immediate area, school placements are not as stable as they were and health assessments are not routinely undertaken. The Council needs to review how to address these issues in order to deliver the best possible outcomes for current looked after children.

- 26 During early 2015, CSSIW also inspected the Council's fostering services and found that many things were being done very well, such as good awareness of child need and a real commitment to providing high quality information. The Council is aware of the need to find more people willing to be foster carers. The report can be downloaded from the [CSSIW website](#).
- 27 As part of the Wales Audit Office Social Services Sustainability work across the six North Wales councils, we produced a document for the Council that presented:
- a future demand for social services in Flintshire through benchmarking population projections for children and older people; and
 - b a suite of graphical analyses that combined financial and performance data for social services in Flintshire over multiple years and which also placed the Council within the context of the other 21 Welsh councils.
- 28 There were no recommendations or conclusions arising from this work. Each council received a data pack containing value-for-money data and we facilitated a North Wales-wide workshop for Directors of Social Services and other key senior managers.

Estyn's evaluation of school performance

- 29 The proportion of pupils eligible for free school meals in Flintshire is much lower than the Wales average. This is taken into account when evaluating the performance in the authority.
- 30 Performance in the Foundation Phase indicator and the key stage 2 core subject indicator has steadily improved over the last four years. Performance in both indicators was just above the Wales average in 2015, but below that in similar authorities. At key stage 3, performance in the core subject indicator has remained well above the Wales average for the last five years and, in 2015, was broadly in line with performance in similar authorities.
- 31 At key stage 4, performance in the level 2 threshold including English or Welsh and mathematics has consistently been above the Wales average for the last five years. However, performance has declined for two consecutive years in 2014 and 2015 and is now lower than in similar authorities. Performance in the capped average wider points score has improved every year for the last five years, but at a slower rate than for Wales as a whole. In 2015, performance was lower than the Wales average for the first time, and much lower than in similar authorities. The authority has not met either of the benchmarks set by the Welsh Government for key stage 4 performance in 2015, having met one in the previous two years and both in 2012. The proportion of pupils achieving five A* or A grades at GCSE or equivalent has been consistently below the Wales average and well below that for similar authorities for five years.

- 32 In primary schools, the performance of pupils eligible for free school meals, while gradually improving, has been below the Wales average for the last two years. In secondary schools, however, the performance of these pupils has remained above the Wales average during the same period.
- 33 Primary school attendance has improved at a slower rate than for Wales as a whole and, for the first time in five years, was lower than the Wales average in 2015. Secondary school attendance has been above the Wales average for five years and in 2015 was average, compared to levels in similar authorities.
- 34 For the last two years, the rate of exclusions in Flintshire's schools has been above the Wales average and much higher than in similar authorities. Despite this, in 2014, the authority had the lowest percentage of Year 11 leavers not in education, employment or training (NEET) in Wales.

Use of resources

The Council is strengthening its management of financial resources, but has made less consistent progress revising other resource management strategies

The appointed auditor issued an unqualified audit opinion on the accounts, with key matters to be addressed reported to the Audit Committee

35 The Auditor General issued an Annual Audit Letter to the Council on 2 December 2015, subsequently reported to the Audit Committee in January 2016. The letter summarised the key messages arising from his statutory responsibilities under the Public Audit (Wales) Act 2004 as the Appointed Auditor and his reporting responsibilities under the Code of Audit Practice. The Auditor General issued an unqualified opinion on the Council's financial statements, confirming that they present a true and fair view of the Council's and the Pension Fund's financial position and transactions. The Annual Audit Letter is provided in [Appendix 2](#) of this report.

The Council is strengthening its financial planning arrangements but its approach to setting budgets for 2016-17 was high risk

36 The Council's overall vision and eight strategic priorities are clearly articulated within its Council Plan. During 2015-16, the Council has responded to feedback from our March 2015 corporate assessment report by further strengthening the links between its improvement objectives, service and financial plans. The Council has also taken action to ensure that its budgets are better aligned to support the delivery of its corporate vision, aims and improvement objectives.

37 The Council's approach to budget planning is informed by comprehensive and reasonable assumptions based on robust data. Part 1 of the Medium Term Financial Strategy (MTFS) provides a forecast of the resources likely to be available to the Council over three years (2015-16 to 2017-18) including the pressures on those resources. The Council set out the impacts of national funding reductions and the lack of availability of national resources to meet inflationary and other cost pressures in its MTFS. Part 2 of the MTFS sets out a three-part funding strategy to meet the £45.5 million⁴ budget reductions identified for the duration of the MTFS, these are:

- a Part 1: service reform and business planning;
- b Part 2: corporate financial stewardship; and
- c Part 3: working with the Welsh Government to obtain additional funding to bridge the remaining gap.

⁴ The MTFS identified a budget gap of £52.8 million, prior to the December 2015 provisional settlement, which subsequently reduced the budget gap to some £45.5 million.

- 38 The Council recognised that pressing the Welsh Government for an improved financial settlement from that first forecast by the Council was a high-risk approach – but it was clear that the alternative would mean the Council would have to make unacceptable cuts to front line services.
- 39 In December 2015, the Welsh Government announced a lower than anticipated reduction in Revenue Support Grant, 1.5 per cent for 2016-17, rather than the 3.5 per cent the Council forecast in the MTFS. Having already identified cost reductions in the order of £12.4 million for 2016-17 the impact of the provisional settlement, together with new and emergent pressures, reduced the remaining budget gap to £3.5 million⁵. The January 2016 report to Cabinet highlighted work to identify further budget reduction options, including workforce costs, council tax and the use of reserves and balances (£1.4 million). The agreed cost reduction areas were presented to Cabinet and Council in February 2016. The Council has now set a balanced budget for 2016-17, without the need for additional funding from the Welsh Government.

The Council is strengthening its financial controls, including the development of a comprehensive income generation and charging policy

- 40 The Council has effective budget setting and generally effective budget monitoring arrangements, underpinned by financial procedural rules that clearly define roles, responsibilities and accountability. It also has a clearly defined scheme of delegation and protocols for managing budget under or overspends.
- 41 The Council is also rolling out a new software system, intended to fully automate the budget monitoring process, promote a more consistent approach to budgetary control across the Council and reduce the number of individual spreadsheets used within different service departments. The Council anticipates that this will help the Finance function to improve the efficiency and effectiveness of the support it provides by improving management access to financial information and the timeliness of information to Members.
- 42 During 2015-16, the Council has strengthened its ability to monitor and respond to budget pressures and emerging variances by establishing eight Programme Boards – involving senior officers and Members – that challenge and review performance regularly. However, in common with many of its peers, the Council does not robustly monitor its key financial ratios – so it is unable to benchmark them against similar bodies.
- 43 Maximising income generation is a key component of the Council's budget and a main strand within the MTFS. The MTFS recognises that the Council will need to develop its income policy and identify new opportunities for income generation. The Council is developing a more comprehensive income-generation strategy – which it expects to complete during 2016 – building on earlier work to develop a single and consistent fees and charges policy. The Council intends the strategy to define the arrangements for annually reviewing existing fees and charges and key principles for maximising future income. It will also take into account future government policy

⁵ Report to Cabinet: 19 January 2016 and 16 February 2016.

and wider national and local analysis including the economic position so as to establish any future risks around customer uptake or 'drop off'. The strategy will also include any implications of national reform. For example, the cap applied to health care and any impact on income generation if reviewed in Wales and what the financial implications of this would be to the Council. The Council expects the new income generation strategy, along with others, to complement the delivery of the Council's MTFs.

- 44 Traditionally, despite generally effective budget setting and monitoring arrangements, our work on the audit of the financial statements over the last few years has found that some aspects of the Council's wider financial control arrangements were not sufficiently robust. As a result we subsequently participated in a post project learning session with officers to identify opportunities to improve the Council's controls and approach. That meeting generated a range of ideas to improve the Council's processes and working methods, which the Council is now implementing.

The Council has comprehensive arrangements to review and challenge financial performance and is taking action to ensure sufficient corporate and financial capacity and improved accounts production

- 45 The Council's leadership team has a good understanding of the significant and rapidly changing financial challenges and risks facing the Council. In addition to formal arrangements for reporting and challenging budget performance, such as Cabinet and Scrutiny, the Council has developed more informal, but nevertheless robust arrangements. The Council has also restructured its chief officer team to promote collective responsibility for strategic financial planning.
- 46 As well as regular interaction between chief officers and the S151 Officer, the Council has established eight Programme Boards that meet regularly to challenge and review performance. Collectively, these arrangements encourage routine challenge of financial assumptions and performance and help to broaden Member and officer understanding of the Council's financial position.
- 47 Members receive regular, detailed budget reports that provide information on progress, variance against plans and corrective action already underway or planned. This allows members to scrutinise and challenge financial performance effectively and to hold lead members and officers to account.
- 48 The Council has continued to enhance its approach to engaging with stakeholders on budget issues. The development of the 2016-17 budget was informed by the 'This is Your Moment' consultation. Based on its experiences, the Council provided more comprehensive information on the challenges and options it faces and staged a series of seven public meetings throughout the county to listen to the views of its citizens. A total of 319 people attended these meetings and in addition approximately 6,500 people viewed the Council's online information in one form or another.

- 49 Whilst the Council has demonstrated improvements in budget setting and managing financial performance, it continues to face challenges in the preparation of its financial statements. The Council's annual accounts have been subject to amendment during the annual audit process in recent years. For the 2014-15 annual accounts several notable amendments were needed before they could be finalised for presentation for approval. Whilst there is a developed action plan in place both to improve the annual accounting process, and to widen collective responsibility for the annual accounts amongst senior officers with accountability for service resources and expenditure, the work is not complete and will be tested during the audit of the 2015-16 financial statements.

Inconsistent progress on revisions to the strategies for People, ICT and Asset Management has delayed completion of an overarching corporate resourcing strategy

Corporate Assessment Proposal for Improvement P3

The Council should ensure that, in implementing its revised strategies for People, ICT and Asset Management:

- 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

- 50 The Council approved a new asset management strategy in February 2016, but has made limited progress with the development of new strategies for ICT and People. However, the Council's approach has focused on aligning resources to its priority activities.
- 51 The Council's new Capital Strategy and Asset Management Plan 2016-2020 (CS&) provides a clear vision for its land and building assets. The CS& strengthens the Council's medium-term approach to managing its assets by providing a structured and integrated approach for both capital and asset management.
- 52 The CS& includes robust links to the MTFS, with clear aims and principles that support effective management of the Council's assets. There are also clear links between the Council's capital programme and its service and revenue budget planning processes, both of which take account of the MTFS framework. The Council regards the CS& as a key enabler – alongside the MTFS and the Improvement Plan – to help it minimise the impact of ongoing financial pressures.

- 53 The CS& identifies the Council's 'needs and priorities' for the next five years and defines the role of the Asset Programme Board (APB), which includes senior officers from each of the Council's portfolios. The APB is responsible for developing and managing work streams associated with the Council's capital programme and wider asset base and the asset disposal strategy and plan. The APB also has a remit to promote strong links between the CS& and other corporate strategies, including the MTFS. Together, these arrangements foster an integrated approach to asset management, with the potential to support strategic and operational development and change.
- 54 The development of a new ICT strategy began in early 2015, but was delayed by a decision to restructure the service. However, the service has continued to support Council priorities and the corporate change programme. The Council now expects to finalise the new ICT strategy during summer 2016.
- 55 Our corporate assessment report acknowledged that delivery of the Council's Single Status agreement and Equal Pay Review was very demanding and affected the progress of other Human Resources and Organisational Development (HR & OD) priorities. Since then, long-term staff absences and a focus on supporting service reviews and business plans have significantly reduced the capacity of the HR & OD team, delaying progress with the new People Strategy.
- 56 The delay in developing and implementing new ICT and People Strategies could affect their potential to contribute to the Council's efficiency agenda and support other key strategies to a fuller extent. For example, the CS& recognises opportunities for using ICT as an enabler for change and efficiency savings, such as widening the scope of the Council's agile working arrangements. However, the Council may not be able to exploit some opportunities until the development of a new ICT strategy is complete.
- 57 More importantly, the delays associated with the People and ICT strategies have prevented completion of a Corporate Resource Strategy (CRS), originally scheduled for publication during summer 2015. The Council expects the CRS to provide an overarching strategic focus on capability, capacity and risks, and encourage stronger links between the enabler strategies.

The Council has made some progress to improve the consistency of its approach to workforce planning, but further work is required to complete the arrangements

Corporate Assessment Proposal for Improvement P7

The Council should ensure a consistent approach to workforce planning and use the results to inform future reductions in staff.

- 58 The Council has started to implement a range of initiatives intended to promote a more consistent approach to workforce planning, reflecting a smaller, leaner local government structure with more community-centred delivery. Some initiatives are at an early stage and work on these continues. The Council states that HR Business Partners will work with portfolio management teams to ensure the development of workforce plans which are strategically aligned and integrated with business, service, financial and corporate workforce strategies.
- 59 The Council's new staff appraisal model improves its workforce planning capability, but – as noted above – HR & OD departmental capacity pressures have limited the progress achieved in some areas. The Council has reviewed its HR & OD structure and is taking action to strengthen its arrangements during early 2016.
- 60 During 2015, the Council introduced and implemented a new staff appraisal model that encourages greater individual ownership of departmental and corporate priorities. This new model has also enhanced the Council's approach to succession and workforce planning. However, the Council did not meet its original aim to appraise all staff using the new system, by mid-2015. By the end of March 2016, the new model still excluded a minority of staff.
- 61 The staff appraisal process has benefitted from an improved IT system able to provide managers with more comprehensive data analysis. When fully rolled out, the Council expects data provided by the system to strengthen its workforce planning capability.
- 62 As well as strengthening workforce planning arrangements, the Council has sought to reduce staff absenteeism. Although year-end sickness absence data for 2015-16 is not yet available, the Council expects to improve its 2014-15 performance. At the end of December 2015, the Council's year-end forecast was 9.8 days/shifts lost per full-time equivalent employee, compared with 10.7 days in 2014-15. The Council attributes this improvement to focused work by the HR Business Partner team. The team provided customised support to reflect the context under which individual portfolios operate – to raise the profile of, and ensure a consistent approach to, the Council's sickness absence policy. The team has also started to arrange and attend case conferences with Occupational Health colleagues to explore and support more complex cases. Measures such as these are helping the Council to increase staff attendance and reinforce its efforts to strengthen workforce planning.

Governance

The Council has made good progress in addressing the governance-related proposals for improvement arising from our 2015 corporate assessment report

- 63 This section of the report focuses on the Council's progress against the five governance-related proposals for improvement arising from the corporate assessment report published in March 2015.

The Council has implemented a range of actions to improve the consistency of its business planning arrangements and to encourage wider staff ownership of key objectives and targets

Corporate Assessment Proposal for Improvement P1

The Council should develop and implement a consistent approach to business planning that promotes the ownership by staff of key objectives and targets.

- 64 The Council's revised approach to business planning has improved its ability to identify efficiency savings. Each of the Council's eight portfolio areas have produced three-year business plans, targeting cost reduction of around 30 per cent, in all areas other than education and social services. In addition to a focus on efficiency savings, the plans also take account of statutory responsibilities and their contribution to the Council's improvement priorities.
- 65 The Council's new programme boards – attended by portfolio Members and officers - cover all portfolio areas and contribute to the business planning process, by managing and monitoring the efficiency business plans and reviewing risk, capacity, engagement and resourcing needs. The Council has also started to rollout its integrated performance management system (CAMMS) which it expects to complete by mid-2016, promoting more consistent service planning.
- 66 The improved business planning arrangements provide more comprehensive support to the Council's Improvement Plan. For example, its priorities are now more clearly reflected in the service level priorities identified during business and service planning. These changes, together with an improved staff appraisal model, are helping employees and their service managers to appreciate how their contribution supports the Council's corporate and service-level priorities. The Council anticipates that this approach, when fully rolled out, will encourage greater ownership by staff of key objectives and targets.

The Council has introduced changes that have noticeably improved the quality and readability of reports that go to committees and to Cabinet

Corporate Assessment Proposal for Improvement P2

The Council should improve the quality of its reports to committees and Cabinet to ensure that:

- 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.

- 67 The Council completed a comprehensive review of its report structures and content, during summer 2015. Officers reviewed the standard report format and produced guidance on report writing (style, layout, consultation, report clearance processes) and presentation to Committees. The Council piloted a new standard report template in September, followed by Constitutional Committee approval in October 2015. The changes introduced include:
- a A clearer report structure that provides succinct executive summary and recommendation sections.
 - b A glossary of terms to explain less familiar or technical terms used without disturbing the flow of the report.
 - c References or links to relevant policies either as an appendix or within the background/supporting documents section.
 - d Clarity about the cabinet member(s) responsible for the topic under consideration and the officer report author.
 - e Greater use of hyperlinks to appendices and for referring to background/supporting documents.
 - f A report template that promotes clarity, supported by a report clearance checklist, to explain what needs to be considered prior to 'sign off'.
 - g Senior officers ensure that reports are 'signed off' prior to receipt by the Committee Manager and inclusion on the agenda. The guidance is understood and being implemented effectively under the guidance of the governance team.

- 68 Final roll out of the new report format and the discipline behind the report content took place during the November 2015 committee cycle. There has been a concerted effort to promote a consistent approach to report drafting/signing off and to provide clear and concise content. Although it may be too soon to assess the overall impact of these changes, early feedback from Members and officers is positive. Reports are less resource-intensive to prepare and easier and quicker to read.

Despite a range of actions intended to encourage and support member development, take-up of non-mandatory member training opportunities has not increased enough

Corporate Assessment Proposal for Improvement P4

Group Leaders should strongly encourage members to take advantage of the Member Development Scheme.

- 69 The arrangements for monitoring and reviewing the Council's Member Development Strategy are clear and take place annually. In July 2015, the Democratic Services Committee provided all Members with a copy of the Competency Framework⁶ and invited them to suggest amendments to the strategy or topics for development. The committee received a few suggestions which it considered during the review.
- 70 Prior to that, in April 2015 the Chief Executive met Group Leaders to discuss the corporate assessment report and asked them to promote the take-up of Member training opportunities. Group Leaders subsequently shared this request with their respective Groups.
- 71 To encourage take-up, member training and development sessions take place at various times of the day and into the early evening; this provides flexibility for members to fit training in with their other commitments. For some training topics, the Council arranges several sessions to provide Members with a wider choice of dates and times.
- 72 For meaningful training to take place, the Council considers that at least six Members need to have confirmed their attendance – though new Members elected at by-elections receive one-to-one training, where required. Members also routinely take advantage of informal or ad hoc training sessions – in small groups or with individual members – to enhance their understanding of specific issues. To supplement the formal programme of Member training, the Council also arranges workshops on specific topic areas, to brief members on important or emerging issues of interest.
- 73 Despite renewed efforts to increase Member take-up of training opportunities, attendance at training sessions has not noticeably increased during 2015-16.

⁶ Continuing Professional Development for Councillors Draft Competency Framework, produced by the Wales Local Government Association.

The Council has used the review of its scrutiny structures to encourage and support more effective decision-making

Corporate Assessment Proposal for Improvement P5

The Council should take the opportunity of its review of scrutiny structures to ensure that Overview and Scrutiny Committees can add real value to Council decision-making by aligning agendas more explicitly to Council priorities and risks.

- 74 Following a comprehensive review of scrutiny structures, informed by input from stakeholders including political group leaders and scrutiny Chairs, the Council approved a new overview and scrutiny committee structure in May 2015. The new overview and scrutiny model reflects the Council's operating model and includes an Organisational Change Overview and Scrutiny Committee (OCO&SC).
- 75 The introduction of the OCO&SC has required members and officers to adjust to a different approach to scrutiny. Whilst five of the scrutiny committees have direct links to functional portfolios, the OCO&SC has a greater focus on developing budget and policy frameworks. This involves a more in-depth analysis of policy issues and committee involvement during the developmental stages of major work areas.
- 76 The work programmes adopted by Scrutiny Committees have improved; they now identify the type of report under consideration, such as for consultation, assurance and, monitoring, development or for information. The majority of forward work programmes include a balance of topics selected for meetings – the exception being the OCO&SC, which has a more limited forward work programme. This provides the OCO&SC with greater flexibility and the capacity to respond to opportunities, challenges and emerging issues. A recent report reminded Members that this committee, by its nature, needed to operate differently from the others if it were to make a meaningful contribution.
- 77 The Council has reinforced its guidance on forward work plans to aligning agendas more explicitly to Council priorities and risks. Committees are encouraged to apply a 'test of significance' and consider a range of questions such as; 'Will the review contribute to the Council's priorities and/or objectives?' Scrutiny comments and recommendations on appropriate agenda items are regularly included within Cabinet reports.
- 78 There is also a greater focus on ensuring that scrutiny committee recommendations are more active and purposeful, and include fewer items for members 'to note'. Scrutiny chairs have received additional support, including individual coaching, to help them improve the effectiveness of their committees.

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

Corporate Assessment Proposal for Improvement P6

The Council should:

- adopt a consistent approach to managing risk, ensuring that all staff involved use a similar approach to record impact, likelihood and mitigating actions; and
- apply this approach to its future savings plans.

- 79 Following the 2014 corporate assessment, the Council's chief officer team committed to develop a more consistent approach to risk identification and management. Since then, the Council has introduced a range of actions, including the launch of a revised risk Management Policy and Strategy in January 2016.
- 80 The Council also implemented a new integrated performance management system in 2015, which includes a risk management module. This module provided a robust framework for implementing the revised approach to risk management. The Council used the module to record and monitor strategic risks within the 2015-16 Improvement Plan and to pilot a new approach to operational risk management within social services.
- 81 New reporting arrangements encourage a more consistent approach to risk management. Reports to committee and Cabinet now cover risks more prominently; the new committee report template includes a mandatory section on risk management. The anticipated impact of each risk is also more explicit, supported by a more sophisticated risk matrix. Improvements to the service planning process also support the management of operational risks.
- 82 The Council has increased the frequency with which it updates and reports on corporate risks – rather than just in the Annual Improvement Plan and Governance Statement. The chief officer team has also committed to strengthen its approach to risk management by developing a quarterly risk threat and emergence report and register; this remains work in progress.
- 83 The Council applies risk analysis to its future savings plans; the plans include sections for identifying risks and their status using a RAG⁷ rating, as well as arrangements to mitigate risk. However, the approach has not been entirely consistent; not all plans include sections that explain mitigating actions or planned responses if risks do materialise. The Council expects consistency to improve, now that roll-out of the integrated performance management system and associated tools is complete.

⁷ Council reports identify the level of risk using a RAG 'traffic light' system: Green denotes low risk, Amber denotes medium risk and Red denotes high risk. Council reports routinely provide additional information about areas designated as Red (high) risk.

- 84 The Council introduced an improved format to capture both new and emerging risks and new guidance for escalating risks and risk reporting, based on severity. Higher-level risks (categorised as 'black') are reported monthly and risks categorised as 'red' or 'amber' are reported quarterly.
- 85 Internal Audit reviewed the adequacy and effectiveness of the framework for strategic and operational risks during early 2016, to assess the system's compliance with established procedures and progress against earlier recommendations. The review identified some areas where further action is needed, but found that stakeholder ownership, understanding and consistency of approach to risk management had all improved.

Appendix 1 – Status of this report

The Local Government (Wales) Measure 2009 (the Measure) requires the Auditor General to undertake an annual improvement assessment, and to publish an annual improvement report, for each improvement authority in Wales. This requirement covers local councils, national parks, and fire and rescue authorities.

This report has been produced by staff of the Wales Audit Office on behalf of the Auditor General to discharge his duties under section 24 of the Measure. The report also discharges his duties under section 19 to issue a report certifying that he has carried out an improvement assessment under section 18 and stating whether, as a result of his improvement plan audit under section 17, he believes that the authority has discharged its improvement planning duties under section 15.

Improvement authorities are under a general duty to ‘make arrangements to secure continuous improvement in the exercise of [their] functions’. Improvement authorities are defined as local councils, national parks, and fire and rescue authorities.

The annual improvement assessment is the main piece of work that enables the Auditor General to fulfil his duties. The improvement assessment is a forward-looking assessment of an authority’s likelihood to comply with its duty to make arrangements to secure continuous improvement. It also includes a retrospective assessment of whether an authority has achieved its planned improvements in order to inform a view as to the authority’s track record of improvement. The Auditor General will summarise his audit and assessment work in a published annual improvement report for each authority (under section 24).

The Auditor General may also, in some circumstances, carry out special inspections (under section 21), which will be reported to the authority and Ministers, and which he may publish (under section 22). An important ancillary activity for the Auditor General is the co-ordination of assessment and regulatory work (required by section 23), which takes into consideration the overall programme of work of all relevant regulators at an improvement authority. The Auditor General may also take account of information shared by relevant regulators (under section 33) in his assessments.

Appendix 2 – Annual Audit Letter

Councillor Aaron Shotton and Colin Everett
Flintshire County Council
County Hall
Mold
Flintshire
CH7 6NB

Dear Aaron and Colin

Annual Audit Letter – Flintshire County Council 2014-15

This letter summarises the key messages arising from the Auditor General for Wales' statutory responsibilities under the Public Audit (Wales) Act 2004 and my reporting responsibilities under the Code of Audit Practice.

The Council complied with its responsibilities relating to financial reporting and use of resources

It is the Council's responsibility to:

- put systems of internal control in place to ensure the regularity and lawfulness of transactions and to ensure that its assets are secure;
- maintain proper accounting records;
- prepare a Statement of Accounts in accordance with relevant requirements; and
- establish and keep under review appropriate arrangements to secure economy, efficiency and effectiveness in its use of resources.

The Public Audit (Wales) Act 2004 requires me to:

- provide an audit opinion on the accounting statements;
- review the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources; and
- issue a certificate confirming that I have completed the audit of the accounts.

Local authorities in Wales prepare their accounting statements in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. This code is based on International Financial Reporting Standards. On 30 September 2015, I issued an unqualified audit opinion on the accounting statements confirming that they present a true and fair view of the Council's and the Pension Fund's financial position and transactions. My report is contained within the Statement of Accounts. The key matters arising from the accounts audit were reported to Flintshire County Council in my Audit of Financial Statements report on 24 September 2015, and are summarised below:

- The Council changed its basis for preparing the Consolidated Income and Expenditure Statement (CIES) which resulted in large unexplained variances and a significant number of errors that required correction.

- We identified some weaknesses in the strength of the Council's internal controls over payroll processing. These were consistent with the findings of Internal Audit. Whilst we were satisfied that these control weaknesses did not impact on our opinion on the financial statements, they are serious in nature as they increase the risk of error and fraud in the processing of pay.
- The level of scrutiny and review of the draft financial statements and recognition of the collective responsibility, for the preparation of the accounts and responding to the audit process, across the wider Council needs to be strengthened. This is essential if the Council is to meet the challenges resulting from the Welsh Government proposals to bring forward the timetable for the preparing and publishing the accounts of local government bodies in Wales.

As set out in my report, following the completion of the audit, it was agreed that we would hold a post project learning session with officers to identify any improvements that can be made. That meeting has already taken place and a number of actions have been agreed to improve processes and working methods relating to both the preparation and audit of the 2015-16 financial statements.

It is also worth noting, the Council lead on the preparation of the accounts of the North Wales Residual Waste Joint Committee and the Taith Regional Transport Consortia. On 30 September 2015, in respect of the North Wales Residual Waste Joint Committee, I confirmed that the information contained in its annual return was in accordance with proper practices, and in respect of the Taith Regional consortia I issued an unqualified opinion on its accounts confirming that they present a true and fair view of the Committee's financial position and transactions. The key matters arising from both these accounts audits were reported to the relevant committees. I do not need to bring anything further to your attention in this letter.

I am satisfied that the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources

My consideration of the Council's arrangements to secure economy, efficiency and effectiveness has been based on the audit work undertaken on the accounts as well as placing reliance on the work completed as part of the Improvement Assessment under the Local Government (Wales) Measure 2009. My Annual Improvement Report will highlight areas where the effectiveness of these arrangements has yet to be demonstrated or where improvements could be made.

Historically, I have taken the opportunity to comment on the Council's financial planning in my annual audit letter. However, we have recently undertaken a Financial Resilience Assessment on the Council and I will be issuing my report in December.

I issued a certificate confirming that the audit of the accounts has been completed on 30 September 2015

I also issued a completion certificate for the joint committees on the same date.

My work to date on certification of grant claims and returns has not identified significant issues that would impact on the 2015-16 accounts or key financial systems

In June 2015, the Audit Committee considered my Certification of Grants and Returns 2013-14 report which confirmed that the Council had generally adequate arrangements in place for the preparation of submission of its grant claims. However, 53 per cent of the claims were qualified and a further 26 per cent were amended and the Council needed to further embed and improve the arrangements which had been adopted in previous years. The Audit Committee, rightly, expressed its disappointment and concerns at the report findings.

Prior to the commencement of the preparation of the 2014-15 claims we worked with relevant officers to assist in identifying where previously agreed processes were not being consistently followed and to clarify audit expectations. We also delivered further grants training to officers involved in the preparation of grant returns. It is hoped that these actions, along with other actions taken by the Finance department, will result in an improvement in the quality of the grant claims submitted for audit.

My programme of audit work on the 2014-15 grant claims is currently underway and I will issue a more detailed report on my grant certification work, in Spring 2016, once this year's programme of certification work is complete.

In my 2015 Audit Plan I set out that I expected the financial audit fee for 2014-15 to be £216,336. As a result of the issues identified and the resultant additional work in order to allow me to form my opinion on the accounts, the fee will be slightly higher than anticipated. We will discuss this with the Corporate Finance Manager in due course and report the position to the Audit Committee once all our work is complete. All other fees are in line with those set out in the plan.

Yours sincerely

John Herniman

For and on behalf of the Auditor General for Wales

Appendix 3 – National report recommendations 2015-16

Date of report	Title of review	Recommendation
April 2015	<p>The Financial resilience of Councils in Wales</p>	<p>R1 Councils should ensure that their corporate plan:</p> <ul style="list-style-type: none"> • is the core driver for the service plans and other supporting strategies including workforce, information technology and capital expenditure; • maintains at least a three to five year forward view and is aligned with the medium term financial plan and other supporting strategies; and • should clearly articulate the desired role of the council in five years - the model for delivering priority services and the infrastructure and resources needed to deliver future priorities within available finances. <p>R2 The medium term financial plan should identify the major financial risks and key assumptions and senior officers and councillors should subject them to effective scrutiny and challenge before adopting the plan.</p> <p>R3 Councils need to ensure that funding deficits are accurately projected and fully reconciled to detailed savings plans for each year over the life of the medium term financial plan.</p> <p>R4 Councils should review the adequacy of the financial assurance arrangements that underpin the delivery of annual savings plans, including the level of scrutiny and challenge provided by councillors.</p> <p>R5 Councils should ensure that they have a comprehensive reserves strategy that outlines the specific purpose of accumulated useable reserves as part of their Medium term Financial Plan.</p> <p>R6 Councils should develop corporate wide policies on income generation with a view to increasing revenue streams and relieving financial pressures.</p> <p>R7 Councils should:</p> <ul style="list-style-type: none"> • strengthen budget setting and monitoring arrangements to ensure financial resilience; and • review the coverage and effectiveness of their internal and external assurance financial systems and controls to ensure they are fit for purpose and provide early warning of weaknesses in key systems.

Date of report	Title of review	Recommendation
April 2015	The Financial resilience of Councils in Wales	<p>R8 Councils must review their finance teams and ensure that they have sufficient capacity and capability to meet future demands.</p> <p>R9 Council officers need to equip councillors with the knowledge and skills they need to deliver effective governance and challenge by extending training opportunities and producing high quality management information.</p>
June 2015	Achieving improvement in support to schools through regional education consortia – an early view.	<p>R1 To clarify the nature and operation of consortia. We found there to be continuing uncertainty about some aspects of the nature of regional consortia and their present and future scope (paragraphs 2.2 to 2.20). We therefore recommend:</p> <ul style="list-style-type: none"> Local authorities should clarify whether consortia services are jointly provided or are commissioned services (services provided under joint-committee arrangements are jointly provided services and are not commissioned services). <p>R2 To focus on outcomes through medium-term planning. We found that the development of effective regional consortia was hindered by a focus on short-term actions and uncertainty about the future of consortia (paragraphs 2.33 to 2.36; 3.16 to 3.17). We therefore recommend:</p> <ul style="list-style-type: none"> As any possible local authority re-organisation will not be fully implemented until 2020, the Welsh Government and regional consortia should develop three-year plans for the further development, scope, and funding of regional consortia linked to appropriate strategic objectives.

Date of report	Title of review	Recommendation
June 2015	<p>Achieving improvement in support to schools through regional education consortia – an early view.</p>	<p>R3 To develop more collaborative relationships for the school improvement system. The development of the National Model for Regional Working involved many school improvement partners but we found that this had not led to the development of sufficiently collaborative relationships (paragraphs 2.25 to 2.32). We therefore recommend:</p> <ul style="list-style-type: none"> • Regional consortia should develop improved arrangements for sharing practice and supporting efficiency (for example, one consortium could take the lead on tackling an issue or have functional responsibility for the development of a policy). • The Welsh Government, local authorities and regional consortia should recognise the interdependency of all partners fulfilling their school improvement roles and agree an approach to: <ul style="list-style-type: none"> – information sharing and consultation about developments related to school improvement; – developing collaborative relationships of shared accountability; and – undertaking system wide reviews, and an alignment of the understanding and position of regional consortia across all Welsh Government relevant strategies. <p>R4 To build effective leadership and attract top talent. Regional consortia, local authorities and the Welsh Government have all found difficulties in recruiting to senior leadership for education and we found there had been limited action to address this (paragraphs 2.37 to 2.40). We therefore recommend:</p> <ul style="list-style-type: none"> • the Welsh Government and local authorities should collaborate to improve the attractiveness of education leadership roles to attract the most talented leaders for the school improvement system; and • local authorities should collaborate to support the professional development of senior leaders and to ensure appropriate performance management arrangements are in place for senior leaders.

Date of report	Title of review	Recommendation
June 2015	Achieving improvement in support to schools through regional education consortia – an early view.	<p>R5 To improve the effectiveness of governance and management of regional consortia. Whilst continuing progress is being made, we found that regional consortia have not yet developed fully effective governance and financial management arrangements (paragraphs 3.2 to 3.36). We therefore recommend that local authorities and their regional consortia should:</p> <ul style="list-style-type: none"> • improve their use of self-evaluation of their performance and governance arrangements and use this to support business planning and their annual reviews of governance to inform their annual governance statements; • improve performance management including better business planning, use of clear and measurable performance measures, and the assessment of value for money; • make strategic risk management an integral part of their management arrangements and report regularly at joint committee or board level; • develop their financial management arrangements to ensure that budgeting, financial monitoring and reporting cover all relevant income and expenditure, including grants funding spent through local authorities; • develop joint scrutiny arrangements of the overall consortia as well as scrutiny of performance by individual authorities, which may involve establishment of a joint scrutiny committee or co-ordinated work by local authority scrutiny committees; • ensure the openness and transparency of consortia decision making and arrangements; • recognise and address any potential conflicts of interest; and where staff have more than one employer, regional consortia should ensure lines of accountability are clear and all staff are aware of the roles undertaken; and • develop robust communications strategies for engagement with all key stakeholders.

Date of report	Title of review	Recommendation
July 2015	<p>Review of Corporate Safeguarding Arrangements in Welsh Councils</p>	<p>R1 Improve corporate leadership and comply with Welsh Government policy on safeguarding through:</p> <ul style="list-style-type: none"> • the appointment of a senior lead officer who is accountable for safeguarding and protecting children and young people with corporate responsibilities for planning improvements; • the appointment of a lead member for safeguarding; and • regularly disseminating and updating information on these appointments to all staff and stakeholders. <p>R2 Ensure there is a corporate-wide policy on safeguarding covering all Council services to provide a clear strategic direction and clear lines of accountability across the Council.</p> <p>R3 Strengthen safe recruitment of staff and volunteers by:</p> <ul style="list-style-type: none"> • ensuring that Disclosure and Barring Service (DBS) checks and compliance with safe recruitment policies cover all services that come into contact with children; • creating an integrated corporate compliance system to record and monitor compliance levels on DBS checks; and • requiring safe recruitment practices amongst partners in the third sector and for volunteers who provide services commissioned and/or used by the Council which are underpinned by a contract or service level agreement. <p>R4 Ensure all relevant staff, members and partners understand their safeguarding responsibilities by:</p> <ul style="list-style-type: none"> • ensuring safeguarding training is mandated and coverage extended to all relevant Council service areas, and is included as standard on induction programmes; • creating a corporate-wide system to identify, track and monitor compliance on attending safeguarding training in all Council departments, elected members, schools, governors and volunteers; and • requiring relevant staff in partner organisations who are commissioned to work for the Council in delivering services to children and young people to undertake safeguarding training.

Date of report	Title of review	Recommendation
July 2015	<p>Review of Corporate Safeguarding Arrangements in Welsh Councils</p>	<p>R5 In revising guidance, the Welsh Government should clarify its expectations of local authorities regarding the roles and responsibilities of the designated officer within education services, and the named person at senior management level responsible for promoting the safeguarding.</p> <p>R6 Improve accountability for corporate safeguarding by regularly reporting safeguarding issues and assurances to scrutiny committee(s) against a balanced and Council-wide set of performance information covering:</p> <ul style="list-style-type: none"> • benchmarking and comparisons with others; • conclusions of internal and external audit/ inspection reviews; • service-based performance data; • key personnel data such as safeguarding training, and DBS recruitment checks; and • the performance of contractors and commissioned services on compliance with Council safeguarding responsibilities. <p>R7 Establish a rolling programme of internal audit reviews to undertake systems testing and compliance reviews on the Council's safeguarding practices.</p> <p>R8 Ensure the risks associated with safeguarding are considered at both a corporate and service level in developing and agreeing risk management plans across the Council.</p>

Date of report	Title of review	Recommendation
October 2015	<p>Supporting the Independence of Older People: Are Councils Doing Enough?</p>	<p>R1 Improve governance, accountability and corporate leadership on older people's issues through:</p> <ul style="list-style-type: none"> • the appointment of a senior lead officer who is accountable for coordinating and leading the Council's work on older people's services; • realigning the work of the older people's strategy coordinators to support development and delivery of plans for services that contribute to the independence of older people; • the appointment of a member champion for older people's services; and • regularly disseminating and updating information on these appointments to all staff and stakeholders. <p>R2 Improve strategic planning and better coordinate activity for services to older people by:</p> <ul style="list-style-type: none"> • ensuring comprehensive action plans are in place that cover the work of all relevant council departments and the work of external stakeholders outside of health and social care; and • engaging with residents and partners in the development of plans, and in developing and agreeing priorities. <p>R3 Improve engagement with, and dissemination of, information to older people by ensuring advice and information services are appropriately configured and meet the needs of the recipients.</p> <p>R4 Ensure effective management of performance for the range of services that support older people to live independently by:</p> <ul style="list-style-type: none"> • setting appropriate measures to enable Members, officers and the public to judge progress in delivering actions for all council services; • ensuring performance information covers the work of all relevant agencies and especially those outside of health and social services; and • establishing measures to judge inputs, outputs and impact to be able to understand the effect of budget cuts and support oversight and scrutiny.

Date of report	Title of review	Recommendation
October 2015	<p>Supporting the Independence of Older People: Are Councils Doing Enough?</p>	<p>R5 Ensure compliance with the Public Sector Equality Duty when undertaking equality impact assessments by:</p> <ul style="list-style-type: none"> • setting out how changes to services or cuts in budgets will affect groups with protected characteristics; • quantifying the potential impact and the mitigation actions that will be delivered to reduce the potentially negative effect on groups with protected characteristics; • indicating the potential numbers who would be affected by the proposed changes or new policy by identifying the impact on those with protected characteristics; and • ensuring supporting activity such as surveys, focus groups and information campaigns includes sufficient information to enable service users to clearly understand the impact of proposed changes on them. <p>R6 Improve the management and impact of the Intermediate Care Fund by:</p> <ul style="list-style-type: none"> • setting a performance baseline at the start of projects to be able to judge the impact of these overtime; • agreeing the format and coverage of monitoring reports to enable funded projects to be evaluated on a like-for-like basis against the criteria for the fund, to judge which are having the greatest positive impact and how many schemes have been mainstreamed into core funding; and • improving engagement with the full range of partners to ensure as wide a range of partners are encouraged to participate in future initiatives and programmes.

Date of report	Title of review	Recommendation
December 2015	Delivering with less - leisure services	<p>R1 Improve strategic planning in leisure services by:</p> <ul style="list-style-type: none"> • setting an agreed council vision for leisure services; • agreeing priorities for leisure services; • focusing on the Council's position within the wider community sport and leisure provision within the area; and • considering the potential to deliver services on a regional basis. <p>R2 Undertake an options appraisal to identify the most appropriate delivery model based on the Council's agreed vision and priorities for leisure services which considers:</p> <ul style="list-style-type: none"> • the availability of capital and revenue financing in the next three-to-five years; • options to improve the commercial focus of leisure services; • opportunities to improve income generation and reduce council 'subsidy'; • a cost-benefit analysis of all the options available to deliver leisure services in the future; • the contribution of leisure services to the Council's wider public health role; • better engagement with the public to ensure the views and needs of users and potential users are clearly identified; • the impact of different options on groups with protected characteristics under the public sector equality duty; and • the sustainability of service provision in the future.

Date of report	Title of review	Recommendation
December 2015	Delivering with less - leisure services	<p>R3 Ensure effective management of performance of leisure services by establishing a suite of measures to allow officers, Members and citizens to judge inputs, outputs and impact. This should cover council-wide and facility specific performance and include:</p> <ul style="list-style-type: none"> • capital and revenue expenditure; • income; • council 'subsidy'; • quality of facilities and the service provided; • customer satisfaction; • success of 'new commercial' initiatives; • usage data – numbers using services/facilities, time of usage, etc; and • impact of leisure in addressing public health priorities. <p>R4 Improve governance, accountability and corporate leadership on leisure services by:</p> <ul style="list-style-type: none"> • regularly reporting performance to scrutiny committee(s); • providing elected Members with comprehensive information to facilitate robust decision-making; • benchmarking and comparing performance with others; and • using the findings of internal and external audit/inspection reviews to identify opportunities to improve services.

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Wales Audit Office Annual Improvement Report

Progress Update on the Action Plan

June 2016

The following is a progress report on the action plan agreed by the Council in response to the Annual Improvement Report and Corporate Assessment of the Wales Audit Office published earlier in 2015.

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). Evaluation of the new 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>P1.2 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

NOTE 1: Named lead officer is the overall 'lead' and supported by others.

<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 summer 2016) 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. This is being updated for 2016.</p>	<p>A</p> <p>G</p> <p>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>A</p> <p>A</p>
<p>P5 The Council should take the opportunity of its review of scrutiny structures to ensure that Overview and Scrutiny committees can add real value to Council decision-making by aligning agendas more explicitly to Council priorities and risks.</p> <p>Lead: Chief Officer (Governance)</p>	<p>P5.1 A Task and Finish Group set up by the Constitution Committee has reviewed the number and terms of reference of Overview and Scrutiny Committees. The Group reported to the Annual General Meeting of the Council and the new Overview and Scrutiny Committees are in place (complete).</p> <p>P5.2 Forward work programmes are being developed to include major and higher risk annual budget proposals which require monitoring and assessment of impact, major service reviews included in the budget, and periodic review of the achievement of improvement priorities. Report formats are being reviewed as P2 above to make reports more purposeful.</p> <p>P5.3 More purposeful Forward Work Programmes; reports with 4 typologies (information, assurance, policy development or options consultation) and improved report format; clearer protocol on pre-decision scrutiny for policy development and options consultation type items);</p>	<p>G</p> <p>G</p> <p>G</p>

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	purposeful recommendations and more managed chairing and debate of meetings, including precise summing up, geared toward the report purpose; training and information support programme for scrutiny; periodic committee self-assessments with feedback to chair and reporting officers on areas for improvement. A special meeting of the six new chairs was convened to plan immediately post-AGM (05.15). A Member workshop was held to develop Forward Work Programmes (07.15). Ongoing liaison with Overview and Scrutiny Chairs.	
<p>P6</p> <p>The Council should:</p> <ul style="list-style-type: none"> • adopt a consistent approach to managing risk, ensuring that all staff involved use a similar approach to record impact, likelihood and mitigating actions; and • apply this approach to its future savings plans <p>Lead: Chief Executive</p>	<p>P6.1 Following an earlier internal review of risk management led by Internal Audit a number of actions are in train to implement the recommendations for the organisation to be more consistent and effective in the identification and reporting of risk at strategic, operational, project and partnership levels. P1 and P3 above will contribute.</p> <p>The most recent Internal Audit review provides a “reasonable” level of assurance (Amber/Green).</p>	G
<p>P7</p> <p>The Council should ensure a consistent approach to workforce planning and use the results to inform future reductions in staff</p> <p>Lead: Chief Executive</p>	<p>P7.1 The new appraisal model (as P1.3) has been run for all senior managers and is being worked through the rest of the organisation. Intelligence from this renewed appraisal programme will inform the training and development programme, talent recognition, retention and progression. Evaluation of the appraisal model and further development has taken place.</p> <p>P7.2 Workforce planning risks are being assessed in each Chief Officer portfolio area as part of the revised People Strategy.</p>	<p>G</p> <p>A</p>

NOTE 1: Named lead officer is the overall ‘lead’ and supported by others.

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AUDIT COMMITTEE

Date of Meeting	Monday, 26 September 2016
Report Subject	Contract Procedure Rules
Cabinet Member	Cabinet Member for Corporate Management
Report Author	Chief Officer (Governance)
Type of Report	Strategic

EXECUTIVE SUMMARY

In 2015/16 the Council spent £150m procuring goods and services. Contract Procedure Rules (CPRs) set out how officers must advertise and award contracts, to ensure that they are let in a lawful, fair and open manner. The Council last revised its CPRs in September 2013. It is appropriate to review them again in light of changes in European procurement law, the introduction of the Well Being of Future Generations Act, the move to electronic procurement and the introduction of the new welsh language standards.

The Council shares its procurement service with Denbighshire County Council. The service has drafted revised CPRs which Denbighshire have already adopted. Ideally our rules would be the same or similar as those in Denbighshire to create consistency for suppliers and the service itself.

The proposed CPRs:

- update the rules to reflect the changes above
- present the rules more clearly to aid understanding and compliance
- increase member oversight of the procurement process; and
- encourage clear planning and upfront approval of the contracting process

RECOMMENDATIONS

1	That Audit confirms to Council that the proposed CPR's will give satisfactory assurance and controls on the process
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REPORT DETAILS

1.00	EXPLAINING THE PROPOSED NEW CONTRACT PROCEDURE RULES
1.01	<p>The Council spent in the region of £150 million in 2015/16 on the goods and services needed to deliver public services. With this level of spend it needs to:</p> <ul style="list-style-type: none"> • Achieve value for money for residents and businesses through properly planned and executed procurements, and • Understand and improve the impact which procurement spend has on the local economy
1.02	<p>CPRs set out the processes that officers must follow when advertising and awarding contracts. They ensure that contracts are procured in an open and consistent manner with controls on key decisions during the process, and proper records. The level of oversight rises with the contract value so that the level of formality is appropriate and not overly burdensome.</p>
1.03	<p>The current CPRs were adopted by the Council in September 2013. Since that time a number of key changes which need to be reflected in our processes have taken place:</p> <ul style="list-style-type: none"> • The EU procurement rules have changed • The Wellbeing of Future Generations (Wales) Act 2015 • New Welsh Language Standards have been introduced • The Council has software that can manage the procurement process from finding and selecting a supplier through to placing orders and pay invoices
1.04	<p>The proposed new CPRs are quite different in style and layout. As can be seen from the section headings below they are written in a logical order that flows a step by step from the considerations necessary before placing a contract, through sourcing of suppliers to award of contract and contract management. They put greater focus on planning the procurement route and early approval/authorisation which is an area of weakness at present.</p> <ul style="list-style-type: none"> • General Arrangements • Procurement Planning • Document preparation • Offer to Market • Evaluation & Contract Award • Contract Management
1.05	<p>The proposed CPRs use consistent thresholds based on the contract value to determine who will make key decisions such as:</p> <ul style="list-style-type: none"> • The method of procurement used • Authority to enter into the contract • Exemptions to some of the requirements of CPRs • Approval of any contract variation or early termination
1.06	<p>The values are listed below and the level at which the relevant decision must be taken is also shown. These levels increase the degree of oversight for members because under current CPRs member involvement is only</p>

	required above £2m. Whilst in practice member approval is sought at lower values based on the perceived importance or significance of the contract the proposed CPRs formalise that requirement.										
	<table border="1"> <thead> <tr> <th>Contract Value</th> <th>Authorisation Required from</th> </tr> </thead> <tbody> <tr> <td>Up to £250,000</td> <td>Manager of the service</td> </tr> <tr> <td>£250,001 to £1,000,000</td> <td>Chief Officer</td> </tr> <tr> <td>£1,000,001 to £2,000,000</td> <td>Delegated decision</td> </tr> <tr> <td>£2,000,001 and over</td> <td>Cabinet</td> </tr> </tbody> </table>	Contract Value	Authorisation Required from	Up to £250,000	Manager of the service	£250,001 to £1,000,000	Chief Officer	£1,000,001 to £2,000,000	Delegated decision	£2,000,001 and over	Cabinet
Contract Value	Authorisation Required from										
Up to £250,000	Manager of the service										
£250,001 to £1,000,000	Chief Officer										
£1,000,001 to £2,000,000	Delegated decision										
£2,000,001 and over	Cabinet										
1.07	<p>Another of the key changes in the proposed CPRs is an up-front authorisation process, where the procurement strategy is approved prior to going to the market, rather than retrospectively based on the quotations/tenders received. The intention of this change is to:</p> <ul style="list-style-type: none"> • Encourage more thorough and rigorous planning of the procurement • Enable better resource planning to ensure that sufficient capacity is allocated to the procurement exercise • Place more emphasis on services to think through the requirement • Speed up the process at the critical quotation/tender receipt stage <p>The proposed CPRs introduce a “commissioning form” – basically a business case and forward plan which outlines matters such as the options considered, budget, proposed route to market, and award criteria.</p>										
1.08	<p>Community benefits are additional services or investment made by contractors in addition to the goods and services they are contracted to provide. Examples of community benefits already delivered in Flintshire include:</p> <ul style="list-style-type: none"> • An apprenticeship scheme as part of SHARP • The community benefit investment fund as part of the residual waste treatment project • Support for community groups through WHQS contracts <p>The threshold for mandatory inclusion of community benefits has dropped from £2 million to £1 million. This is not only in line with Welsh Government’s Procurement Policy Guidance, but also reflects the Council’s Improvement Plan where the aspiration is to include community benefit clauses in every contract.</p> <p>Work is being undertaken to:</p> <ul style="list-style-type: none"> • Develop a clearer strategy for the council’s requirements from community benefits; • Develop and implement a robust process for ensuring that community benefits are built-in from the outset, and the system for collecting evidence of delivery is robust; • Provide training and guidance for officers managing contracts delivering community benefits; • Creating a centralised “depository” of community benefits delivered 										

1.09	<p>The CPRs form part of the Constitution and it is important that the document as a whole is consistent. Delegated authority levels for spending decisions feature in the scheme of delegation for officers and the financial procedure rules. It is proposed that these are also brought into line with the above table in so far as is possible and practical (for example, the power to authorise payment of invoices over £1m will remain delegated to officers).</p> <p>There are other financial delegations within the Constitution (such as virements), and these will remain unchanged.</p>
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2.00	RESOURCE IMPLICATIONS
2.01	There are no financial implication arising directly out of this report.
2.02	Following approval of the proposed CPRs there will be a programme of training for officers. This will commence with awareness sessions at portfolio DMTs with longer sessions for those actually undertaking day to day procurement.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	The proposed CPRs have been considered by a cross portfolio working group of officers from Audit, Finance, Housing, Legal, Properties & Valuations, and Streetscene
3.02	After approval by the Audit Committee (26 September 2016) the CPR's will be considered by the Constitution Committee (5 October 2016) and then Full Council (19 October 2016).

4.00	RISK MANAGEMENT
4.01	The proposed CPRs include a requirement as part of the procurement planning process to consider the Council's obligations under the Well Being of Future Generations (wales) Act 2015 as well as the public sector equality duty under the Equality Act 2010.

5.00	APPENDICES
5.01	Appendix 1 – proposed Contract Procedure Rules

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>Current Contract Procedure Rules http://infonet.flintshire.gov.uk/en/Document-Repository/Governance/Democratic-Services/Constitution.pdf</p> <p>Contact Officer: Gareth Owens, Chief Officer Governance Telephone: 01352 702344 E-mail: Gareth.legal@flintshire.gov.uk</p>

7.00	GLOSSARY OF TERMS
7.01	Delegated authority – the financial levels below which decisions can be made by officers without needing further formal approval from councillors.

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Contract Procedure Rules

July 2016



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INTRODUCTION

Procurement is the process by which the council manages the acquisition of all its goods, services (including but not limited to consultants/consultancy services of any type) and works of all sorts. It includes the identification of need, consideration of options, the actual procurement process and the subsequent management and review of the contracts. These contract procedure rules (CPRs) apply to all areas of council activity and any type of sub-contracting, apart from contracts for the acquisition and sale of interests in land and the exempt contracts described in CPR [2.8 “Exempt contracts”](#).

These CPRs have the following key objectives:

1. To ensure that the council obtains value for money and achieves its duty of achieving best value as defined in section 3 of the Local Government Act 1999;
2. To ensure that the council complies with UK and European law that governs the procurement of goods, services and works;
3. To establish procurement procedures which, when followed, should protect members and officers of the council from any allegation of acting unfairly or unlawfully which may be made in connection with any procurement by the council relating to goods, services or works;
4. To ensure that any risks associated with commencing procurement processes and subsequently entering into contracts are assessed as part of the procurement process; and
5. To ensure that fairness and transparency remains at the forefront of all procurement activity undertaken by officers and approved by members on behalf of the council.

Procurement by the council is governed by detailed European and United Kingdom legislation, as are other areas of council contracting. The law requires all council procurement and contracting to be conducted transparently, fairly and in a non-discriminatory manner. In the event of statutory or other legal requirements exceeding the requirements contained within these CPRs, then statute shall take precedence over any provision within these CPRs.

Table 1

Procurement Thresholds

Contract Value	Minimum Competition Requirements	Other Requirements	CPR Section
Up to £10,000	1 verbal or written quote able to demonstrate value for money	<ul style="list-style-type: none"> Use of Quick Quotes function encouraged 	4.1
£10,001 to £25,000	4 quotations via the Council's electronic procurement system	<ul style="list-style-type: none"> Prepare a formal "request for quotation" (RFQ) Sell2Wales advertisement can be used in place of RFQ Quotations must be received via electronic procurement system 	4.2
£25,001 to OJEU threshold (Goods & Services)	Advertisement on Sell2Wales via the Council's electronic procurement system	<ul style="list-style-type: none"> Must be supported by a named officer from Corporate Procurement team A commissioning form must be completed Complete a corporate sustainability assessment Prepare all tender documents prior to placing advertisement Tenders must be received via electronic procurement system Community Benefits mandatory for contracts above £1m and encouraged for contracts below £1m 	4.3
£25,001 to OJEU threshold (Works)	<ul style="list-style-type: none"> Advertisement on Sell2Wales via the Council's electronic procurement system 4 quotations via the Council's electronic procurement system – for certain contracts below £25k (see CPR 4.4.3) 	<ul style="list-style-type: none"> Must be supported by a named officer from Corporate Procurement team A commissioning form must be completed Complete a corporate sustainability assessment Prepare all tender documents prior to placing advertisement Tenders must be received via electronic procurement system Community Benefits mandatory for contracts above £1m and encouraged for contracts below £1m 	4.4
Above the relevant OJEU threshold	Advertisement on both OJEU and Sell2Wales via the Council's electronic procurement system	<ul style="list-style-type: none"> Must be supported by a named officer from Corporate Procurement team A commissioning form must be completed Complete a corporate sustainability assessment Prepare all tender documents prior to placing advertisement Minimum OJEU time limits for tender submissions must be followed Tenders must be received via electronic procurement system 	4.5

		<ul style="list-style-type: none"> Community Benefits mandatory for contracts above £1m and encouraged for contracts below £1m OJEU requirements for notifying bidders must be followed (CPR 5.6) 	
Light-Touch Regime (below OJEU)	As above depending on the value of the contract	<ul style="list-style-type: none"> As above depending on the value of the contract A commissioning form must be completed if the contract is above £25k 	4.6 , 4.1 4.2 , 4.3
Light-Touch Regime (above OJEU)	Advertisement on both OJEU and Sell2Wales via the Council's electronic procurement system	<ul style="list-style-type: none"> Must be supported by a named officer from Corporate Procurement team A commissioning form must be completed Complete a corporate sustainability assessment Prepare all tender documents prior to placing advertisement Tenders must be received via electronic procurement system Community Benefits mandatory for contracts above £1m and encouraged for contracts below £1m 	4.6

Table 2

Authorisation thresholds for approving procurement strategy and inviting competitive bids

Value	Authorisation Required from	Documents Required
Up to £250,000	The Manager of the team where the procurement activity will be taking place, providing they have authority to approve spend to the estimated contract value. If they do not have authority to spend, then by the Chief Officer where the procurement activity is taking place.	<ul style="list-style-type: none"> No formal report required
£250,001 to £1,000,000	Chief Officer where the procurement activity is taking place, the Section 151 Officer, and the Monitoring Officer. (Any of these individuals can refer the decision to Cabinet for consideration under the Cabinet Members Scheme of Delegation)	<ul style="list-style-type: none"> Commissioning Form
£1,000,001 to £2,000,000	The relevant Cabinet Member (with agreement from Chief Officer where the procurement activity is taking place, the Section 151 Officer, and the Monitoring Officer). The Cabinet Member can refer the decision to Cabinet for consideration under the Cabinet Members Scheme of Delegation.	<ul style="list-style-type: none"> Commissioning Form Delegated decision report
£2,000,001 and above	Cabinet	<ul style="list-style-type: none"> Commissioning Form Cabinet report

SECTION 1

GENERAL ARRANGEMENTS

1.1 Over-riding principles

1.1.1 These CPRs are not intended to conflict with European Union and domestic law. Statutory legal obligations shall always take precedence over these CPRs.

1.1.2 These CPRs govern organisational behaviour in the conduct of procurement. It is a given that such behaviour is undertaken in support and delivery of the wider policies and objectives of the council.

1.1.3 Nothing in these CPRs shall relieve the council from its duty to spend public money wisely. Officers must always seek value for money.

1.1.4 The nature and extent of procurement activity must be appropriate and proportionate to the nature and value of the goods and services being procured. Procurement management must be optimised to make the most of council resources.

1.1.5 Utmost probity must be demonstrated at all times.

1.1.6 [Transparency is key to demonstrating probity and so all stages of the procurement process must be open to scrutiny by councillors, especially the relevant cabinet member\(s\) who can ask to see or have demonstrated any documentation or electronic records associated with procurement activity for which they are responsible.](#)

1.1.7~~6~~ Arrangements for contracts made by schools shall not be subject to these CPRs but shall be subject to their own contract procedure rules.

1.1.8~~7~~ Where there is any doubt about the interpretation or implementation of any of the CPRs, clarification and guidance should always be sought from the Corporate Procurement Team.

1.1.9 [Whilst officers will be operationally responsible for conducting procurement they derive their authority from councillors who are jointly accountable for the council's actions. These CPRs and the authorisation levels specified within them do not override normal arrangements for briefing, discussion and agreement of proposed actions with councillors especially those within the Cabinet/Executive.](#)

1.2 Compliance

1.2.1 Every contract entered into by the council shall be entered into pursuant to or in connection with the council's functions and shall comply with:

- i. All relevant statutory provisions
- ii. Insofar as they apply, the relevant European procurement rules;
- iii. The council's constitution, including these contract procedure rules, the council's financial regulations, schemes of delegation, the Officer Code of Conduct, the council's strategic objectives, procurement strategy and relevant council policies;

- 1.2.2 Any failure by officers to comply with any of the provisions of these CPRs may result in disciplinary action.

1.3 Welsh Language Standards

1.3.1 **All** advertisements in Sell2Wales and, where relevant, in the Office Journal of the European Union (OJEU), **must** be published bilingually in Welsh and English. The advertisement must state that quotations or tenders may be submitted in Welsh, and that a quotation or tender submitted in Welsh will be treated no less favourably than a quotation or tender submitted in English.

1.3.2 When requesting quotations or inviting tenders, **all** accompanying documentation (including criteria and evaluation methodology, draft contract/terms and conditions and specification) **must** be available in Welsh as well as English, and at the same time as the English Language versions are available, where:

- i. The subject matter of the contract suggests that it should be produced in Welsh; or
- ii. Where the anticipated audience, and their expectations, suggests that the documents should be produced in Welsh.

In all other circumstances it is acceptable to produce English only documents, notwithstanding the requirement for all advertisements to be bilingual as per CPR 1.3.1 above.

1.3.3 Where a quotation or tender has been submitted in Welsh, this must be treated no less favourably than a submission in English (including, amongst other matters, in relation to the closing date for receiving submissions, and in relation to time-scale for informing bidders of decisions).

1.3.4 If a quotation or tender has been submitted in Welsh, and it is necessary to interview the bidder as part of the assessment process, you must:

- i. Offer to provide a translation service from Welsh to English to enable the bidder to use the Welsh language at the interview; and
- ii. If the bidder wishes to use the Welsh language at interview, provide a simultaneous translation service for that purpose (unless you conduct the interview in Welsh without a translation service).

1.3.5 When informing a bidder of the decision in relation to a quotation or tender, you must do so in Welsh if the quotation or tender was submitted in Welsh.

1.4 Procurement by council staff

1.4.1 Any council officer can undertake procurement activity under the direction of their line manager, having had due consideration of:

- i. The capability of that officer in question i.e. do they have sufficient experience and/or have they had appropriate training to competently carry out the procurement activity, particularly when undertaking procurement at intermediate value or above (see CPRs [4.3](#) to [4.5](#)); and
- ii. The capacity of that officer i.e. do they have enough time to undertake the required tasks associated with the procurement activity, and can these requirements be balanced effectively with their other duties.

1.5 Procurement by consultants, agency staff or other non-council staff

- 1.5.1 Where the council uses consultants, agency staff and/or any other non-council officer to act on its behalf in relation to any procurement, then the head of service where the procurement activity is taking place shall ensure that they carry out any procurement in accordance with these CPRs and all statutory procurement obligations.
- 1.5.2 No consultant shall make any decision on whether to award a contract or who the contract should be awarded to. Determination of these decisions is detailed in [CPR 5.5](#).
- 1.5.3 Where the council uses consultants, agency staff and/or any other non-council officer to act on its behalf in relation to any procurement, they must declare any potential conflict of interest that may arise to the head of service prior to the commencement of the procurement process or at such time as the contractor becomes aware of such potential conflict of interest. Where the head of service considers that such a conflict of interest is significant the individual or company shall not be allowed to participate in the procurement process.
- 1.5.4 Note that it is the council, as the contracting authority, which is responsible for all actions and decisions of non-council staff in relation to the conduct of procurements, therefore there need to be proper governance procedures in place to manage and monitor non-council staff appropriately.

1.6 Declaration of interests

- 1.6.1 No member, officer or agent of the council shall knowingly use their position to improperly obtain any personal or private benefit from any contract entered into by the council.
- 1.6.2 Members and employees of the council shall comply with the requirements of section 117 of the Local Government Act 1972 and the officers and members code of conduct set out in the Constitution in respect of the declaration of interests in contracts with the council.
- 1.6.3 Such interests must be declared to the monitoring officer for inclusion in the appropriate registers, and a record of any conflict of interest pertaining to a contract should be placed on the contract file on the council's electronic procurement system, detailing how the conflict has been addressed.

1.7 Procurement of ICT requirements

- 1.7.1 All ICT procurement - including hardware, software and licences – shall be undertaken centrally by the **Council's ICT team** (or its successor). Any exception to this will need to be justified by the **Chief Officer** where the procurement activity is taking place and approved by the **Chief Officer**

with responsibility for ICT, and a record of this justification and approval attached to the contract file on the council's electronic procurement system.

1.8 Procurement of transport requirements

1.8.1 All transport procurement requirements – including vehicle hire, taxi and bus hire, rail tickets, school transport, etc – shall be undertaken centrally by the Council's Integrated Transport Unit (ITU) (or its successor). Any exception to this will need to be justified by the Chief Officer where the procurement activity is taking place and approved by the Chief Officer with responsibility for ITU, and a record of this justification and approval attached to the contract file on the council's electronic procurement system.

1.9 Procurement of consultants

1.9.1 Any procurement of consultants, as defined in the "Consultancy Appointment Procedure", for contracts up to £25,000 requires completion of a business case and prior authorisation from the appointing Chief Officer. Procurement of consultants above the £25,000 threshold require completion of the business case, approval by appointing Chief Officer and the additional prior authorisation of the Chief Executive Officer.

1.10 Procurement of property and works related requirements

1.10.1 All property and works related procurement projects shall be undertaken either by:

- i. **Property Design & Maintenance Team** (or its successor) for building construction, building maintenance and landscaping related works for council owned properties. Any exception to this will need to be justified by the **Chief Officer** where the procurement activity is taking place and approved by the **Chief Officer with responsibility for the Property design & Maintenance Team**, and a record of this justification and approval attached to the contract file on the council's electronic procurement system.
- ii. **Housing Area Renewal Team** (or its successor) for building construction and/or building maintenance works relating to private sector properties. Any exception to this will need to be justified by the **Chief Officer** where the procurement activity is taking place and approved by the **Chief Officer with responsibility for the Housing Area Renewal Team**, and a record of this justification and approval attached to the contract file on the council's electronic procurement system.
- iii. **Streetscene & Transportation Team** (or its successor) for highways construction and civil engineering projects. Any exception to this will need to be justified by the **Chief Officer** where the procurement activity is taking place and approved by the **Chief Officer with responsibility for the Streetscene & Transportation Team**, and a record of this justification and approval attached to the contract file on the council's electronic procurement system.
- iv. **Housing & Asset Management** (or its successor) for building construction and/or building maintenance works relating to the council's housing portfolio. Any exception to this will need to be justified by the **Chief Officer** where the procurement activity is taking place and approved by the **Chief Officer with responsibility for the Housing Area Renewal Team**, and a record of this justification and approval attached to the contract file on the council's electronic procurement system.

1.10.2 Where Services have existing frameworks that can be called upon without the need for the involvement of the teams listed in CPRs 1.10.1 then this should be allowed where it offers value for money.

1.11 Approved lists

1.11.1 The council will seek to replace all of these approved lists with more formal procurement arrangements by 31st March 2017.

1.12 Land contracts and appointment of developers

1.12.1 All land transactions must comply with section 120 – 123 of the Local Government Act 1972.

1.12.2 Any land contracts are deemed to be Development Agreements where:

- i. The council requires or specifies works to be undertaken by the developer; and/or
- ii. The developer enters into an enforceable written obligation to carry out work; and/or
- iii. The developer may have some pecuniary interest – which need not necessarily be a cash payment – in carrying out the works.

Any land contracts which involve development agreements shall be notified to the Monitoring Officer and advice sought.

1.13 Electronic procurement

1.13.1 From 1st November 2016, requests for quotations above the value of £10,001 and **all** tenders must be conducted using the council's approved electronic system. It is the responsibility of the head of service to ensure that their staff comply with this regulation.

1.11.2 Any officer required to use the council's electronic procurement system in the course of their duties must obtain written line management approval and notify the corporate procurement team so that they can be registered on the system. Similarly, it is the responsibility of the relevant line manager to notify the Corporate Procurement Team of changes to any officer's eligibility for using the system (e.g. staff leaving or disciplinary measures) at earliest opportunity so that the user access can be deactivated.

1.14 Amendment and review of the CPRs

1.14.1 A full review of these CPRs will be undertaken following any substantive changes to EU or UK law, or within five years of adoption, whichever is the sooner. Any changes to these CPRs will require the approval of Council.

1.12.2 Amendments to the appendices associated with these CPRs can be updated and/or amended as necessary by the Corporate Procurement Team in agreement with the Monitoring Officer.

SECTION 2

PROCUREMENT PLANNING

GUIDANCE NOTE 1

Preparation and planning

This preparation and planning stage of the process is critical and will influence all future activity on the contract. If this part of the process is done correctly then the rest should flow without difficulty, but the reverse is also true. The key tasks at the planning stage include:

- **engagement with key stakeholders** in order to identify and assess needs – what is being procured and why? What is the key driver for the procurement? What are the critical success factors? What outcomes are being sought?
- **options appraisal** to look at different ways of meeting the identified needs (e.g. buy, lease or rent?)
- **budget and funding**, to define a realistic budget for the contract to achieve the desired results and then securing the funds to finance the contract
- **selection of the appropriate procedure** – open, restricted, negotiated/competitive dialogue or innovative (*see Guidance Note 4*)
- where a tender is to be awarded on both price and quality, the **criteria and evaluation methodology** need to be developed and finalised

The results of this planning stage should be properly documented in the commissioning form and attached to the contract document of the council's electronic procurement system. It is quite common to underestimate the planning stage or not carry it out at all. Depending on the size and complexity of the contract, this stage of the process might take months before a tender notice is published. The biggest (and potentially most costly) and most common errors on contracts result from inadequate planning.

2.1 Framework agreements and other corporate purchasing arrangements

2.1.1 In some instances the council has entered into corporate purchasing agreements for certain goods, services and works. The use of these corporate purchasing agreements is **mandatory** and correct use, as advised by the Corporate Procurement Team, is sufficient to ensure officers meet their responsibilities for compliance. Such arrangements include:

- i. Corporate purchasing agreements resulting from the National Procurement Service (NPS) or any other approved official purchasing consortiums;
- ii. Any other framework agreements and any subsequent call-off arrangements;
- iii. Any joint procurement arrangements with another council or public sector organisation;
- iv. Electronic catalogues endorsed for use by the council

GUIDANCE NOTE 2

What is a framework agreement?

Framework Agreements are agreements between the council and one, or three or more suppliers for the provision of goods, services or works on agreed terms for a specific period, for estimated quantities against which orders may be placed if and when required during the contract period. The Public Contract Regulations stipulate that framework agreements can be concluded with a single provider or with several providers, for the same goods, works or services. In the latter case, there must be at least three providers, as long as there are sufficient candidates satisfying the selection criteria and which have submitted compliant bids meeting the award criteria. The term of a Framework Agreement must not exceed four years and, while an agreement may be entered into with one provider, where an agreement is concluded with several organisations there must be at least three in number.

Where frameworks are awarded to several organisations, contracts based on framework agreements may be awarded in one of two ways:

1. Where the terms of the agreement are sufficiently precise to cover the particular call-off, by applying the terms laid down in the framework agreement without re-opening competition; or
2. Where the terms laid down in the framework agreement are not precise or complete enough for the particular call-off, by holding a further competition in accordance with the following procedure:
 - i. Inviting the organisations within the framework agreement, that are capable of executing the subject of the contract, to submit bids electronically via the “further competition” step on the council’s approved electronic procurement system, with an appropriate time limit for responses; or
 - ii. Awarding each contract to the bidding organisation who has submitted the best bid on the basis of the relevant award criteria set out in the framework agreement.

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- 2.1.2 It is the responsibility of the manager of the team where the procurement activity is taking place to ascertain whether there is a framework or other corporate purchasing agreement in place by checking the contracts register. If in any doubt the advice of the Corporate Procurement Team should be sort. The use of frameworks not on the contracts register is only permissible once they have been checked for compliance with procurement regulations by the Corporate Procurement Team.
 - 2.1.3 Any joint procurement arrangements with other local authorities and/or public sector bodies, including membership or use of any consortia, must be approved in writing by the Corporate Procurement Team.
 - 2.1.4 When using frameworks the assessment criteria, weightings and any special conditions detailed in that framework agreement must be fully complied with.

2.1.5 In exceptional circumstances alternatives to using corporate purchasing agreements may be considered appropriate. In such cases the **Chief Officer** where the procurement activity is taking place shall consult with the Corporate Procurement Team. Where an alternative approach is proposed, a report must be provided by the **Chief Officer** setting out the detail and the justification for the alternative arrangements and attached to the relevant contract file on the council's electronic procurement system.

2.2 Estimating the contract value

2.2.1 The value of the contract means the estimated total monetary value over its full duration (not the annual value), including any extensions or other options, but **not** including VAT. Where the duration of the contract is indeterminate or is longer than four years, this should be taken to be the estimated value of the contract over a period of four years. No procurement may be artificially split to avoid compliance with these CPRs and European Union procurement directives.

2.2.2 Where the same goods, services or works are purchased regularly by the Council it is the aggregated value of these purchases that determines the total contract value. It is the responsibility of the Corporate Procurement Team to monitor such aggregations to ensure the correct procedures are followed.

2.2.3 Where the value is, or may be, equal to or greater than the relevant OJEU threshold, there must be regard to the valuation rules in the [Public Contracts Regulations 2015](#) which are similar to the above, but more detailed.

2.3 Pre-quotation/tender market testing and consultation

2.3.1 It is permissible to consult in general terms with potential suppliers, prior to a request for quotation or invitation to tender, about the nature, level and standard of supply, price range and other relevant matters, and/or whether particular suppliers wish to be invited to quote or tender.

2.3.2 Officers may review the market for a proposed procurement through discussions with suppliers and other research but may not:

- i. Base any specification on one contractor's offering such as to distort competition. Bidders may be excluded from the procurement in circumstances where their prior involvement would distort competition (and there are no other means of ensuring equal treatment which can be applied);
- ii. Make any indication or commitment to contractors that their offer may be preferred by the council;
- iii. Suggest any procurement route which is not consistent with these rules;
- iv. Enter into negotiations about price where a competitive procurement process has yet to take place.

2.3.3 A written record, including notes of any meetings held, the responses and the names of all individuals present shall be attached to the contract file on the council's electronic procurement system. It is the responsibility of the manager of the team where the procurement activity is taking place to ensure this is actioned.

2.4 Community benefits

- 2.4.1 It is a requirement that all contracts exceeding £1,000,000 in value should include the delivery of community benefits as a contractual obligation on the successful bidder. Any contract funded or part-funded by European or Welsh Government grant is also likely to require the inclusion of community benefits as a contractual obligation, regardless of the value of the contract.

GUIDANCE NOTE 3

What are community benefits?

Community Benefit clauses are contractual clauses which can be used to build a range of economic, social, or environmental conditions into the delivery of public contracts. They allow organisations to contribute to the achievement of outcomes which benefit their local communities by specifying contractual requirements which seek to deliver such wider social benefit. Examples of community benefits which can potentially be included as contractual clauses include:

- training and recruitment opportunities for the economically inactive;
- retention and training for the existing workforce;
- contributions to education
- promotion of social enterprises and supported businesses;
- promoting environmental benefits; and
- supply chain initiatives

There are two approaches to community benefits:

1. The “**Core**” approach – where the community benefits being sought **must** relate to the subject matter of the contract and **must** be included and scored as part of the evaluation procedure and subsequently included in the contract; and
2. The “**Non-Core**” approach – where bidders are asked to provide details of the community benefits they would deliver through the contract (which the council may have specified or may be suggested by the contractor), but these benefits **are not** included and scored as part of the evaluation procedure. These non-core benefits should still be included as contractual requirements and their delivery monitored as part of the normal contract management process.

Many contracts will offer the opportunity to apply both core and non-core community benefits.

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- 2.4.2 For all contracts below £1,000,000 in value the inclusion of community benefits as a contractual obligation is optional (unless required as a condition of grant funding – see [CPR 2.4.1](#)), but encouraged wherever practical.
- 2.4.3 Core community benefits (see Guidance Note 3) must relate to the subject matter of the contract, and must be included as part of the evaluation criteria at quotation/tender stage (see [CPR 3.7.6](#)) and fully evaluated as part of the award selection process. Officers are encouraged to seek the advice of the Corporate Procurement Team when considering how to accommodate community benefits criteria in evaluation criteria and contracts.

- 2.4.4 Non-core community benefits (see Guidance Note 3) **do not** have to relate to the subject matter of the contract, and are **not** included as part of the evaluation criteria at quotation/tender stage (see [CPR 3.7](#)). However, where they have been offered they should subsequently be included as contractual requirements.
- 2.4.5 In **all** cases where community benefits are being delivered, completion of the Welsh Government's Community Benefit Toolkit (or any successor tool provided by or on behalf of the Welsh Government) must be a contractual requirement for the successful contractor, which places an obligation on contractors to provide monitoring information on the community benefits they are delivering. More generally, the delivery of community benefits should be monitored by the named contract manager (see [CPR 6.1](#)) as part of the normal contract management process (see [CPR 6.3.3](#)).

GUIDANCE NOTE 4

Selecting the appropriate procedure

At intermediate value procurement (see [CPR 4.3](#)) we move from requesting quotations to the more formal approach of inviting tenders of which there are a number of options. The decision on which procedure to use is a critical one affecting the whole procurement process. The decision should be made and fully justified at the planning stage. The options are:

- **Open:** is a process where all providers interested in the contract and who have responded to an advertisement can submit tenders. All such tenders must be considered without any prior selection process. The selection and evaluation is carried out after the submission of the tenders.
- **Restricted:** is a two-stage process where only those providers who have been invited may submit tenders. The selection and shortlisting are usually carried out on the basis of a Pre-Qualification Questionnaire (PQQ).
- **Negotiated/Competitive Dialogue:** used only in exceptional circumstances (and under guidance of a named officer from the Corporate Procurement Team), this procedure is where the council may, in certain circumstances, negotiate the terms of the contract with one or more suppliers of its choice. Ordinarily negotiation/dialogue should be with not less than 3 candidates provided that there are a sufficient number of candidates available. The candidates with which to hold a competitive dialogue may be selected through a restricted procedure.
- **Innovation Partnerships:** used only in very exceptional circumstances (and under guidance of a named officer from the Corporate Procurement Team), this procedure is where the council can select partners on a competitive basis and have them develop an innovative solution tailored to the requirements.

2.5 Planning the procurement process

- 2.5.1 Whilst the following regulations outline key considerations for the planning stage of any procurement activity, the planning process must end with an approval to procure and commence any required document preparation and subsequently invite offers from the market. The authorisation thresholds and process are detailed later in [CPR's 2.7](#), but note that for any procurement activity where the value of the contract is estimated to be greater than £25,000 a commissioning form must be completed by the service area undertaking the procurement activity in order that the proposed route to market can be assessed and duly agreed/signed off.

2.5.2 The purpose of the commissioning form is to ensure that the procurement activity proposed has been properly considered and thought through by the relevant service area, and subsequently for the Corporate Procurement Team to assess whether the proposed route to market is compliant with the law and these CPRs. To enable this assessment the form includes:

- i. Justification of the need to buy;
- ii. Options appraisal outlining what options were considered and why the preferred option has been selected;
- iii. Detail of the estimated contract cost and confirmation of which budget the cost will be met from;
- iv. Details of any exemptions or exceptions are being sought (refer to CPRs [2.8](#) to [2.10](#));
- v. Confirmation of the procurement route to market proposed (e.g. Framework or competitive route); and
- vi. Confirmation of what form of contract is to be used.

2.5.3 The commissioning form will be completed by the service area undertaking the procurement activity and then forwarded to the Corporate Procurement Team. The relevant **Chief Officer** will receive feedback from the Corporate Procurement Team on the commissioning form within five working days of its submission, providing all necessary details have been provided in the form.

2.5.4 Once the commissioning form has been returned to the relevant **Chief Officer** by the Corporate Procurement Team, the **Chief Officer** may make adjustment to the proposal based on any comments and/or recommendations made by the Corporate Procurement Team and record these on the relevant section of the Commissioning Form. The **Chief Officer** must then secure the authorisation to progress – i.e. preparing the tender documentation and inviting bids – in line with the authorisation process detailed in CPR 2.7.

2.6 Sustainability Assessment

2.6.1 In addition to the commissioning form, for any procurement activity where the value of the contract is estimated to be greater than £25,000, the corporate sustainability assessment tool (or any equivalent corporate assessment that may be required) needs to be applied, and a record of this assessment appended to the commissioning form.

2.7 Authority to decide procurement strategy and invite competitive bids

2.7.1 For procurement activity where the value of the contract is estimated to be less than **£250,000**, the authority to decide the appropriate procurement strategy and invite competitive bids is as follows:

- i. By the manager of the team where the procurement activity will be taking place, providing they have authority to approve spend to the estimated contract value. If they do not have authority to spend, then:
- ii. By the **Chief Officer** where the procurement activity is taking place

DELETE - No formal report is required to record the agreed approach.

2.7.2 For procurement activity where the value of the contract is estimated to be greater than **£250,000**, the authority to decide the appropriate procurement strategy and invite competitive bids is as follows:

- i. **£250,001 to £1,000,000:** By agreement in writing from **Chief Officer** where the procurement activity is taking place, the Section 151 Officer, and the Monitoring Officer – recorded on the Procurement Commissioning Form detailed in CPR 2.5. Any of these individuals can refer the decision to Cabinet where they consider there are relevant issues pertaining to the procurement activity such that it should be considered as a key decision under the Cabinet Members scheme of delegation;
- ii. **£1,000,001 to £2,000,000:** by the relevant Cabinet Member through the scheme of delegation detailed in the Council’s constitution, which will also require the agreement from the **Chief Officer** where the procurement activity is taking place, the Section 151 Officer, and the Monitoring Officer – recorded on a delegated decision report with an accompanying completed Procurement Commissioning Form detailed in CPR 2.5. The Cabinet Member, or any of the other offices detailed above, can refer the decision to Cabinet where they consider there are relevant issues pertaining to the procurement activity such that it should be considered as a key decision under the Cabinet Members scheme of delegation;
- iii. **£2,000.001 and over:** by Cabinet – recorded on a Cabinet Report with an accompanying Procurement Commissioning Form detailed in CPR 2.5.

Once the decision has been made, it is the responsibility of the manager of the team where the procurement activity is taking place to ensure that all duly signed decision reports, and the Procurement Commissioning Form, are uploaded onto the electronic procurement system.

2.7.3 Where authority is given to invite competitive bids under CPR 2.7.2 iii the decision is subject to the five day Cabinet call-in period. The offer should not go to the market until either this call-in period has elapsed or, in the event that the decision is called-in, the result of any review is known.

2.8 Exempt contracts

2.8.1 Exemptions are where the CPRs are suspended entirely. The following contracts are exempt from the requirements of these CPRs:

- i. Internal purchases or service provision
- ii. Contracts relating solely to the disposal or acquisition of an interest in land (with the exception of development agreements – see [CPR 1.10](#))
- iii. Individual agency contracts for the provision of temporary staff;
- iv. Employment contracts;
- v. Grant aid by the council to voluntary sector bodies **for contribution to core funding only**
- vi. Contracts for the engagement of expert witnesses.

2.9 Exceptions

- 2.9.1 Exceptions are where the CPRs are partly suspended to enable a particular course of action. This can include the requirement to seek market competition by obtaining a quotation or tendering. This does not remove the need to ensure that adequate and robust process is undertaken in accordance with these CPRs. The council's rules and guidance will still apply.
- 2.9.2 Where an exception is sought under CPR 2.9.3 there is a requirement to complete an exception form (see [CPR 2.11.4](#)).
- 2.9.3 An exception can be sought, including consent to seek only a single quotation or tender, where one or more of the following criteria are met:
- i. where an offer has been made to the market by the Council using the open, restricted, negotiated, competitive dialogue or innovation procedure, but where no quotations or tenders have been submitted, or where those that have been submitted are disqualified through the evaluation procedure (see section 5). In this circumstance an exception can only be granted where the original terms of the proposed contract are not substantially altered;
 - ii. the goods, services or works can only be provided by a particular contractor for reasons that are technical, artistic, or connected with the protection of exclusive rights. This should normally be evidenced through publishing a Prior Information Notice (PIN) on Sell2Wales, or through some other means agreed with the Corporate Procurement Team;
 - iii. extreme urgency brought about by events unforeseeable by the council and in accordance with the strict conditions stated in the Public Contract Regulations 2015 (see also CPRs [2.11.2](#) and [5.12.5](#));
 - iv. Where the products involved are manufactured purely for the purpose of research, experimentation, study or development:
 - v. For supplies quoted and purchased on a commodity market;
 - vi. Where a design competition is run where the rules of that competition require the contract to be awarded to one or more of the successful candidates, provided that all successful candidates are invited to negotiate;
 - vii. with an organisation which has won a contract for an earlier phase of work via a competitive process, where such work forms part of a serial programme previously identified as such in the original offer to market (which should also include the cumulative value of all potential phases) and providing that subsequent phases commence within three years of the original contract;
 - viii. with an organisation already engaged by the Council, where the additional requirement was not included in the original contract but has arisen through unforeseen circumstances, and the requirement cannot be carried out separately for technical or economic reasons;
 - ix. that goods are required as a partial replacement or addition to existing goods or installations and obtaining them from another contractor would result in incompatibility or disproportionate technical difficulties in operation or maintenance. Any contract based on this exception shall not exceed the duration of three years save in exceptional circumstances;

- x. for supplies purchased which are second hand and/or sold in a public market or auction;
- xi. for the engagement of actors or performers;
- xii. in relation to time limited grant funding from an external body, where the time limitations will not allow a competitive procurement process to be completed and where the grant conditions allow this;
- xiii. for the purchase of supplies on particularly advantageous terms from a supplier that is definitely winding up its business activities, or from the receivers or liquidators of a bankruptcy, an arrangement with creditors or similar procedure;
- xiv. where delay attributable to the quotation or tendering process would, in the estimation of the **Chief Officer** concerned, result in the Council incurring net expenditure or forfeiting net income in excess of the savings on the contract sum that might reasonably be expected to accrue from competitive tendering;
- xv. where delay attributable to the quotation or tendering process would, in the estimation of the **Chief Officer** concerned, create or increase danger to life or limb;
- xvi. where delay attributable to the quotation or tendering process would, in the estimation of the **Chief Officer** concerned, result in or continue an unacceptable level or standard of service; or
- xvii. where relevant UK or EU legislation not otherwise referred to in these CPRs permits.

2.10 Additional exceptions for the Light-Touch Regime

- 2.10.1 Where an exception is sought under CPR 2.10.2 there is a requirement to complete an exception form (see [CPR 2.11.4](#)), **retrospectively where the exception has been sought under urgent circumstances.**
- 2.10.2 For contracts that are covered by the Light-Touch Regime under the Public Contracts Regulations 2015 (see [CPR 4.6](#)) there are additional circumstances under which an exception can be sought. These can be considered where there is a clear continuation of specific services under an existing contract, and where a decision to award a new contract to an existing contractor without seeking quotations or tendering can be justified as reasonable in terms of the extent to which the new requirement meets one or more of the following criteria;
 - i. Evidence demonstrates that obtaining quotations or tendering for the required services is unlikely to secure significant improvements in value for money, or else is unlikely to secure sufficient improvement in value for money to justify the cost of obtaining quotations or tendering, or else any likely improvement in value for money will be outweighed by the potential cost of changing contractor;
 - ii. The specification for the new requirement does not differ substantially from that of the existing contract;
 - iii. The contract terms and conditions of the new requirement do not differ from those of the existing contract except where required by changes to the council's Financial Regulations and/or these Contract Procedure Rules or relevant standard contracting practices;

- iv. The equivalent annual value of the contract for the new requirement does not differ from that of the existing contract by more than 10%, unless required by law;
- v. The services required have previously been subject to competitive quotations or tendered no more than five years prior to the end of the original contract, having regard to the term of the contract to be offered and the volatility of prices and quality in the relevant sector;
- vi. No more than two previous contracts for the required services have been exempted from obtaining quotations or tendering;
- vii. The performance of the existing contractor in delivering the required services under the existing contract has been monitored and assessed as satisfactory or better;
- viii. The quality of the required services as required by the existing contractor under the existing contract has been assessed as satisfactory or better;
- ix. Improvements in value for money in respect of contract specification, contract price or service quality have already been secured or else will be secured under the terms of the new contract for the required services;
- x. The required services, where applicable, are necessarily delivered in specific accommodation and there is a significant risk that a change in contractor would result in the loss of that accommodation to the require service or service user(s), and that there is also a significant risk that alternative accommodation will not be secured within a reasonable and practical timescale;
- xi. There is a reasonable probability that obtaining quotations or tendering the required services would result in significant distress or other detriment to the welfare of the service user(s) or would reverse or undermine the attainment of successful outcomes for the service user(s); and
- xii. Any other valid and relevant considerations which may be identified by the manager of the team requiring the services, subject to the approval procedure detailed in CPR 2.12 below.

2.11 Authority to approve exceptions

2.11.1 An exception based on one or more of the reasons listed in CPR [2.9](#) or [2.10](#) may be granted in the following manner:

- i. **Up to £250,000:** By the manager of the team where the procurement activity is taking place, providing they have authority to approve spend to the estimated contract value. If they do not have authority to spend then by the **Chief Officer** where the procurement activity is taking place;
- ii. **£250,001 to £1,000,000:** By agreement in writing from **Chief Officer** where the procurement activity is taking place, the Section 151 Officer, and the Monitoring Officer – recorded on the Procurement Exceptions Report detailed in CPR 2.11.4. Any of these individuals can refer the decision to Cabinet where they consider there are relevant issues pertaining to the procurement activity such that it should be considered as a key decision under the Cabinet Members scheme of delegation;

- iii. **£1,000,001 to £2,000,000:** by the relevant Cabinet Member through the scheme of delegation detailed in the Council’s constitution, which will also require the agreement from the **Chief Officer** where the procurement activity is taking place, the Section 151 Officer, and the Monitoring Officer – recorded on a delegated decision report with an accompanying completed Procurement Exceptions Report detailed in CPR 2.11.4. The Cabinet Member, or any of the other offices detailed above, can refer the decision to Cabinet where they consider there are relevant issues pertaining to the procurement activity such that it should be considered as a key decision under the Cabinet Members scheme of delegation;
 - iv. **£2,000.001 and over:** by Cabinet – recorded on a Cabinet Report with an accompanying Procurement Exceptions Report detailed in CPR 2.11.4.
- 2.11.2 Such authority to approve shall not apply in cases of extreme urgency (CPR [2.9.3 \(iii\)](#) and [2.9.3 \(xv\)](#)). In this circumstance the relevant **Chief Officer** can approve the exception.
- 2.11.3 Exceptions based on any reason not listed in CPR [2.9](#) or [2.10](#) can only be obtained from cabinet.
- 2.11.4 In **all** cases where an exception is being sought, a report must be attached on the contract file in the council’s electronic procurement system setting out the reason for requiring the exception and the specific contract procedure rule (from this document) from which the exception is required. The report shall highlight any future commitments (whether or not of a financial character) which the proposed contract might entail.
- 2.11.5 In cases where an exception to proceed with a single tender procurement exercise has been authorised, the exercise is still required to be undertaken on the Council’s electronic procurement system.

SECTION 3

PROCUREMENT DOCUMENT PREPARATION

3.1 Preparing documentation

3.1.1 It is a requirement to produce all required documentation associated with the procurement activity prior to making any offer to the market. This should include:

- i. The **specification**, which should contain precise details of the requirements, be easily understood by the bidders, have clearly defined, achievable and measurable inputs, outputs or outcomes;

And where appropriate for contracts under £25,000, and for all contracts over £25,000:

- ii. A draft of the **contract**, including any bespoke terms and conditions that may be required over and above the standard terms and conditions of the form of contract used;
- iii. The **criteria and evaluation methodology** (including any weightings) for selection and award of the contract;
- iv. Details of any requirements for **community benefits**;
- v. Where tendering under the Restricted (and Competitive or Negotiated) Procedures, a **Pre-Qualification Questionnaire (PQQ)** to enable a fair and transparent means of creating a shortlist of bidders; and
- vi. The **tender invitation** clearly stating the requirement to submit bids electronically, the time and date it needs to be submitted by, along with any other relevant instructions and a clear statement that no bids will be considered that have been delivered other than as instructed;

Standard forms and templates are available from the Corporate Procurement Team, and where appropriate embedded in the Council's electronic procurement system. Any deviation from the standard forms and templates must be agreed in writing with the Corporate Procurement Team.

3.2 Tender specifications – Standards

3.2.1 Relevant EU, British, and International standards which apply to the subject matter of the contract and which are necessary to properly describe the required quality must be included in the tender specification.

3.3 Tender specifications - Nominated products

3.3.1 All goods and services should be specified by reference to objective, non-product specific descriptions. Equivalent goods or services are nearly always capable of being specified. If this is not possible for genuine technical reasons, and a particular type of product or service or method of production or delivery has to be stated, then the words "or equivalent" should always be added.

3.4 Tender specifications - Nominated suppliers and sub-contractors

3.4.1 Nomination of suppliers, contractors or sub-contractors amounts to the same as single-tender action and so must not be used (except where permitted by the [Public Contracts Regulations 2015](#) for contracts equal to or greater than the relevant OJEU threshold, or the CPRs below the relevant OJEU threshold).

3.4.2 It is permissible to provide potential main or principal contractors with lists of council-approved suppliers or sub-contractors provided that it is made clear to the main/principal contractors that they are completely free to sub-contract to whoever they wish (subject to meeting the council's reasonable requirements, such as technical standards, financial standing or insurance levels).

3.5 Contract terms and conditions (see also [CPR 5.12](#))

3.5.1 Wherever possible, the council's standard terms and conditions, or industry standard national terms and conditions, shall be used with additional information added to specify:

- i. The work, materials, services or things to be furnished, had, done or disposed of (i.e. the specification);
- ii. The price to be paid (or, as appropriate, the sums to be received), with a statement of discounts or other deductions, and where not known, committed estimated price, or the basis upon which the final contract sum is to be calculated;
- iii. The time or times within which the contract is to be performed, together with a termination date of the contract; and
- iv. Any additional bespoke terms and conditions that relate specifically to the contract in question (Which will need to be agreed with Legal Services).

3.5.2 Note that at contract award stage the following information may also need to be included in the contract documentation;

- i. Any other relevant documents received as part of the successful bid which need to be appended as a schedule to the contract (e.g. pricing schedule, Freedom of Information declarations, etc.)
- ii. Where community benefits have been requested or offered by the contractor, these should be specifically included in the contract (see CPRs [2.4](#) and [6.3.3](#)).

3.6 Sub-contracting (see also CPRs [5.15](#) and [6.4](#))

3.6.1 In the procurement documents the Council may ask the bidder to indicate in its quotation or tender any share of the contract that it intends to sub-contract to third parties and any proposed sub-contractors.

3.6.2 Where sub-contractors will be used, the contract should include a clause expressly requiring the main contractor to abide by the fair payment requirements and ensure sub-contractors receive payment within 30 days of presenting a valid invoice.

3.7 Evaluation criteria

- 3.7.1 At the procurement planning stage a decision **must** have been made about which evaluation method will be followed – lowest price or most economically advantageous tender (MEAT) (see [CPR 2.7](#) for authorisation procedures).
- 3.7.2 The lowest price method of evaluation may only be used on contracts of a value less than £25,000, unless an exception is made as detailed in CPR 3.7.3 below. Even for contracts at this level, it is still recommended that the most economically advantageous tender method is applied where appropriate.
- 3.7.3 The most economically advantageous tender (MEAT) should be applied to all contracts of a value greater than £25,000. **Exceptions to this can only be approved in line with the authorisation thresholds and process set out in CPR 2.11.**
- 3.7.4 For MEAT, the criteria used must be linked to the subject matter of the contract to determine that an offer is the most economically advantageous, for example: price, quality, technical merit, aesthetic and functional characteristics, environmental characteristics, running costs, cost effectiveness, after-sales service, technical assistance, delivery date, delivery period and period of completion. Whichever criteria are used, they must be objectively quantifiable and non-discriminatory, and they must be listed **in order of importance** in the tender documentation.
- 3.7.5 Where a procurement procedure has both selection and award stages, the criteria used at the selection stage should not be used again at the award stage. Selection criteria will typically be those that cover suppliers' capability and experience, whilst award criteria will assess which tender is the most economically advantageous.
- 3.7.6 Where core community benefits are being requested (see CPR [2.4](#) and [6.3.3](#)), they must relate to the subject matter of the contract and must be included as part of the evaluation criteria and scored accordingly.
- 3.7.7 Issues that are of importance to the council in terms of meeting its corporate priorities and objectives can also be used to as criteria evaluate bids. The bidding organisations approaches to continuous improvement and setting targets for service improvement or future savings could also be included. If such criteria are used there is still a requirement that they must relate to the subject matter of the contract and must be objectively quantifiable and non-discriminatory.
- 3.7.8 The procurement documentation should clearly explain the basis of the decision to bidding organisations, making clear how the evaluation criteria specified in the process will be applied, the overall weightings to be attached to each of the high-level criteria, how the high-level criteria are divided into any sub-criteria and the weightings attached to each of those sub-criteria.

3.8 Variant bids

- 3.8.1 A variant bid is an option within the offer to market for suppliers to come forward with an alternative approach to delivering the required output of the procurement exercise, where they consider this will offer better value for money. Requesting variant bids is encouraged whenever practical as they have the potential to deliver significant cost savings, but these can only be submitted **in addition** to a standard bid that is compliant with the published specification. Whenever variant bids are submitted they **must** be evaluated using the same evaluation criteria as all other submissions (see CPR [3.7](#) and [5.2](#)).

SECTION 4

OFFER TO MARKET

GUIDANCE NOTE 5

What is the difference between a quotation and a tender?

There are broadly two competitive approaches used by the council to achieve best value in procurement:

1. A **request for quotation** (RFQ) is a less formal approach than a tender, and used for lower value, lower risk procurement. The council will provide a basic technical specification for the goods, services or works it requires, and bidders will quote their price, and in some cases outline how they intend to undertake the supply of good, services or works.
2. An **invitation to tender** (ITT) is a more formal approach where the council provides up-front documents laying down the terms and conditions of the offer; the work required to be undertaken and the quality that is expected. The invitation to tender is issued to all suppliers on the same day. They are not allowed to canvass or collude with us, other than to seek clarity. All tenders must be returned before a specified time and date.

4.1 Buying

Up to £10,000 (Goods, Services & Works)

- 4.1.1 The minimum requirement is **one** verbal or written quotation, although where practical competition is required. Where only one quote is requested, the **manager** still has a responsibility to ensure and be able to demonstrate that value for money has been obtained.
- 4.1.2 The council's electronic procurement system has a Quick Quotes facility which is ideally suited to obtaining price only quotations at this threshold level, and will bring greater transparency, fairness and could achieve better value for money. Therefore the use of the Quick Quotes facility is encouraged for this level of spend.
- 4.1.3 It is acceptable to use petty cash or corporate credit cards when buying goods, services or works at this threshold limit.
- 4.1.4 There is no requirement to openly advertise.
- 4.1.5 There is no prescribed timescale for receiving a request for quotation.
- 4.1.6 Following acceptance of the quotation (verbal, written or electronic) a purchase order **must** be sent via the Purchase-to-Pay (P2P) system.
- 4.1.7 Quotes, regardless of whether one or more has been invited, can be accepted – verbally, in writing (including email) or via the council's approved electronic procurement system – at the time of submission.

4.2 Lower Value Procurement

£10,001 to £25,000 (Goods, Services & Works)

- 4.2.1 At least **four** quotations to be requested using the council's electronic procurement system. The system will enable two suppliers of the requested goods, services or works to be selected manually, and then will automatically select at random a further two suppliers. **DEL: If more than two suppliers are manually selected, the system will automatically select at random the same number again (i.e. if three suppliers are selected, the system will randomly select a further three, and so on).**
- 4.2.2 In the circumstance where not all suppliers respond to the request for quotation with a submission, it is acceptable to evaluate and award the contract based on whatever submissions have been made, even where there is only one submission.
- 4.2.3 Where there are less than four suppliers (but more than one) of the requested goods, services or works on the council's electronic procurement system, it is acceptable to request quotations from the number (less than four) of the suppliers registered.
- 4.2.4 Where there is only one supplier of the requested goods, services or works on the council's electronic procurement system, it is a requirement to follow the exception authorisation procedures set out in [CPR 2.11](#).
- 4.2.5 Any request for quotation (RFQ) shall include as a minimum a technical specification, pricing schedule and terms and conditions.
- 4.2.6 As an alternative to selection of suppliers, the requirement may also be openly advertised on Sell2Wales and on the council's approved electronic system, but this is not a mandatory requirement at this level. Note that when the requirement is openly advertised in this way there is no restriction on the number of suppliers that may respond.
- 4.2.7 There is no prescribed timescale for receiving a request for quotation, but consideration should be made of the complexity of the requirement being requested and sufficient time allowed for suppliers to provide suitable bids.
- 4.2.8 The quotation must be received electronically using the council's approved system, and will automatically be endorsed with the time and date of receipt and "locked" by the system until the closing time and date prescribed in the request for quotation has elapsed.
- 4.2.9 All quotations received will be automatically "unlocked" and available for evaluation in the electronic system at the same time within one hour of the closing time and date prescribed in the request for quotation.
- 4.2.10 Following evaluation of the submissions and acceptance of the quotation on the electronic system, a purchase order **must** be sent via the Purchase-to-Pay (P2P) system.

4.3 Intermediate Value Procurement

£25,001 to the OJEU threshold (Goods and Services)

- 4.3.1 Where a competitive procedure with negotiation, competitive dialogue or innovation partnership procedure has been approved under [CPR 2.7](#), then the offer to market should only be undertaken under the supervision and guidance of a named officer from the Corporate Procurement Team.

- 4.3.2 Prior to inviting tenders, it is a **mandatory** requirement to undertake the corporate Sustainability Assessment, or any equivalent corporate assessment that may be required. It is the responsibility of the manager where the procurement activity is taking place to ensure that this is undertaken, and that the results of this exercise is uploaded to the council's electronic procurement system.
- 4.3.3 All requirements **must** be openly advertised on Sell2Wales and on the council's electronic procurement system.
- 4.3.4 Whilst it is not a mandatory requirement at this procurement threshold, the inclusion of community benefits as a contractual requirement is still encouraged (see CPR [2.4](#) and [6.3.3](#)).
- 4.3.5 At the time of inviting tenders the documents detailed in [CPR 3.1](#) should have been prepared and be accessible to view on the council's electronic procurement system.
- 4.3.6 There is no prescribed timescale for receiving an invitation to tender, but consideration should be made of the complexity of the requirement being requested and sufficient time allowed for suppliers to provide suitable bids.
- 4.3.7 The tenders must be received electronically using the council's approved system, and will automatically be endorsed with the time and date of receipt and "locked" by the system until the closing time and date prescribed in the invitation to tender has elapsed.
- 4.3.8 All tenders received will be automatically "unlocked" and available for evaluation in the electronic system at the same time within one hour of the closing time and date prescribed in the invitation to tender.
- 4.3.9 Following evaluation of the submissions and acceptance of the tender on the electronic system, a purchase order **must** be sent via the Purchase-to-Pay (P2P) system.

4.4 Intermediate Value Procurement £25,001 to the OJEU threshold (Works)

- 4.4.1 Where a negotiated, competitive dialogue or innovation partnership procedure has been approved under [CPR 2.7](#), then the offer to market should only be undertaken under the supervision and guidance of a named officer from the Corporate Procurement Team.
- 4.4.2 Prior to inviting tenders, it is a **mandatory** requirement to undertake the corporate Sustainability Assessment, or any equivalent corporate assessment that may be required. It is the responsibility of the manager where the procurement activity is taking place to ensure that this is undertaken, and that the results of this exercise is uploaded to the council's electronic procurement system.
- 4.4.3 In cases where the works are of a general nature and thus it is reasonably considered that the interest from the market may result in a high number of submissions, in the interests of efficiency it is permissible not to openly advertise contracts with an estimated value below £250,000 (for works **only**). In this circumstance at least **four** tenders must be requested using the council's electronic procurement system. The system will enable two suppliers of the requested works to be selected manually, and then will automatically select at random a further two suppliers. **DEL: If more than two suppliers are manually selected, the system will automatically select at random the same number again (i.e. if three suppliers are selected, the system will randomly select a further three, and so on).**

- 4.4.4 If the works being procured are grant funded and the conditions of grant require contracts to be advertised then CPR 4.4.3 cannot be used.
- 4.4.5 In the circumstance where not all suppliers respond to the invitation to tender with a submission, it is acceptable to evaluate and award the contract based on whatever submissions have been made, even where there is only one submission.
- 4.4.6 In all other circumstances, and for **all** contracts with an estimated value of between £250,001 and to the OJEU threshold (see appendix C), all requirements **must** be openly advertised on Sell2Wales and on the council's electronic procurement system.
- 4.4.7 Where the contract value is greater than £1,000,000 the inclusion of community benefits as a contractual requirement is a **mandatory** requirement. Below this value, whilst it is not a mandatory requirement, the inclusion of community benefits as a contractual requirement is still encouraged (see CPRs [2.4](#) and [6.3.3](#)).
- 4.4.8 At the time of inviting tenders the documents detailed in [CPR 3.1](#) should have been prepared and be accessible to view on the council's electronic procurement system.
- 4.4.9 There is no prescribed timescale for receiving an invitation to tender, but consideration should be made of the complexity of the requirement being requested and sufficient time allowed for suppliers to provide suitable bids.
- 4.4.10 The tenders must be received electronically using the council's approved system, and will automatically be endorsed with the time and date of receipt and "locked" by the system until the closing time and date prescribed in the invitation to tender has elapsed.
- 4.4.11 All tenders received will be automatically "unlocked" and available for evaluation in the electronic system at the same time within one hour of the closing time and date prescribed in the invitation to tender.
- 4.4.12 Following evaluation of the submissions and acceptance of the tender on the electronic system, a purchase order **must** be sent via the Purchase-to-Pay (P2P) system.
- 4.5 High Value Procurement ([OJEU threshold](#))**
Above the relevant OJEU threshold (Goods, Services & Works)
- 4.5.1 At this threshold level it is critical that the offer to market is conducted in full compliance with the requirements of the [Public Contracts Regulations 2015](#). For this reason, adequate time must be allowed for the proper planning of the procurement activity, and this planning and the subsequent offer to market must be undertaken under the supervision and guidance of a named officer from the Corporate Procurement Team.
- 4.5.2 Prior to inviting tenders, it is a **mandatory** requirement to undertake the corporate Sustainability Assessment, or any equivalent corporate assessment that may be required. It is the responsibility of the manager where the procurement activity is taking place to ensure that this is undertaken, and that the results of this exercise is uploaded to the council's electronic procurement system.
- 4.5.3 Above these EU contract thresholds all requirements **must** be openly advertised on Sell2Wales, the council's electronic procurement system **and in the official journal of the European Union (OJEU)**, with no exceptions (see [CPR 4.9](#) for details).

- 4.5.4 Where the contract value is greater than £1,000,000 the inclusion of community benefits as a contractual requirement is a **mandatory** requirement. Below this value, whilst it is not a mandatory requirement, the inclusion of community benefits as a contractual requirement is still encouraged (see CPRs [2.4](#) and [6.3.3](#)).
- 4.5.5 At the time of inviting tenders the documents detailed in [CPR 3.1](#) should have been prepared and be accessible to view on the council's electronic procurement system.
- 4.5.6 The [Public Contracts Regulations 2015](#) prescribe minimum time limits for submissions following advert. These vary depending on the procurement procedure being followed and whether a Prior Information Notice (PIN) has been issued (see [CPR 4.9](#)), but are significant and **non-negotiable**. Officers conducting any procurement activity at this threshold **must** inform the Corporate Procurement Team at the earliest opportunity to ensure the prescribed time limits can be met.
- 4.5.7 The tenders must be received electronically using the council's approved system, and will automatically be endorsed with the time and date of receipt and "locked" by the system until the closing time and date prescribed in the invitation to tender has elapsed.
- 4.5.8 All tenders received will be automatically "unlocked" and available for evaluation in the electronic system at the same time within one hour of the closing time and date prescribed in the invitation to tender.
- 4.5.9 Following evaluation of the submissions and acceptance of the tender on the electronic system, a purchase order **must** be sent via the Purchase-to-Pay (P2P) system.

4.6 Light-Touch Regime

(see Regulations 74 – 77 of the [Public Contracts Regulations 2015](#))

- 4.6.1 The new light-touch regime (LTR) is a specific set of rules for certain contracts that tend to be of lower interest to cross-border competition. Those service contracts include certain social, health and education services, defined by Common Procurement Vocabulary (CPV) codes. The list of services to which the Light-Touch Regime applies is set out in Schedule 3 of the Public Contracts Regulations 2015 (Annex A): this can be found in [Appendix D](#) of these CPRs. The procurement process for the LTR is described briefly below, but any officer undertaking procurement activity under this regime should do so in association with the Corporate Procurement Team and should always refer directly to the relevant sections of the Public Contracts Regulations 2015 and any associated government guidance.
- 4.6.2 Below the threshold given in [Appendix C](#) CPRs [4.3.1](#) to [4.3.9](#) should be followed.
- 4.6.3 The OJEU threshold values for the Light Touch Regime are detailed in [Appendix C](#). At and above the threshold level the mandatory requirements, in addition to CPR 4.6.2, are:
- i. OJEU Advertising – the publication of a contract notice (CN) or prior information notice (PIN), except where the grounds for using the negotiated procedure without a call for competition could have been used;
 - ii. The publication of a contract award notice (CAN) following each individual procurement, or if preferred, group such notices on a quarterly basis;
 - iii. Compliance with Treaty principles of transparency and equal treatment;

- iv. Conduct the procurement in conformance with the information provided in the OJEU advert (CN or PIN) regarding any conditions for participation, time limits for contacting/responding to the authority, and the award procedure to be applied; and
- v. Time limits imposed by authorities on suppliers, such as responding to adverts or tenders, must be reasonable and proportionate.

The council has the flexibility to use any process or procedure when procuring under the LTR, as long as it respects these obligations above. There is no requirement to use the standard EU procurement procedures (open, restricted and so on) that are available for other (non-LTR) contracts. The council can use those procedures if helpful, or alternatively tailor those procedures or design new procedures.

- 4.6.4 The Public Contracts Regulations 2015, [Regulation 77](#), permit certain contracts to be “reserved” for organisations meeting certain criteria e.g. public service mutual and social enterprises.
- 4.6.5 For contracts that are covered by the Light-Touch Regime there are additional circumstances under which an exception can be sought. These are detailed in [CPR 2.10](#).

4.7 Electronic arrangements

- 4.7.1 Above the £10,000 threshold detailed in [CPR 4.1](#) all requests for quotations and invitations to tender, along with all associated procurement documentation, must be issued via the council’s approved electronic procurement system.
- 4.7.2 Above the £10,000 threshold detailed in [CPR 4.1](#) all submissions from bidding organisations, including all supporting documentation, must be received via the council’s approved electronic procurement system.
- 4.7.3 In some exceptional circumstances, and only by agreement between the head of service where the procurement activity is taking place and the Corporate Procurement Team, hard copy quotations or tenders may be accepted. In this event the procedures detailed in CPR 4.8 below must be followed.

4.8 Hard copy arrangements

- 4.8.1 In the event that hard copy quotations or tenders are to be accepted (see CPR 4.7.3 above), these must be submitted, sealed, in the envelope provided with the procurement documents and addressed to a named officer within the service where the procurement activity is taking place. The submitted envelope should not have any mark that would reveal the bidding organisation’s identity and should clearly marked “Quotation for....” followed by a description of the goods, services or works being procured.
- 4.8.2 The named officer (see CPR 4.8.1 above) is responsible for recording the time and date of receipt, and for the safe custody of the submissions until the specified bid opening time.
- 4.8.3 All hard copy quotations or tenders for the same contract will be opened at the same time within 24 hours of the official return time/date having passed. This opening should be undertaken in the presence of at least two officers of the council, one of whom **must** be an officer who has had no previous involvement in pre-tender enquiries, the invitation to tender or preparation of associated documentation. It is the responsibility of the manager of the team where the procurement activity is taking place to ensure this is the case.

- 4.8.4 The designated officers present at the opening shall record the following details of each submission:
- i. The time and date for the receipt of the bids;
 - ii. The name of each bidder and the amount of each bid; and
 - iii. The date the bids were opened.

This record shall be signed by all officers present at the opening.

- 4.8.5 If a hard copy submission is opened in error prior to the specified bid opening time, no attempt shall be made to ascertain any contents of the bid or its origin, and the matter must be immediately reported to the **Chief Officer** where the procurement activity is taking place. The envelope shall be re-sealed and signed by the officer who opened the envelope and the **Chief Officer**. If the **Chief Officer** has reason to suspect a breach of confidentiality or irregularity has occurred, they shall report the matter immediately to the Corporate Procurement Team and internal audit.

4.9 Advertising

- 4.9.1 Where the opportunity is going to be advertised on Sell2Wales, there are two options:

- i. The **Prior Information Notice (PIN)** alerts the market to future contracts, and should be placed on Sell2Wales and – for tenders over the OJEU thresholds – in the Office Journal of European Union (OJEU). The publication of a PIN is not mandatory but by publishing it is possible to take advantage of reduced time limits for submission of bids later in the process.
- ii. The **Contract Notice (CN)** which launches a specific procurement, and should be placed on Sell2Wales, the council's electronic procurement system and – for tenders over the OJEU thresholds – in the Office Journal of European Union (OJEU).

- 4.9.2 As per [CPR 1.3.1](#), **all** advertisement in Sell2Wales and, where relevant, in the Office Journal of the European Union (OJEU), **must** be published bilingually in Welsh and English. The advertisement must state that quotations or tenders may be submitted in Welsh, and that a quotation or tender submitted in Welsh will be treated no less favourably than a quotation or tender submitted in English.

- 4.9.3 Adverts can also be placed in relevant trade journals or other suitable publications.

SECTION 5

EVALUATION & CONTRACT AWARD

5.1 Late submissions

- 5.1.1 There is a one hour “grace” period built into the electronic procurement system after the prescribed closing time/date to allow for any problems that may arise with suppliers uploading their submissions. Submissions received within this one hour grace period can be accepted. The electronic procurement system will not accept any submissions after this “grace” period.

5.2 The evaluation process

- 5.2.1 Submitted quotations or tenders must be evaluated in accordance with the predetermined evaluation criteria ([see CPR 3.7](#)) and awarded on the basis of the submission that best meets these criteria. The criteria **must** be strictly observed and not altered or adjusted in any way.

5.3 Errors and omissions in submitted bids

- 5.3.1 As a general rule, no adjustment or qualification to any submitted bid is permitted. Errors or omissions found during the evaluation process shall be dealt with in one of the following ways:
- i. Where there is an error of clerical or arithmetical transcription or computation which would affect the quotation or tender figure in an otherwise successful submission, the bidding organisation will be given details of such errors via the council’s electronic procurement system and shall be allowed the opportunity of correcting those errors and confirming the correct details.
 - ii. Where there are errors or omissions other than those detailed above which would affect the quotation or tender figure or other elements of the submission, the bidding organisation will be given details of such errors via the council’s electronic procurement system and shall be allowed the opportunity of correcting those errors or withdrawing its submission.
- 5.3.2 Any corrections must be submitted within a defined timescale of the notification to the bidder of the error or omission. Corrections received after this timescale will not be accepted and the submission considered withdrawn and not further evaluated. This must be clearly stated to the bidder at the time of notification of the error or omission.

5.4 Post-quotation/tender negotiations and clarification

- 5.4.1 Generally:
- i. no post-tender negotiations are permitted under an open or restricted procedure;
 - ii. In some instances it may be acceptable to seek clarification from bidding organisations, but this should only happen in exceptional circumstances and following consultation with the Corporate Procurement Team; and

- iii. Negotiations on price are never permissible except where the negotiated procedure is used. The negotiated procedure should only be used in those exceptional cases where it is lawful to do so under the 2015 Regulations, and should **always** be undertaken under the supervision of a named officer from the Corporate Procurement Team.

5.4.2 Where procurements are at intermediate value or below (i.e. sub-OJEU level) the **Chief Officer** where the procurement activity is taking place may authorise negotiations, having first consulted with the Corporate Procurement Team, if he/she considers that it is in the council's interest to do so. Such actions must not distort competition and that the core principles of transparency, non-discrimination and equal treatment apply, therefore negotiations should be kept to a minimum. It is the head of service's responsibility to ensure a written record of all negotiations are kept as part on the contract file on the council's electronic procurement system.

5.5 Awarding the contract

5.5.1 No contract can be awarded without an approved, associated budget which is sufficient to meet the financial obligations of the contract over its lifetime.

5.5.2 Where the contract award is within the cost and quality parameters established at the earlier procurement strategy approval stage (see [CPR 2.7](#)), the award can be made by:

- i. By the manager of the team where the procurement activity will be taking place, providing they have authority to approve spend to the contract value. If they do not have authority to spend, then:
- ii. By the **Chief Officer** where the procurement activity is taking place, providing they have authority to approve spend to the contract value or that the procurement activity has prior authorisation under [CPR 2.7](#).

5.5.3 For contracts of less than **£250,000**, where the contract award will be of greater cost than that which was approved at the procurement strategy stage (see [CPR 2.7](#)), the award can be made by the **Chief Officer** where the procurement activity is taking place, regardless of the percentage of increase but notwithstanding the responsibility to ensure and be able to demonstrate that value for money has been obtained.

5.5.4 For contracts of more than **£250,000**, where the contract award will be of greater cost than that which was approved under [CPR 2.7](#) (regardless of the percentage of increase), award approvals must be undertaken in the following manner:

- i. **£250,001 to £1,000,000**: By agreement in writing from **Chief Officer** where the procurement activity is taking place, the Section 151 Officer, and the Monitoring Officer. Any of these individuals can refer the decision to Cabinet where they consider there are relevant issues pertaining to the contract award such that it should be considered as a key decision under the Cabinet Members scheme of delegation;
- ii. **£1,000,001 to £2,000,000**: by the relevant Cabinet Member through the scheme of delegation detailed in the Council's constitution, which will also require the agreement from the **Chief Officer** where the procurement activity is taking place, the Section 151 Officer, and the Monitoring Officer. The Cabinet Member, or any of the other offices detailed above, can refer the decision to Cabinet where they consider there are relevant issues pertaining to the contract award such that it should be considered as a key decision under the Cabinet Members scheme of delegation;

iii. **£2,000.001 and over:** by Cabinet.

5.5.5 When awarding contracts on lowest price, award approvals must be made to the bidding organisation submitting the lowest price, unless the quote or tender is deemed to be an abnormally low bid which cannot be justified by the bidder to be sufficient to deliver the contract. In this circumstance it should be treated as an error and the procedure detailed in [CPR 5.3](#) followed.

5.5.6 For all contracts over the £10,000 threshold an award approval report must be completed (available on request from the Corporate Procurement Team) and uploaded to the electronic procurement system. It is the responsibility of the **Chief Officer** where the procurement activity is taking place to ensure this happens.

5.6 Notifying candidates

5.6.1 When a contract is awarded in line with [CPR 5.5.4 ii](#) and iii that decision is subject to the five day Cabinet call-in period. Bidders should not be notified until either this call-in period has elapsed or, in the event that the decision is called-in, the result of any review is known.

5.6.2 Where the contract value is less than the high value, OJEU threshold, the manager of the team where the procurement activity is taking place shall ensure that within 15 days of the date on which the council receives a request from any supplier who was unsuccessful (at either quotation, pre-qualification or tender stage) he/she informs that supplier of the reasons for being unsuccessful and, if the supplier was unsuccessful at quotation/tender stage they must also be informed of the characteristics and relative advantages of the successful quotation/tender as well as the name of the bidder winning the contract.

5.6.3 Where the contract value is at high level (OJEU threshold), the manager of the team where the procurement activity is taking place must ensure that the council complies with the requirements of the [Public Contracts Regulations 2015](#) regarding giving standstill letters and reasons. Additionally, contract award notices need to be published in the OJEU not later than 30 days after contract award and the form of notice is prescribed in the relevant regulations.

5.6.4 Where the procurement activity is at high level (OJEU threshold), there must be a standstill period between communicating the award decision to all tenders and conclusion of the contract. This standstill period shall be 10 calendar days when sent electronically (or 15 days for notices sent by other methods). Where the last day of the standstill period is not a working day, the standstill period is extended to midnight at the end of the next working day.

5.7 Contract award notice

5.7.1 Where the contract has been advertised on Sell2Wales, the council must subsequently publish a bilingual contract award notice on Sell2Wales.

5.7.2 Where the value of the contract is equal to or greater than the relevant OJEU threshold (high-value procurement), the council must publish a bilingual contract award notice on Sell2Wales for inclusion in the OJEU as well.

5.7.3 In either case, the contract award notice should be actioned as soon as possible after the decision to award the contract has been taken, and in any event no later than 30 days after the date of award of contract. It is the responsibility of the manager of the team where the procurement activity is taking place to ensure this happens.

5.8 Letters of intent

- 5.8.1 A letter of intent is not an appropriate substitute for a formal contract but in exceptional circumstances can be issued as an interim measure until a formal contract has been signed. Letters of intent can only be issued by an officer of the council with the prior approval in writing of the Monitoring Officer.
- 5.8.2 In the case of works contracts, a letter of intent in a form approved by the Monitoring Officer is acceptable in order to allow work to commence, although the issue of a formal contract must follow without delay.

5.9 Bonds, Securities, Liquidated and other damages

- 5.9.1 The manager where the procurement activity is taking place is responsible for ensuring that a risk assessment is undertaken to determine whether some form of performance bond or performance guarantee is required.
- 5.9.2 All contracts should include a provision for liquidated damages to be paid by the contractor in case the terms of the contract are not duly performed, save where the Monitoring Officer approves another type of remedy.

5.10 Parent Company Guarantee

- 5.10.1 The manager where the procurement activity is taking place is responsible for seeking a Parent Company Guarantee where:
- i. A contractor is a subsidiary of a parent company; and/or
 - ii. The award is based on evaluation of the parent company; and/or
 - iii. There is some concern over the stability of the contractor.

5.11 Non-concluded terms and conditions

- 5.11.1 Before any award of contract it is the responsibility of the manager of the team where the procurement activity is taking place to ensure that the terms and conditions of the contract are fully agreed between the council and the successful bidder.
- 5.11.2 Where terms and conditions of contract are not fully agreed, no contractor shall be allowed to commence delivery of goods, services or works.
- 5.11.3 The council should under normal circumstances **never**:
- i. enter into a contract on the contractors own standard terms and conditions; or
 - ii. negotiate terms and conditions which are significantly different to those included or referred to at quotation or tender stage.

Any deviation from these principles can only be undertaken with the prior approval of the Monitoring Officer.

5.12 Contract documents (see also [CPR 3.5](#))

- 5.12.1 Where the procurement is up to a total value of £25,000 the use of a Purchase Order is an acceptable form of contract, which must make reference to the successful quotation and the council's terms and conditions of purchase. In some circumstances, particularly where there is a risk of contractual disputes, it may still be appropriate to have a signed contract in place.
- 5.12.2 Where the procurement is greater than £25,000, all contracts for goods, services and works must be concluded in writing using the appropriate standard contract, or other bespoke contract as approved by the Monitoring Officer, before the contract commences. In this circumstance there is still a requirement to also raise a purchase order.
- 5.12.3 Two copies of the contract will be sent to the successful tenderer to duly sign. After signing and returning both copies to the council, they will both be signed on behalf of the council. One copy will be scanned and placed on the contract file in the council's electronic procurement system, and the original retained by the relevant service area. The second copy will be returned to the successful tenderer for its retention. It is the responsibility of the manager where the procurement activity is taking place to ensure that the contracts are sent out, duly signed, returned and recorded on the electronic procurement system.
- 5.12.4 Contract documents, along with all associated related documents, must be retained for a minimum of six years from the contract end date and, if under seal, for a period of twelve years from the contract end date. Where the contract was funded, or partly funded, through some form of external grant further conditions with regard to retention of documents may apply and **must** be adhered to.
- 5.12.5 Emergency contracts awarded under CPRs [2.9.3 iii](#) and [2.9.3 xv](#) need not be in writing before commencement but must be confirmed in writing within four weeks. It is the responsibility of the manager where the procurement activity is taking place to ensure this is the case.

5.13 Contract signatures

- 5.13.1 Contracts not under seal can be signed on behalf of the Council by:
- i. By the manager of the team where the procurement activity will be taking place, providing they have authority to approve spend to the estimated contract value. If they do not have authority to spend, then:
 - ii. By the **Chief Officer** where the procurement activity is taking place

However, regardless of who signs there should be consideration in terms of separation of duties and the person who signs the contract on behalf of the council should not be the same officer who led the offer to market.

5.14 Sealing of contracts

- 5.14.1 A contract must be sealed where:
- i. The council wishes to enforce the contract for more than six years after its end (e.g. for land or construction works); or

- ii. The price paid or received under the contract is a nominal price or there is no consideration and does not reflect the value of the goods or services; or
- iii. Where there is any doubt about the authority of the person signing for the other contracting party; or
- iv. Where it is required by law; or
- v. The total value of the goods, services or works exceeds £250,000.

5.14.2 Where contracts are completed by each side adding their common seal, the affixing must be attested by or on behalf of Legal Services. Legal Services are responsible for the process of sealing contracts on behalf of the Monitoring Officer.

5.15 Sub-contracting notification (see also CPR [3.6](#) and [6.4](#))

5.15.1 Main contractors must notify the council of the name, contact details and legal representatives of its sub-contractors in so far as known at the time. This should take place after the award of the contract or, at the very latest, when the performance of the contract commences.

5.15.2 The Council may verify whether there are grounds for exclusion of sub-contractors, and must require the main contractor to replace a sub-contractor if there are mandatory grounds for exclusion and may require replacement where there are discretionary grounds (Regulation 57 of the Public Contract Regulations 2015 refer for contracts at the OJEU threshold).

5.15.3 Where sub-contractors will be used, the contract should include a clause expressly requiring the main contractor to abide by the fair payment requirements and ensure sub-contractors receive payment within 30 days of presenting a valid invoice.

5.16 Contracts Register

5.16.1 From 1st April 2016, the following contracts shall be recorded on a central contracts register hosted on the council's approved electronic system:

- i. all new contracts over the value of £25,000 (intermediate value procurement and above);
- ii. all contracts above the £25,000 threshold that were entered into prior to 1st April 2016 but are still current;
- iii. all contracts **of any value** that need to be renewed; and
- iv. frameworks or other corporate purchasing arrangements currently being used by the council.

5.16.2 It is the responsibility of the **Chief Officer** to ensure that their staff comply with CPR 5.16.1 above, and that the information provided in relation to the contracts register includes as a minimum:

- i. **DEL - The nominated council Contract Manager**
- ii. The contractor;

- iii. The value of the contract;
- iv. The start and expiry date of the contract;
- v. Details of whether the contract is a one-off or expected to be renewed

SECTION 6

CONTRACT MANAGEMENT

6.1 Managing contracts

- 6.1.1 All contracts **must** have a named contract manager for the entirety of the contract, and that this individual has sufficient capability and capacity (see [CPR 1.4](#) for guidance) to undertake this role effectively. It is the responsibility of the head of service where the procurement activity is taking place to ensure that this is the case.
- 6.1.2 All contract management activities should seek to ensure that the contract is delivered in compliance with the terms and conditions of the contract, and shall be undertaken via the council's electronic procurement system.

6.2 Risk assessment and contingency planning

- 6.2.1 It is the responsibility of the contract manager (see CPR 6.1.1) to ensure that a risk assessment is undertaken to determine whether a contract should be categorised as high, medium or low risk (different contract management arrangements will apply depending on the risk category of the contract). Related documentation and assistance with undertaking the risk assessment is available from the Corporate Procurement Team.
- 6.2.2 It is the responsibility of the contract manager to ensure that for all contracts categorised as medium or high risk:
- i. A risk register is maintained throughout the contract period;
 - ii. Risk assessments are undertaken regularly; and
 - iii. For identified risks, appropriate and adequate contingency measures are in place

6.3 Contract performance

- 6.3.1 It is the responsibility of the contract manager (see CPR 6.1.1) to ensure that regular performance reviews are undertaken for categorised as medium or high risk. Such reviews should be undertaken at regular intervals depending on the complexity and length of the contract – at the discretion of the Contract Manager, but **must** be undertaken at the end of each contract. The review should cover good and bad performance, complaints, issues and defects arising under the contract, and a record of all reviews must be kept on the contract file on the council's electronic procurement system.
- 6.3.2 For all contracts it is the responsibility of the contract manager to raise any incidents of poor performance immediately with the contractor and seek rectification. In instances of particularly poor performance, or persistent poor performance, the Contract Manager can consider whether to recommend:
- i. early termination of the contract (see [CPR 6.6](#)); or
 - ii. where the contract has been awarded under a Framework Agreement, suspension of the contractor from that framework.

6.3.3 Where community benefits have been included as contractual requirements (see [CPR 2.4](#)) they should be regularly monitored and actively managed as part of the overall contract management process. It is the responsibility of the contract manager to ensure that the Welsh Government's Community Benefit Toolkit (or any successor tool provided by or on behalf of the Welsh Government) is duly completed and submitted as required.

6.3.4 At the end of each contract the contract manager will issue the contractor with a feedback form (available from the Corporate Procurement Team) in order for them to express their views and opinions on the management and delivery of the contract, and a record of this feedback must be kept on the contract file on the council's electronic procurement system.

6.4 Change in sub-contractors (see also CPRs [3.6](#) and [5.15](#))

6.4.1 Where sub-contractors are involved in the delivery of the contract in the course of the normal contract management arrangements the contract manager is required to check whether there has been any change in sub-contractors, and record any changes in the electronic procurement system.

6.5 Assignments and novation

6.5.1 Any contracts subject to potential assignment and novation must be referred to the Monitoring Officer at the earliest possible instance.

6.6 Termination of contract

6.6.1 Contracts may be terminated in line with the terms and conditions of the contract. Authorisation levels for contract termination are set out in [CPR 6.8](#). In all cases a report must be provided and attached to the contract file on the council's electronic procurement system detailing the reasons for the termination.

6.6.2 Where a contract has been terminated early, it is the responsibility of the contract manager to ensure that the corporate contracts register (see [CPR 5.16](#)) is updated accordingly.

6.7 Contract variations and extensions

6.7.1 Contract and framework agreements may be varied without a new procurement procedure where:

- i. The variations have been provided for in the relevant contract documents in clear unequivocal terms (i.e. price variation, fluctuation clauses or options) and these do not alter the overall nature of the contract; and/or
- ii. Additional goods, services or works which were not included in the original quotation or tender have become necessary, where a change of contractor cannot be made for economic or technical reasons or where it would cause serious inconvenience or duplication and the price does not exceed 20% of the original contract value and that it does not extend the contract period by more than 50%; and/or

- iii. The circumstances causing the need for variation were unforeseen, the variation does not alter the overall nature of the contract and the price does not exceed 20% of the original contract value and that it does not extend the contract period by more than 50%; and/or
- iv. There is a change in contractor that was provided for in the quotation or tender, or as a result of a merger, acquisition, insolvency or similar of the original contractor, that fulfils the original criteria for qualitative selection, provided this does not lead to other substantial variations; and/or
- v. The variations, irrespective of their value, are not substantial (as defined in CPR 6.7.2 below).

6.7.2 In the circumstances detailed in CPR 6.7.1 above, the contract variation shall be authorised by the Contract Manager, provided that the variation cost can be met within budget. Such variation shall be entered on the electronic procurement system and the Contracts Register, and an amendment made to the original Purchase Order. Note that substantial contract variations, as detailed in CPR 6.7.3 below, shall be subject to the authorisation requirements detailed in CPR 6.8.1.

6.7.3 A variation shall be deemed substantial if:

- i. The cost of the variation would exceed 20% of the original contract value or would extend the contract period by more than 50%; and/or
- ii. It makes the contract or framework materially different in character; and/or
- iii. The variation introduces new conditions which, had they been part of the initial procurement, would have allowed for the admission of other candidates than those initially accepted; allowed for the acceptance of a tender other than that originally accepted; and/or attracted additional participants in the procurement procedure; and/or
- iv. It changes the economic balance in favour of the contractor; and/or
- v. It extends the scope of the contract or framework considerably.
- vi. The revised total contract value requires a different level of authorisation, as specified in CPR 6.8.1, than that used for the original contract award.

6.7.4 Any decision to extend the contract period (term) may only be made before the original expiry date, where it is in accordance with the terms and conditions of the original contract.

6.7.5 In all cases of contract variation, careful consideration must be made of the impact of the increased value of the contract on the procurement threshold levels, particularly whether the increase in value will move a contract from intermediate, sub-OJEU value into high value, OJEU level. In this circumstance the variation or extension should not normally be granted.

6.8 Authority to decide contract terminations and substantial variations

6.8.1 Every contract termination or substantial variation (as detailed in CPR 6.7.3) must be authorised in writing and issued before the termination or variation is actioned. Authorisation levels are as follows:

- i. **Up to £250,000:** By the manager of the team where the procurement activity is taking place, providing they have authority to approve spend to the estimated contract value. If they do not have authority to spend then by the **Chief Officer** where the procurement activity is taking place;
- ii. **£250,001 to £1,000,000:** By agreement in writing from **Chief Officer** where the procurement activity is taking place, the Section 151 Officer, and the Monitoring Officer. Any of these individuals can refer the decision to Cabinet where they consider there are relevant issues pertaining to the contract variation such that it should be considered as a key decision under the Cabinet Members scheme of delegation;
- iii. **£1,000,001 to £2,000,000:** by the relevant Cabinet Member through the scheme of delegation detailed in the Council's constitution, which will also require the agreement from the **Chief Officer** where the procurement activity is taking place, the Section 151 Officer, and the Monitoring Officer. The Cabinet Member, or any of the other offices detailed above, can refer the decision to Cabinet where they consider there are relevant issues pertaining to the contract variation such that it should be considered as a key decision under the Cabinet Members scheme of delegation;
- iv. **£2,000,001 and over:** by Cabinet.

Contract values should be based on the cumulative total (i.e. including any previous variations or extensions) and in all cases, a report must be provided and attached to the contract file on the council's electronic procurement system detailing the reasons for the variation or extension.

6.9 Contract end

6.9.1 At an appropriate point, but generally at least three months prior to the contract end date, the contract manager should review whether or not the contract needs to be renewed, either in its current or an amended form. This should involve consideration of the contract management information collected throughout the life of the contract, which should help inform whether, or how, the requirement may be delivered in future.

6.9.2 If there is no further requirement for the contract, the existing contract may be allowed to lapse. However, some contracts may require more active decommissioning, for example where it involves disposal or reallocation of resources or where consultation is required. It is the responsibility of the contract manager to ensure that contracts are appropriately decommissioned and that sufficient time is allowed to do this.

6.9.3 If there is an ongoing requirement beyond the end of the existing contract, the contract manager is required to:

- i. consider whether there is an alternative approach to delivering the outcome without the need for the council to spend at all, or at least to reduce the spend;
- ii. have due consideration of our duties under the Well-Being of Future Generations (Wales) Act 2015 to take into account the impact of any decisions we make;

- iii. have due regard to the impact a renewed contract or approach may have on local economic prosperity; and
 - iv. Determine whether some form of corporate purchasing arrangement has been established since awarding the original contract.
- 6.9.4 If the contract is to be renewed, in its existing or amended form, then the contract manager (or other officer as directed by management) shall commence the planning process as set out in [Section 2](#) of these CPR's.
- 6.9.5 The contract manager must also ensure that a contract review questionnaire is completed, recording the overall performance of the supplier over the duration of the contract. Once completed, this should be uploaded to the contract file on electronic procurement system.
- 6.9.6 The contract manager shall also send a questionnaire to the supplier for them to complete (available on request from the Corporate Procurement Team), which will record the supplier's perspective on the council's management of the contract. Again, once completed, this should be uploaded to the contract file on electronic procurement system.

APPENDIX A

Glossary of Terms

Term	Definition
Chief Officer	Chief Officer of the relevant Council Service Area
Code of conduct	The Code regulating the conduct of officers and members as set out in the Constitution
Community Benefits	Clauses which can be used to build a range of economic, social, or environmental conditions into the delivery of public contracts. Mandatory on all contracts with a value greater than £1m and optional, but encouraged, on contracts below £1m
Contract	An agreement for the supply of goods, or services, or concessions or the execution of works
Contract award notice	Formal notice placed on Sell2Wales and, if appropriate, OJEU giving particulars on the date the contract was awarded, the award criteria, the number of offers received, the name and address of the successful tenderer(s), and the price or price ranges paid. Contract award notices must be sent not later than 48 days after the contract in question has been awarded
Contract file	A record of all matters relating to the contract
Contract notice	Formal advert placed on Sell2Wales and, if appropriate, OJEU notifying potential suppliers about a contract opportunity
Contracting Authority	A defined term in the Public Contracts Regulations 2015, meaning a public body that is subject to the procurement Regulations
Contractor	A supplier of goods or services or concessions or Works to the Council
Contracts register	From 1st April 2016, all contracts over the value of £25,000 shall be recorded on a central contracts register hosted on the council's approved electronic system
Corporate purchasing agreement	A contract or framework agreement which has been endorsed and approved for corporate use by the Strategic Procurement Manager and its use shall be mandatory
CPRs	These Contract Procedure Rules
Day	A calendar day unless otherwise specified

Electronic procurement	The procurement of all goods, services and works conducted using the council's approved electronic system
EU	European Union
Framework agreement	An agreement which allows an officer to call off or undertake a mini competition to provide goods, services or works in accordance with the terms of the agreement. The Framework Agreement usually constitutes a non-binding offer with no obligations to call off from the contractor. If the Council calls off from the contractor a binding contract comes into being.
Goods	Items that are tangible in nature i.e. they are of physical property
High value procurement	Procurement of goods, services and works where the value is at or above the OJEU thresholds as detailed in Appendix C of these CPRs
Intermediate value procurement	Procurement of goods, services and works where the value is between £25,001 and the OJEU thresholds as detailed in Appendix C of these CPRs
Invitation to tender	Invitation to tender documents in the form required by these CPRs
Light-Touch Regime	A specific set of rules for certain contracts that tend to be of lower interest to cross-border competition. These rules can only be used in conjunction with services listed in Schedule 3 of the Public Contract Regulations, 2015
Lower value procurement	Procurement of goods, services and works where the value is between £10,001 and £25,000
Monitoring Officer	The officer designated by the Council as its Statutory Monitoring Officer as required under Section 5 of the Local Government and Housing Act 1989
Most economically advantageous tender (MEAT)	A tender evaluated on the basis of qualitative, technical and sustainable aspects of the tender submission as well as price when reaching an award decision
OJEU	The Official Journal of the European Union
OJEU threshold	The values that are determined by the European Union every two years, which are shown in Appendix C of these CPRs
Prior Information Notice (PIN)	A notice place on Sell2Wales and/or OJEU alerting the market of upcoming requirements and allowing suppliers to respond, expressing an interest in bidding for the contract. This supplier feedback can be used to inform the development of the specification as well as the selection process prior to the invitation to tender stage

Procurement	The process by which the council manages the acquisition of all its goods, services and works of all sorts
Purchase order	An electronic order raised and authorised via the Council Proactis P2P system
Quotation	A quotation of price and any other relevant matter made without the formal issue of an invitation to tender
Section 151 Officer	The officer designated by the Council as its Statutory Section 151 Officer as required under Section 151 of the Local Government Act 1972
Services	Intangible commodities i.e. they are non-physical in nature
Statutory Procurement Obligations	The EU Regulations and UK legislation governing the procurement of contracts by Contracting Authorities
Sub-procurement (buying)	Purchasing of goods, services and works up to a value of £10,000
Tender	A Contractor's formal proposal submitted in response to an invitation to tender
Value for money	The optimum combination of whole life costs, quality and benefits to meet the Council's requirement. Such term equates to the EU procurement requirement of "most economically advantageous offer"
Working day	Any day other than a Saturday or a Sunday or a day which is a bank or a public holiday throughout Wales
Works	Activities listed in Schedule 2 of the Public Contract Regulations, 2015

APPENDIX B

Roles and Responsibilities of Officers

Officer	Duty	C.P.R.
Built Environment Team / Manager	Property and works related procurement	1.8.1 (ii)
Cabinet / Cabinet Portfolio Holder	Authority to decide procurement strategy and invite competitive bids	2.7.2
	Authority to approve exceptions from part or all of the CPRs	2.11.1
		2.11.3
	Contract award approvals	5.5.4
	Authority to decide contract terminations, variations and extensions	6.8.1
Contract Managers	Monitoring the delivery of community benefits	2.4.5
	All contracts must have a named Contract Manager	6.1.1
	Ensure that all risks are recorded, monitored and have appropriate measures in place	6.2
	Ensure that regular performance reviews are undertaken	6.3.1
	Raise any incidents of poor performance immediately with the contractor and seek rectification	6.3.2
	Ensure that the Welsh Government's Community Benefit Toolkit is duly completed and submitted as required	6.3.3
	Issue the contractor with a feedback form at the end of each contract	6.3.4
	Check for and record any changes to sub-contractors involved with the delivery of a contract	6.4.1
	Ensure that the corporate contracts register (see CPR 4.1) is updated where a contract has been terminated early	6.6.2
	Actions required around contract end	6.9
Corporate Procurement Team	Guidance and clarification of over-riding principles	1.1.7
	Receive notifications of officers' requirements to use the ePortal and register officers on the system	1.11.2
	Amendments to the Appendices of the CPRs	1.12.2
	Framework agreements and other corporate purchasing arrangements	2.1.1
		2.1.2
		2.1.3
		2.1.5
	Estimating the contract value	2.2.2
	Advice on community benefits	2.4.3
	Commissioning forms	2.5.2
		2.5.3
		2.5.4
	Deciding the appropriate procurement procedure	GN4
Advice on exceptions	2.9.3 (ii)	

	Use of standard forms and templates	3.1.1
	Exceptions to "Most economically advantageous" selection criteria	3.7.3
	Guidance on the use of negotiated, competitive dialogue or innovation partnership procedures in intermediate value procurement	4.3.1
		4.4.1
	Provision of a named officer to provide supervision and guidance on high value (i.e. above OJEU threshold) procurement	4.5.1
	Ensuring prescribed advertising time limits are met	4.5.6
	Guidance on Light-touch Regime procurement	4.6.1
	Agreement to the acceptance of hard copy submissions	4.7.3
	Breaches of confidentiality or irregularities around hard copy submissions	4.8.5
	Post-quotation/tender negotiations and clarification	5.4.1
		5.4.2
	Provision of award approval report template	5.5.4
		5.5.6
	Assistance with undertaking risk assessments and provision of related documentation	6.2.1
	Provision of contractor feedback form	6.3.4
	Provision of contract end questionnaire	6.9.6
Chief Officers	Procurement carried out by consultants, agency staff, or other non-DCC staff	1.5.1
		1.5.3
	Exceptions to ICT procurement	1.7.1
	Property and works related procurement	1.8.1 (i) (ii)
	Electronic procurement	1.11.1
	Alternatives to using frameworks and corporate purchasing agreements	2.1.5
	Commissioning forms	2.5.3
		2.5.4
	Authority to decide procurement strategy and invite competitive bids	2.7.1 (ii)
		2.7.2
	Authority to seek an exception from part or all of the CPRs	2.9.3 (xiv-xvi)
	Authority to approve exceptions from part or all of the CPRs	2.11.1
		2.11.2
	Exceptions to "Most economically advantageous" selection criteria	3.7.3
	Demonstration of value for money on buying below £10,000 threshold	4.1.1
	Exceptions to electronic tendering to allow hard copy submissions	4.7.3
	Opening of hard copy submissions	4.8.5
	Post quotation/tender negotiations	5.4.2

	Awarding contracts	5.5.2 (ii)
		5.5.3
		5.5.4 (i) (ii)
		5.5.6
	Signing of contracts not under seal	5.13.1 (ii)
	Recording of contracts on the Contracts Register	5.16.2
	Establishing a named contract manager	6.1.1
	Authority to decide contract terminations, variations and extensions	6.8.1
Legal Services	Bespoke contract terms and conditions	3.5.1 (iv)
	Affixation of Council seal to contracts where appropriate	5.14.2
Monitoring Officer	Declaration and recording of conflicts of interests by Members and employees	1.6.3
	Land contracts and appointment of developers	1.10.2
	Amendments to the Appendices of the CPRs	1.12.2
	Authority to decide procurement strategy and invite competitive bids	2.7.2 (ii)
	Authority to approve exceptions from part or all of the CPRs	2.11.1 (iii)
	Awarding contracts greater than £25,000 where the value of the award is greater than at approval stage	5.5.4 (ii)
	Letters of intent	5.8.1
		5.8.2
	Approval of alternative remedies to liquidated damages when contract terms are not duly performed by the contractor	5.9.2
	Non-concluded terms and conditions	5.11.3
	Approval of bespoke contract documents	5.12.2
	Sealing of contracts	5.14.2
	Assignments and novation of contracts	6.5.1
	Authority to decide contract terminations, variations and extensions	6.8.1 (iii)
	Section 151 Officer	Authority to decide procurement strategy and invite competitive bids
Authority to approve exceptions from part or all of the CPRs		2.11.1 (iii)
Exceptions to "Most economically advantageous" selection criteria		3.7.3
Contract award approvals		5.5.4 (ii)
Authority to decide contract terminations, variations and extensions		6.8.1 (iii)
Team Managers	Provide direction to all team members engaged in procurement activity	1.4
	Approval and notification to Corporate Procurement Team of Officers requirements to have access to the eProcurement system	1.11.2
	Requirement to check whether a relevant framework or corporate purchasing agreement is in place	2.1.2
	Pre-quotation/tender market testing and consultation	2.3.3

Approval of appropriate procurement strategy and invitation of competitive bids	2.7.1 (i)
Ensure that the completed and signed documents are uploaded to the electronic system	2.7.2
Consideration of exceptions from CPRs in connection with the Light-touch Regime	2.10.1 (xii)
Ensure Corporate Sustainability Assessment, or its equivalent, has been carried out for Intermediate and High Value (i.e. above OJEU threshold) procurement	4.3.2
	4.4.2
	4.5.2
Ensure appropriate Officers are present for the opening of hard copy quotations/tenders	4.8.3
Awarding contracts	5.5.2 (i)
	5.5.4
Notifying candidates	5.6.2
	5.6.3
Ensure contract award notice is actioned	5.7.3
Ensure that a risk assessment is undertaken to determine whether some form of performance bond or performance guarantee is required	5.9.1
Parent company guarantee	5.10.1
Ensure contract terms and conditions are agreed between the Council and the successful bidder before any contract is awarded	5.11.1
Ensure that contracts are sent out, duly signed, returned and recorded on the electronic procurement system	5.12.3
Ensure confirmation of emergency contracts is given in writing within four weeks of the commencement of the contract	5.12.5
Signing of contracts not under seal	5.13.1 (i)

APPENDIX C

OJEU and LTR thresholds

Details of the Sterling thresholds applicable from 1st January 2016 are given below. Thresholds are net of VAT.

Sterling values are re-calculated every two years.

	GOODS	SERVICES	WORKS	NOTE
General Contracts	164,176	164,176	4,104,394	1
Contracts subject to the Light Touch Regime	N/A	589,148	N/A	2

Notes

- 1 Thresholds relevant to "Other public sector" (i.e. non-Central Government) contracting authorities
- 2 For services listed in Schedule 3 of the Public Contract Regulations 2015 ([See Appendix D](#))

APPENDIX D

List of services covered by the Light Touch Regime

Schedule 3 of the Public Contract Regulations 2015
Regulations 5(1) (d) and 74
Social and other specific services

CPV Code	Description
75200000-8; 75231200-6; 75231240-8; 79611000-0; 79622000-0 (Supply services of domestic help personnel); 79624000-4 (Supply services of nursing personnel) and 79625000-1 (Supply services of medical personnel) from 85000000-9 to 85323000-9; 98133100-5, 98133000-4; 98200000-5; 98500000-8 (Private households with employed persons) and 98513000-2 to 98514000-9 (Manpower services for households, Agency staff services for households, Clerical staff services for households, Temporary staff for households, Home-help services and Domestic services)	Health, social and related services
85321000-5 and 85322000-2, 75000000-6 (Administration, defence and social security services), 75121000-0, 75122000-7, 75124000-1; from 79995000-5 to 79995200-7; from 80000000-4 Education and training services to 80660000-8; from 92000000-1 to 92700000-8; 79950000-8 (Exhibition, fair and congress organisation services), 79951000-5 (Seminar organisation services), 79952000-2 (Event services), 79952100-3 (Cultural event organisation services), 79953000-9 (Festival organisation services), 79954000-6 (Party organisation services), 79955000-3 (Fashion shows organisation services), 79956000-0 (Fair and exhibition organisation services)	Administrative social, educational, healthcare and cultural services
75300000-9	Compulsory social security services
75310000-2, 75311000-9, 75312000-6, 75313000-3, 75313100-4, 75314000-0, 75320000-5, 75330000-8, 75340000-1	Benefit services
98000000-3; 98120000-0; 98132000-7; 98133110-8 and 98130000-3	Other community, social and personal services including services furnished by trade unions, political organisations, youth associations and other membership organisation services
98131000-0	Religious services
55100000-1 to 55410000-7; 55521000-8 to 55521200-0 (55521000-8 Catering services for private households, 55521100-9 Meals-on wheels services, 55521200-0 Meal delivery service)	Hotel and restaurant services

55520000-1 Catering services, 55522000-5 Catering services for transport enterprises, 55523000-2 Catering services for other enterprises or other institutions, 55524000-9 School catering services 55510000-8 Canteen services, 55511000-5 Canteen and other restricted-clientele cafeteria services, 55512000-2 Canteen management services, 55523100-3 School-meal services	
79100000-5 to 79140000-7; 75231100-5	Legal services, to the extent not excluded by regulation 10(1)(d)
75100000-7 to 75120000-3; 75123000-4; 75125000-8 to 75131000-3	Other administrative services and government services
75200000-8 to 75231000-4	Provision of services to the community
75231210-9 to 75231230-5; 75240000-0 to 75252000-7; 794300000-7; 98113100-9	Prison related services, public security and rescue services to the extent not excluded by regulation 10(1)(h)
79700000-1 to 79721000-4 (Investigation and security services, Security services, Alarm-monitoring services, Guard services, Surveillance services, Tracing system services, Absconder-tracing services, Patrol services, Identification badge release services, Investigation services and Detective agency services) 79722000-1(Graphology services), 79723000-8 (Waste analysis services)	Investigation and security services
98900000-2 (Services provided by extraterritorial organisations and bodies) and 98910000-5 (Services specific to international organisations and bodies)	International services
64000000-6 (Postal and telecommunications services), 64100000-7 (Post and courier services), 64110000-0 (Postal services), 64111000-7 (Postal services related to newspapers and periodicals), 64112000-4 (Postal services related to letters), 64113000-1 (Postal services related to parcels), 64114000-8 (Post office counter services), 64115000-5 (Mailbox rental), 64116000-2 (Post-restante services), 64122000-7 (Internal office mail and messenger services)	Postal services
50116510-9 (Tyre-remoulding services), 71550000-8 (Blacksmith services)	Miscellaneous services

Regulation 77

Reserved contracts for certain services

77.—(1) Contracting authorities may reserve to qualifying organisations the right to participate in procedures for the award of reservable public contracts.

(2) For that purpose, a contract is a reservable public contract only if it is exclusively for one or more of the services which are covered by CPV codes 75121000-0, 75122000-7, 75123000-4, 79622000-0, 79624000-4, 79625000-1, 80110000-8, 80300000-7, 80420000-4, 80430000-7, 80511000-9, 80520000-5, 80590000-6, from 85000000-9 to 85323000-9, 92500000-6, 92600000-7, 98133000-4, and 98133110-8.

(3) In this regulation, “qualifying organisation” means an organisation which fulfils **all** of the following conditions:—

(a) its objective is the pursuit of a public service mission linked to the delivery of services referred to in paragraph (2);

(b) profits are reinvested with a view to achieving the organisation’s objective, and any distribution of profits is based on participatory considerations;

(c) the structures of management or ownership of the organisation are (or will be, if and when it performs the contract) —

(i) based on employee ownership or participatory principles, or

(ii) require the active participation of employees, users or stakeholders; and

(d) the organisation has not been awarded, pursuant to this regulation, a contract for the services concerned by the contracting authority concerned within the past 3 years.

(4) The maximum duration of a contract awarded under this regulation shall not be longer than 3 years.

(5) Where a contracting authority exercises the power of reservation conferred by paragraph (1), the call for competition shall make reference to Article 77 of the Public Contracts Directive.

(6) This regulation does not apply in relation to the procurement of health care services for the purposes of the NHS within the meaning and scope of the National Health Service (Procurement, Patient Choice and Competition) (No. 2) Regulations 2013.

APPENDIX E

Useful Websites

National Procurement Service:

<http://nps.gov.wales>

Sell2Wales:

<http://www.sell2wales.gov.uk>

Value Wales:

<http://gov.wales/topics/improvingservices/bettervm/>

Public Contract Regulations 2015:

<http://www.legislation.gov.uk/uksi/2015/102/contents/made>

EU Procurement Directive:

http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2014.094.01.0065.01.ENG

European Commission Guidance:

<http://gov.wales/funding/eu-funds/2014-2020/looking/procurement/?lang=en>

Community Benefits:

<http://prp.gov.wales/planners/general/strategy/procstrat/communitybenefits/>

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AUDIT COMMITTEE

Date of Meeting	Monday, 26 September 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>All reports finalised since the last committee meeting are shown in Appendix A. As the last meeting was only two months ago, which encompasses the summer, there are few finalised reports. Details of the 'red' review is given – Provider Payments. Service Area management will provide a verbal update during the meeting.</p> <p>Copies of all final reports are available for members if they wish to see them.</p>
1.03	<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 B shows the current situation. Of 332 actions entered into the system 241 have been cleared. Of the remaining 91, none are currently overdue.</p>
1.04	<p>Appendix C shows the status of current investigations into alleged fraud or irregularities. The table includes the start dates of the investigations.</p>
1.05	<p>Appendix D shows the range of performance indicators for the department. These are similar to the previous quarter, with an improvement in the overall time taken to produce final reports.</p>
1.06	<p>Appendix E shows the current position with regards to the 2016/17 plan.</p>
1.07	<p>At the end of July the Internal Audit Manager gave notice of his intention to leave Flintshire, having obtained a position with another Council. He leaves in the middle of October. Options for his replacement are being considered, and in the meantime one of the Principal Auditors has been appointed as the Interim Internal Audit Manager. Her post is not being backfilled.</p> <p>In addition, a part-time (0.7 fte) Senior Auditor left the team at the beginning of August to take up a role within another department. A replacement is being sought and the recruitment process is progressing.</p>
1.08	<p>The combined effect has been that the original audit plan for 2016/17 cannot be achieved. A draft revised plan has been produced, which is shown in Appendix E. The changes have been agreed with the relevant Chief Officers. The plan is reduced, but is sufficient if completed to enable the Internal Audit Manager to arrive at a valid Internal Audit annual opinion on governance, risk management and the control framework of the Council</p>

	at the end of the financial year. This will be reported to the Audit Committee and feed into the preparation of the Annual Governance Statement.
1.09	If the recruitment is successful it may be possible to reinstate some of the deferred audits later in the year. If not, they will be considered as part of the planning process for 2017/18. The plan will continue to be reviewed throughout the rest of the year.

2.00	RESOURCE IMPLICATIONS
2.01	The Internal Audit team is currently below establishment, but recruitment is taking place.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	Chief Officers consulted on changes to the plan.

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 – Final Reports issued Appendix B – Action Tracking Appendix C – Investigations Appendix D – Performance Indicators Appendix E – Operational Plan 2016/17 Appendix F – Changes to the Operational Plan

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.

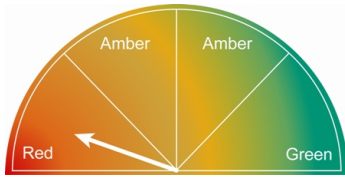
Appendix A

The following reports have been finalised since the last Audit Committee. Action plans are in place to address the weaknesses identified. For reviews which received red assurance a summary of the findings and the Action Plan is attached.

Project Reference	Project Description	Level of Assurance	Recommendations		
			High	Med	Low
04F 2016/17	Consultants Follow Up	N/A	0	0	1
03 2016/17	Flintshire Connects	Amber +	0	2	1
27 2015/16	Use of Relief, Agency and Self Employed Workers	Amber -	1	4	0
29 2015/16	Treasury Management	Green	0	0	2
33 2015/16	Housing Allocations	Amber -	2	4	10
08 2016/17	Provider Overpayments – Care Home	N/A	7	4	0
24 2015/16	Client Finances / Receiverships	Amber +	0	2	5

Levels of Assurance – standard reports.

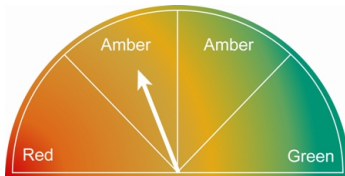
The audit opinion is the level of assurance that Internal Audit can give to management and all other stakeholders on the adequacy and effectiveness of controls within the area audited. It is assessed following the completion of the audit and is based on the findings from the audit. Progress on the implementation 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.

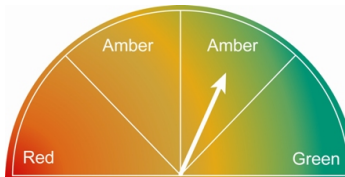
Impact: a lack of adequate or effective controls.



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.

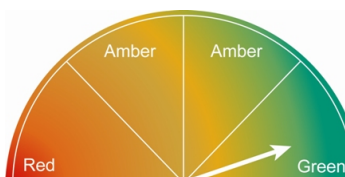
Impact: key controls are generally inadequate or ineffective.



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

Provider Overpayment – Care Home

In June 2016, a referral was received by the Internal Audit Team regarding concerns that a significant overpayment (circa £100K) had been made to a learning disabilities provider (a care home) in relation to one service user.

The cost of the care package for this service user (at the care home) was identified as £2,794.26 per week, which should be funded equally with the Health Board.

Internal Audit were requested to review this matter and determine if control weaknesses exist within the placement process.

Conclusion

A catalogue of systematic errors have occurred which collectively have resulted in the overpayment to one service provider totaling £107,848.15 in relation to the placement of a single service user. These include:

1. The costs of the support to be provided were incorrectly identified and were not appropriately updated on the PARIS system.
2. The placement was approved outside of a panel meeting and retrospective formal approval was not obtained.
3. A contribution by the Health Board has yet to be agreed (12 months after placement) for joint funding resulting in a current amount of £68,459.37 being potentially owed to the Authority up to the end of June 2016.
4. The gross weekly cost was not identified when creating a payment schedule and the confirmation invoices were not checked against the actual payments made.
5. The service provider provided an incorrect costing plan and failed to notify the Authority that they were receiving the significant overpayment on a regular basis.

Summary of payments – June 2015 to July 2016

Total amount paid to provider (the care home) by the council for the service user.	£243,325.55
Amount of overpayment to be recovered from the provider (the care home).	£107,848.15
Total amount reclaimed from the Health Board by the council for the service user.	£0.00
Amount of funding due to the council from the Health Board for this period.	£68,459.37
Total amount to be recovered by the council.	£176,307.52

Recommendations have been made to address these control weaknesses and the failure to comply with processes already in place. Significant concerns remain in particular with the checking procedures in place, the failure to identify the correct cost of the care package, how joint funding with the Health Board is managed and the concern that this may be indicative of what is happening with other cases / care packages.

Priority	Description
High (Red)	Action is imperative to ensure that the objectives of the area under review are met.
Medium (Amber)	Requires action to avoid exposure to significant risks in achieving the objectives of the area.
Low (Green)	Action encouraged to enhance control or improve operational efficiency.

No.	Actions	Management Comments	Who	When
1 (R)	<p>The PARIS system was not updated with details of the new placement until October 2015, three months after the placement. This was actioned following a request for payment from the service provider. This resulted in a delay to the processing of payments.</p> <p>PARIS should be updated promptly following a change in care packages.</p>	<p>An instruction will be issued stating that PARIS must be updated following a change in service provision, within 24 hours of the change.</p> <p>URN 01561</p>	Senior Manager Integrated Services	31/07/2016
2 (R)	<p>Key information was incorrectly recorded into the PARIS system for payments to be created for the service provider.</p> <p>All costings for placements should be checked to ensure that accurate figures are recorded appropriately within the PARIS system.</p>	<p>An instruction will be issued to check the costings for placements and if unsure to seek clarification with the FACT team. This will ensure that accurate figures are recorded appropriately within the PARIS system.</p> <p>URN 01562</p>	Senior Manager Integrated Services	31/07/2016
3 (R)	<p>The Authority has yet to obtain approval from the Health Board for joint funding to be applied dating back to April 2015. A recent application has been submitted and this will need to be monitored to ensure that the correct level of funding is approved. Based on 50% approval the current outstanding amount has been identified as £68,459.37 for the current placement.</p>	<p>Staff will monitor progress on the CHC submission. Timescales are difficult to set re agreement with BCUBH. However this will be monitored.</p> <p>As part of a task and finish group we will develop a pro-forma to support the monitoring and oversight of claims to</p>	Senior Manager Integrated Services	30/09/2016

No.	Actions	Management Comments	Who	When
	<p>The service should monitor the latest application and ensure that the correct level of funding is claimed when approval has been received. Further work should also be taken to identify and recover any previous entitlement from the Health Board for this service user.</p>	<p>BCUHB. Audit will be requested to support this group. URN 01563</p>		
4 (R)	<p>This review identified serious concerns that the process to request funding from the Health Board is not being appropriately managed. Weaknesses were identified from submitting a funding application to monitoring and reporting the approval of funding and providing information to finance for processing.</p> <p>There is a significant risk that the Authority is failing to maximise the funding available from the Health Board and a review of this process should be undertaken.</p>	<p>The task and finish group will take this case as a lessons learnt re improving the governance arrangements, any weaknesses will be explored and more robust system / guidance will be put in place to address these concerns.</p> <p>Audit will be requested to support this group. URN 01564</p>	Senior Manager Integrated Services	30/09/2016
5 (R)	<p>Confirmation invoices were not appropriately checked from this service provider. Significant variances existed in the total amounts to the payments and although they appear to have been previously highlighted, no action had been taken.</p> <p>It is essential that confirmation invoices are appropriately checked upon receipt as this overpayment could have been prevented. A reminder of the procedures in place for checking confirmation invoices should be issued and any variances should be followed up.</p>	<p>Officers have been instructed to appropriately check receipt of invoices. There has been a review of current procedures, and some immediate changes have been made. A further review will take place as part of the task and finish group and guidance will be given in the use of the new procedures. Officers will be expected to act upon any variances with urgency.</p> <p>A new confirmation invoice will be developed as part of the task and finish</p>	Senior Financial Assessment Officer	31/08/2016

No.	Actions	Management Comments	Who	When
		group. URN 01565		
6 (R)	The Financial Assessment Team should ensure that the total overpayment (£107,848.15) is recovered from the service provider (he care home) as soon as possible.	The care home has been invoiced for the total overpayment (£107,848.15). URN 01566	Senior Financial Assessment Officer	22/07/2016
7 (R)	The Financial Assessment Team should review all other learning disability payments and ensure that these payments are accurate against the care packages being provided. Any further overpayments identified should be recovered as soon as possible.	This will be a significant challenge in terms of team capacity, however we will sample some cases as part of task and finish group. And as part of any service changes we will review the financial elements. URN 01567	Senior Financial Assessment Officer	30/09/2016
8 (A)	Retrospective approval was not sought from the Learning Disabilities Panel for this placement referral. It is possible that the overpayment could have been prevented if a meeting was held to discuss the case. The service should ensure that all emergency applications for care, approved outside of Panel are presented to the following Panel meeting for formal retrospective approval.	An instruction will be issued reiterating that all emergency applications for care, approved outside of Panel are presented to the following Panel meeting for formal retrospective approval. Consideration will also be given to who can approve applications outside panel, and the level of expenditure to be agreed.	Senior Manager Integrated Services	31/07/2016

No.	Actions	Management Comments	Who	When
		URN 01568		
9 (A)	Training on the use of the PARIS system including the requirement to update records should be considered.	There is currently an easy guide on PARIS for officers to follow, this will be revisited with all teams. URN 01569	Senior Manager Integrated Services	31/08/2016
10 (A)	Information from the PARIS system was incorrectly used to create the payment for the service provider. As a result of the incorrect figures within PARIS weekly payments were made of £5,256.67 instead of £2,794.26 resulting in an overpayment of £107,848.15 occurring. The financial assessment gross figure should always be used. All officers should be reminded of the correct process when setting up payments for service providers.	An instruction has been issued to appropriately check the receipt of invoices. There has been a review of current procedures, and some immediate changes have been made. A further review will take place as part of the task and finish group and all officers will be given guidance in the use of the new procedures, they will be expected to act upon any variances with urgency. A new confirmation invoice will be developed as part of the task and finish group. URN 01570	Senior Financial Assessment Officer	30/09/2016
11 (A)	The Service should also reconcile the payments made to providers against the care package costs on a defined basis.	An instruction has been issued to appropriately check the receipt of invoices. There has been a review of current procedures, and some immediate changes have been made. A	Senior Financial Assessment Officer	30/09/2016

No.	Actions	Management Comments	Who	When
		<p>further review will take place as part of the task and finish group and all officers will be given guidance in the use of the new procedures, they will be expected to act upon any variances with urgency.</p> <p>A new confirmation invoice will be developed as part of the task and finish group.</p> <p>URN 01571</p>		

Action Tracking – Portfolio Performance Statistics

Report Date: August 2016










Portfolio	August 2016 Stats			Live Actions - As at August 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	14	72%	13	0	9
Community & Enterprise	35	31		4	0	1
Education & Youth	33	25		4	0	1
Governance	55	38		17	0	12
Organisational Change 1	6	1		5	0	3
Organisational Change 2	30	24		6	0	5
People & Resources	74	70		4	0	3
Planning & Environment	10	1		9	0	9
Social Services	37	16		21	0	16
Streetscene & Transportation	23	21		2	0	2
Schools	6	0		6	0	0
Total	332	241		91	0	50




Investigations

Ref	Date Referred	Investigation Details
<p>1. No new referrals have been received</p>		
<p>2. The following investigation has been reported to previous committees and is still being investigated</p>		
2.1	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.
<p>3. The following investigation has been completed</p>		
3.1	20.07.2015	A whistleblow was 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 have considered the report and are dealing with the issues raised.

Appendix D

Internal Audit Performance Indicators

Performance Measure	Q4	Q1	Target	RAG Rating
Internal Audit Departmental Targets				
Audits completed within planned time	78%	60%	80%	 ↓
Average number of days from end of fieldwork to debrief meeting	19.4	21.4	20	 ↓
Average number of days from debrief meeting to the issue of draft report	3.3	1.6	2	 ↑
Days for departments to return draft reports	7	3	3	 ↑
Average number of days from response to issue of final report	0.9	2.4	2	 ↓
Total days from end of fieldwork to issue of final report	30.6	28.4	27	 ↑
Client questionnaires responses as satisfied	100%	100%	95%	 →
Productive audit days	77%	74.1%	75%	 ↓
Other Targets				
Return of client satisfaction questionnaires	67%	63%	70%	 ↓

Key  Target not achieved  Within 20% of target  Target Achieved

↑ Improving trend → No change ↓ Worsening trend

Audit	Audit Classification	IA Risk Rating	Original Plan Days	Revised Plan Days	Actual Days	Proposed quarter / Status
Corporate						
Consultants	Risk Based	R	15	15	9	FINAL
Safeguarding (incl schools)	Risk Based	A	20	20		4
Clwyd Theatre Cymru	Risk Based	A	10	10		4
Performance Indicators	Risk Based	G	10	10		3
Risk Management	Risk Based	G	10	10		3
Corporate Governance	Risk Based	G	10	10		4
Compliance	Advisory	G	20	10	1	WIP
Total Planned Days – Corporate			95	85	10	
Community and Enterprise						
Gas Servicing	Risk Based	R	10	10		3
Disabled Facilities Grant	System Based	R	20	20		4
Mobile Working	Risk Based	A	15	15	4	WIP
Tell Us Once	Risk Based	A	10	10	8	DRAFT
Flintshire Connects	VFM	A	15	15	16	FINAL
Council Tax and NNDR	System Based	A	15	0		DEFER
Community First	Follow Up		10	10		4
Total Planned Days – Community & Enterprise			95	80	28	
Education and Youth						
Control and Risk Self-Assessment	Risk Based	R	10	10	2	WIP
Budgetary Control	System Based	R	20	20		3
Education Improvement Grant	Risk Based	R	20	15		3
Risk based thematic reviews across all schools including central controls	Risk Based	A	40	40		3
Youth Justice	System Based	A	15	15	3	WIP

Audit	Audit Classification	IA Risk Rating	Original Plan Days	Revised Plan Days	Actual Days	Proposed quarter / Status
School Funding Formula	Advisory	A	15	15		4
School Funds	Follow Up		5	5		4
Total Planned Days – Education & Youth			125	120	5	
Governance						
Network Security	Risk Based	R	* See note			3
Procurement	Risk Based	A	30	30		4
Electronic Document Management	Risk Based	A	10	0		DEFER
IT Security Policies	Systems Based	A	15	0		DEFER
Digitisation	VFM	A	20	0		DEFER
Cloud computing	Risk Based	G	5	0		DEFER
Data Protection	Risk Based	G	15	10		4
Total Planned Days - Governance			95	40	0	
Organisational Change 1						
Alternative Delivery Models	VFM	R	30	30		3
Japanese Youth Exchange	Regulatory	G	5	0	1	NOT NEEDED
Total Planned Days – Organisational Change 1			35	30	1	
Organisational Change 2						
Industrial Units	Risk Based	A	15	15	18	WIP
Corporate Asset Strategy	Risk Based	A	15	15		3
Community Asset Transfers (CAT)	VFM	A	15	15	8	WIP
Total Planned Days – Organisational Change 2			45	45	26	

Audit	Audit Classification	IA Risk Rating	Original Plan Days	Revised Plan Days	Actual Days	Proposed quarter / Status
People and Resources						
E-Teach (Supply Staff) – Payroll and Recruitment	Advisory	R	5	5		ONGOING
Payroll	System Based	A	20	20		3
Compulsory & Early Voluntary Redundancy	Risk Based	A	15	15		3
Single Status – Equal Pay Claims	Advisory	G	5	5	2	ONGOING
Corporate Grants	Risk Based	A	15	10		4
Main Accounting – Accounts Payable (AP) / P2P	System Based	G	20	0		DEFER
Main Accounting – General Ledger (GL)	System Based	G	15	15		3
Collaborative Planning (CP)	Risk Based	G	15	15	6	ONGOING
Finance Modernisation Programme – AR	Advisory	G	5	5		ONGOING
Accounts Governance Group	Advisory	G	5	5		ONGOING
Total Planned Days – People & Resources			120	95	8	
Planning and Environment						
Greenfield Valley Heritage Park	Risk Based	R	20	20	35	DRAFT
Building Control	System Based	R	20	20	1	WIP
Planning Enforcement	System Based	A	20	20		3
Total Planned Days – Planning & Environment			60	60	36	
Social Services						
Multi Agency SLA's Agreements with Combined Services	Risk Based	A	15	0		DEFER

Audit	Audit Classification	IA Risk Rating	Original Plan Days	Revised Plan Days	Actual Days	Proposed quarter / Status
Flying Start – Childcare Placements	Risk Based	A	10	10	6	WIP
PARIS finance module	Advisory	A	5	0		DEFER
Family Information Services	Risk Based	A	15	15		3
Children Out of County Care and Education	Risk Based	A	20	0	2	WIP
Care Leavers	Risk Based	A	15	15		3
Provider Overpayments	Addition		0	20	18	FINAL
Direct Reports	Follow Up			5		3
Total Planned Days – Social Services			80	65	26	
Streetscene and Transportation						
Enforcement	Risk Based	R	30	30	2	WIP
Fleet Management	Risk Based	R	20	20		4
Alltami Stores	System Based	A	15	10		4
Fleet Management	Advisory	A	5	5		ONGOING
Integrated Transport	Advisory	A	5	5	1	ONGOING
Maintenance of the Public Realm	Risk Based	A	10	0		DEFER
Accounting for Highways	Addition			15	2	WIP
Total Planned Days – Streetscene & Transportation			85	85	3	
Other						
Pensions Administration	System Based	A	15	15		4
Pensions Investments	System Based	A	15	15		4
North West Residual Waste Partnership	Risk Based	G	5	5		4
Total Planned Days - Other			35	35	0	

	Original Plan Days	Revised Plan Days	Actual Days
Investigations, Provisions and Developments			
Provision for investigations and pro-active fraud	200	200	100
Provision for ad-hoc requests from management	65	30	47
Follow up reviews	15	10	
Audit development	30	0	
IDEA	10	0	
Total	320	240	147
Overall Plan Total	1190	980	290

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

Audits added to the audit plan

Social Services

Direct Payments Follow Up – Red report, to Audit Committee March 2016.

Provider Overpayments – referral by Social Services.

Streetscene and Transportation

Accounting for Highways – change to accounting requirements. Finance requested review of processes.

Audits deleted /deferred from the plan

Community and Enterprise

Council Tax and NNDR – low risk, previous good audits, no changes.

Governance

Electronic Document Management – service looking at alternatives to EDM

IT Security Policies – low priority.

Digitisation – project could be addressed through a task and finish work group, enabling officers with detailed service knowledge to inform the development.

Cloud Computing – low priority. IA could be involved in any project work as it arises.

Organisation Change 1

Japanese Youth Exchange – no longer required. Does not meet the threshold where sign off of accounts is needed.

People and Resources

Main Accounting Accounts Payable – P2P To be included in audit of Procurement.

Social Services

Multi Agency SLA's – not yet ready for review.

PARIS Finance Module – not yet being implemented.

Children Out of County Care and Education – covered by external review.

Streetscene and Transportation

Maintenance of the Public Realm – low risk. Any procurement to be included in the Procurement review.

Audits with reduced time allocation

Corporate

Compliance – advisory group, original number of days not needed.

Education and Youth

Education Improvement Grant – partially covered in school audits, scope reduced.

Governance

Data Protection – low risk. IA involvrd in Data Protection group.

People and Resources

Corporate Grants – new system. Involved in working group.

Streetscene and Transportation

Alltami Stores – reduced scope.



AUDIT COMMITTEE

Date of Meeting	Monday, 26 September 2016
Report Subject	Internal Audit Charter
Cabinet Member	Not Applicable
Report Author	Internal Audit Manager
Category	Advisory

EXECUTIVE SUMMARY

Public Sector Internal Audit Standards (PSIAS) require that the role, scope, independence, authority and responsibility of Internal Audit be formally defined in a charter. The charter must be reviewed periodically and approved by the Audit Committee. The current charter has been reviewed to ensure the charter meets all legal and regulatory requirements. This paper shows the results of that review.

RECOMMENDATIONS

1	The committee is requested to consider and approve the updated Internal Audit Charter.
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REPORT DETAILS

1.00	EXPLAINING THE INTERNAL AUDIT CHARTER
1.01	Internal Audit has had a charter since 2002. It was last updated in 2013 just after the publication of the PSIAS, which replaced the previous Code of Practice. It was approved by the Audit Committee at that time. Since then the PSIAS have been updated, and the Accounts and Audit (Wales) Regulations 2014 and 2015 have been published, all of which relate to Internal Audit. The current review takes into account the requirements of the acts and the recent changes to the PSIAS.

1.02	<p>It is a requirement of the standards that Internal Audit must have a charter, and they state what should be included within it. It must:-</p> <ul style="list-style-type: none"> • define the activity’s purpose, authority and responsibility; • establish the activity’s position within the organisation and the reporting lines for the Internal Audit Manager; • authorise access to records, personnel and physical properties relevant to the performance of engagements; • define the scope of internal audit activities; • define the nature of assurance and consulting services provided to the organisation; • define the terms ‘board’ and senior management for the purposes of internal audit activity; • cover the arrangements for appropriate resourcing; • define the role of internal audit in any fraud-related work; • include arrangements to avoid conflicts of interest if undertaking non-audit work; and • recognise the mandatory nature of the Standards, Definition and Code of Ethics. <p>The Charter must be approved by the ‘board’.</p>
1.03	<p>The Accounts and Audit (Wales) Regulations reinforce the need for Internal Audit and the rights of access, stating that “ A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal audit standards or guidance”, and “Any officer or member of a relevant authority must, if required to do so for the purposes of the internal audit make available such documents and records and supply such information and explanations as are considered necessary by those conducting the internal audit”.</p>
1.04	<p>The Charter meets the requirements of the standards. It gives the legal background to Internal Audit, and the mission and definition from the standards. It shows the code of ethics that auditors must comply with. It shows the independence and authority of internal audit; the role, scope and responsibility of the activity including fraud-related work. It also outlines the resources of the team, training requirements and reporting requirements.</p>
1.05	<p>Within Flintshire, the Charter is part of the Constitution. After approval by the Audit Committee it is intended to submit the Charter to the Constitution Committee.</p>
1.06	<p>The draft Charter is attached as Appendix A. Also attached for information is the existing Charter, as Appendix B.</p>

2.00	RESOURCE IMPLICATIONS
2.01	None as a result of this report.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	Draft Charter reviewed by Chief Executive, Monitoring Officer and s151 Officer.

4.00	RISK MANAGEMENT
4.01	Internal Audit provides an independent, objective assurance to the Council by evaluating the effectiveness of risk management, control and governance processes. To do so it needs to be independent and have the necessary authority to fulfil that role, which helps reduce the overall risk to the Council. The Charter ensures that independence and authority within the Council.

5.00	APPENDICES
5.01	App A – draft update to Internal Audit Charter. App B – current Internal Audit Charter.

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.

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INTERNAL AUDIT CHARTER

Introduction

The internal audit charter is a formal document that defines the internal audit activity's purpose, authority and responsibility. The internal audit charter establishes the internal audit activity's position within the organisation, including the nature of the Internal Audit Manager's functional reporting relationship with the 'board'; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities. Final approval of the internal audit charter resides with the 'board'.

Internal Audit is a statutory requirement for local authorities. The two pieces of legislation that impact upon internal audit in local authorities are:

- Section 5 of the Accounts and Audit (Wales) Regulations 2015 states that "a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance".
- Section 151 of the Local Government Act 1972 requires every authority to make arrangements for the administration of its financial affairs and to ensure that one of the officers has responsibility for the administration of those affairs. CIPFA has defined 'proper administration' in that it should include 'compliance with the statutory requirements for accounting and internal audit'.

Public Sector Internal Audit Standards (PSIAS) published in 2013 and updated in 2016 provide a definition, mission and core principles for internal audit and the activity and standards that must be met. They include a Code of Ethics which Internal Auditors must conform to, covering integrity, objectivity, confidentiality and competency. They are mandatory for all internal audit departments in the UK public sector.

PSIAS state that the charter must:

- Define the terms ‘board’ and ‘senior management’ for the purposes of internal audit activity;
- Cover the arrangements for appropriate resourcing;
- Define the role of internal audit in any fraud related work; and
- Include arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities.

Mission and Definition of Internal Audit

The PSIAS state that the Mission of Internal Audit is ‘To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight’. Internal auditing is defined as ‘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.’

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. It may also undertake consulting services at the request of the organisation, subject to there being no impact on the core assurance work and the availability of skills and resources.

Code of Ethics

Anyone delivering internal audit work for the Council must comply with the PSIAS Code of Ethics. This covers:

Integrity	The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgement. Internal Auditors: <ul style="list-style-type: none">- Shall perform their work with honesty, diligence and responsibility- Shall observe the law and make disclosures expected by the law and the profession- Shall not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organisation- Shall respect and contribute to the legitimate and ethical objectives of the organisation
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Objectivity	<p>Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgements.</p> <p>Internal Auditors:</p> <ul style="list-style-type: none"> - Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organisation - Shall not accept anything that may impair or be presumed to impair their professional judgement - Shall disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review
Confidentiality	<p>Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.</p> <p>Internal Auditors:</p> <ul style="list-style-type: none"> - Shall be prudent in the use and protection of information acquired in the course of their duties - Shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation
Competency	<p>Internal auditors apply the knowledge, skills and experience needed in the performance of internal auditing services.</p> <p>Internal Auditors:</p> <ul style="list-style-type: none"> - Shall engage only in those services for which they have the necessary knowledge, skills and experience - Shall perform internal auditing services in accordance with the International Standards for the Professional Practice of Internal Auditing - Shall continually improve their proficiency and effectiveness and quality of their services

Independence and Authority

PSIAS state that 'Organisational independence is effectively achieved when the Internal Audit Manager reports functionally to the board.' Within Flintshire the Audit Committee fulfils most of the roles of the 'board'. It is responsible for:

- approving the internal audit charter;
- approving the internal audit Strategic and Operational plans;
- receiving reports from the Internal Audit Manager on the departments performance relative to its plan and other matters; and
- making appropriate enquiries of management and the Internal Audit Manager to determine whether there are inappropriate scope or resource limitations

The department's budget is approved annually as part of the Council's overall budget. Remuneration and arrangements for the appointment and removal of the Internal Audit Manager are managed in accordance with the Council's adopted HR policies.

The Internal Audit department is part of the Governance Portfolio. The Internal Audit Manager reports administratively to the Chief Officer Governance (the Monitoring Officer).

To further ensure the independence of the Internal Audit Manager, the Chief Executive and Chair of the Audit Committee provide feedback into his annual appraisal.

Internal Audit is independent of the activities that it audits to ensure the unbiased judgements essential to its proper conduct and impartial advice to management.

To ensure independence, Internal Audit operates within a framework that gives it the authority to:

- have unrestricted access to all activities undertaken in the Council;
- have unrestricted access to all functions, records and property, including those of partner organisations. In very exceptional circumstances if the "responsible officer" (Section 151 Officer) and Monitoring Officer believe this would constitute a breach of the laws of confidentiality, or the provisions of the Human Rights Act or the Data Protection Act the matter will be referred to the Audit Committee for consideration;
- have full and free access to the Audit Committee via the Internal Audit Manager, and an annual private meeting with the committee;

- have full and free access to the Chief Executive, Head of Finance, Monitoring Officer, Chair and Vice Chair of the Audit Committee and External Auditors via the Internal Audit Manager;
- have unrestricted access to senior management, members and all employees;
- require any employee or Member to provide any information and explanation considered necessary concerning any matter under consideration;
- require any employee or Member to produce or account for cash, stores or any other Council asset or asset of a third party under his or her control;
- allocate resources, set timeframes, define review areas, develop scopes of work and apply techniques to accomplish the overall audit objectives; and
- issue audit reports in its own name.

Every effort is made to preserve objectivity by ensuring that all members of internal audit staff are free from any conflicts of interest and do not undertake any non-audit duties. Internal Audit has complete segregation from Council operations and is not responsible for the management of areas that are audited. The Internal Audit Manager and internal audit staff are not authorised to:

- perform any operational duties associated with the Authority;
- initiate or approve accounting transactions on behalf of the Authority; and
- direct the activities of any employee unless specifically seconded to Internal Audit.

However, in strict emergency situations only, audit personnel may be called upon to carry out non-audit work on a temporary basis. If a request is made the decision to allocate resources will be the Internal Audit Manager's, who will agree clear terms of reference. The Audit Committee Chair or Vice Chair, the Chief Officer Governance and the s.151 officer will be advised.

Role and Scope of Internal Audit

Internal Audit must provide the Authority, through the Audit Committee, with an annual independent and objective opinion on the adequacy and effectiveness of internal control, risk management and governance arrangements. To that end the department reviews, appraises and reports on:

- The adequacy and effectiveness of the systems of financial, operational and management control and their operation in practice in relation to the

business risks to be addressed;

- The extent of compliance with and relevance of, policies, standards, plans and procedures established by the County Council and the extent of compliance with external laws and regulations, including reporting requirements of regulatory bodies;
- The extent to which the assets and interests are acquired economically, used efficiently, accounted for and safeguarded from losses of all kinds arising from waste, extravagance, inefficient administration, poor value for money, fraud or other cause, and that adequate business continuity plans exist;
- The suitability, accuracy, reliability and integrity of financial and other management information and the means used to identify, measure, clarify and report such information;
- The integrity of processes and systems, including those under development, to ensure that controls offer adequate protection against error, fraud and loss of all kinds; and that the process aligns with the Council's strategic goals;
- The follow-up action taken to remedy weaknesses identified by Internal Audit review, ensuring that good practice is identified and communicated widely;
- The operation of the Council's corporate governance arrangements;
- The potential within the Council for fraud and other violations through the analysis of systems of control in high-risk operations.

The Internal Audit department completes advisory / consultancy work in agreement with Chief Officers and Senior Managers by responding to requests for audit reviews and by contributing to projects and working groups throughout the Authority.

Where the Authority has entered into a partnership with other organisations the partnership arrangement will be subject to review. In addition, where Flintshire County Council is the lead authority of a partnership or collaboration, the work undertaken will be subject to review by Flintshire Internal Audit.

Fraud and Irregularity

All managers are responsible for applying controls to reasonably prevent and detect fraud. Furthermore, internal audit is not responsible for identifying fraud, however it will assess the risk of fraud and be aware of the risk of fraud when planning and undertaking any internal audit work. All actual or suspected incidents of fraud, corruption or impropriety should be reported without delay to Internal Audit. The internal audit department investigates fraud and irregularity in terms of:

- The undertaking of investigations into reports of violations of the Council's regulations or criminal activities i.e. fraud against the Council; and
- The undertaking of investigations of reports from staff, other persons engaged in activities on behalf of the Council and members of the public, reporting perceived cases of possible violations of rules or regulations, mismanagement, misconduct, or fraudulent abuse of authority.

Referrals to the police are made if there is suspected criminal activity, in accordance with the Anti-Fraud and Corruption Policy and the Fraud and Irregularity Response Plan, following consultation with the Monitoring Officer or Human Resources where appropriate.

Internal Audit is responsible for maintaining the Anti-Fraud and Corruption Policy, the Fraud and Irregularity Response Plan and the Whistleblowing Policy. They also administer the National Fraud Initiative. The Internal Audit Manager is a named contact within the Whistleblowing Policy.

Audit Responsibility

The existence of Internal Audit does not diminish the responsibility of management to establish systems of internal control to ensure that activities are conducted in a secure, efficient and well-ordered manner.

The primary task of Internal Audit is to review the systems of internal control operating throughout the authority, and in doing this it will adopt a predominantly risk-based approach to audit.

The Internal Audit Manager is required to manage the provision of a complete audit service to the Council that will include systems, regularity, computer and advisory audit in addition to the investigation of potential fraud and irregularity. In discharge of this duty, the Internal Audit Manager has a responsibility to:

- prepare a rolling strategic risk-based audit plan after consultation with senior management and the Chief Officer Team, for formal approval by the Audit Committee. This strategic plan is regarded as flexible rather than as an immutable expression of audit policy;
- translate the strategic plan into annual plans for Chief Officers and the Audit Committee;
- implement the audit plan as approved, including any additional work requested by management and the Audit Committee;
- ensure that the scopes of individual audit assignments are agreed with

departmental management;

- prepare and maintain an Audit Manual detailing departmental procedures and standards;
- ensure a system of close supervision of audit work, and maintain a Quality Assurance and Improvement Programme including annual internal assessments and external assessments at least every five years;
- Report the results of assessments to the Audit Committee, and state that the department conforms with the standards or disclose any non-conformance;
- maintain knowledge, skills and expertise within the section specifically for the investigation of fraud and irregularity;
- bring a systematic disciplined approach to evaluate and report on the effectiveness of risk management, internal control and governance processes;
- highlight control weaknesses and required associated improvements together with corrective action recommended to management based on an acceptable and practicable timeframe;
- undertake follow up reviews and action tracking to ensure management has implemented agreed internal control improvements within specified and agreed timeframes;
- liaise with the external auditor for the purpose of providing optimal audit coverage to the Authority;
- work with the external auditor to provide consistent advice to management and the Audit Committee; and
- prepare annual reports on audit and special investigation activities for presentation to the Audit Committee, and such other reports on audit issues as may be required by the Chief Officer Governance or the Audit Committee.

Audit Resources

The staffing structure of the section will comprise qualified Internal Auditors, Accounting Technicians and part qualified Accountants with a mix of professional specialisms to reflect the varied functions of the section.

Each year the departmental resources are assessed against the needs of the plan, in order to ensure there is sufficient coverage to arrive at the annual audit opinion.

The Internal Audit Manager, Audit Committee and s151 Officer all have a responsibility to ensure Internal Audit has sufficient resources to enable it to fulfil its mandate. Significant matters that jeopardise the delivery of the plan or require

changes to the plan will be identified, addressed and reported to the Audit Committee.

Upon request from the Head of Finance, appropriate specialists from other Directorates and departments should be made available to take part in any audit review requiring specialist knowledge.

Audit Training

Internal auditors must enhance their knowledge, skills and other competencies through continuing professional development. The Internal Audit Manager carries out a continuous review of the development and training needs of all audit employees through the Authority's appraisal system and will arrange, within budget provision, in-service training covering both internal and external courses.

Specific resources are devoted to specialised training in relation to computer audit, contract audit and fraud investigation to keep abreast of developments.

Audit Reporting

All standard audit assignments are the subject of formal reports. Discussion draft reports are issued to the manager of the area under review. Debrief meetings are then held for agreement to the factual accuracy of findings and the necessary actions. After agreement, final reports are issued. The Internal Audit Manager considers the release of special investigations audit reports for disciplinary purposes on a case-by-case basis. Access to audit files is restricted to the Chief Officer Governance (Monitoring Officer) and External Auditor.

The Internal Audit Manager issues progress reports to the Audit Committee and management summarising outcomes of audit activities, including follow up reviews and the tracking of audit recommendations. These are presented at every Audit Committee meeting.

He reports to the Committee on the progress of investigations into possible fraud and irregularity and also briefs the Audit Chair on any high profile investigations.

The assignment opinions that audit provides during the year are part of the framework of assurances that assist the Authority to prepare an informed Annual Governance Statement.

Internal Audit provides the Authority with an opinion on the adequacy and effectiveness of the Authority's governance, risk management and control arrangements in support of the Annual Governance Statement. In giving the opinion it should be noted that assurance can never be absolute, the most that can be provided is a reasonable assurance that there are no major weaknesses in governance, risk management and control processes. The annual opinion is provided in the Annual Report after the year end.

Performance Reporting

Performance Indicators for Internal Audit are reported to each Audit Committee meeting.

The department participates in benchmarking within the Wales Chief Auditors Group. Results are reported to the Audit Committee.

Related Documents

This document is one of a series that, together, constitute the policies of the Council in relation to anti-fraud and corruption measures. The other documents are:

- Financial Procedure Rules and Contract Procedure Rules;
- Anti-Fraud and Corruption Policy;
- Fraud and Irregularity Response Plan;
- Whistleblowing Policy; and
- Disciplinary Procedure

SECTION 29

29. AUDIT PROCEDURES

29.1 Internal Audit Charter

Introduction

Internal Audit is a statutory independent review function, covered by the Accounts and Audit (Wales) Regulations 2014. It is set up within the Governance portfolio as a service to the Council and all levels of management. It supports the Corporate Finance Manager, the “responsible officer” (Section 151 officer under the Local Government Act 1972), in meeting his statutory responsibilities for the proper administration of financial affairs.

Public Sector Internal Audit Standards (PSIAS) published in 2013 define the activity and standards that must be met. They are mandatory for all internal audit departments in the UK public sector.

They include a Code of Ethics which Internal Auditors must conform to, covering integrity, objectivity, confidentiality and competency.

The existence of Internal Audit does not diminish the responsibility of management to establish systems of internal control to ensure that activities are conducted in a secure, efficient and well-ordered manner.

Definition of Internal Audit

The PSIAS 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.’

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.

It may also undertake consulting services at the request of the organisation, subject to there being no impact on the core assurance work and the availability of skills and resources.

Role and Scope of Internal Audit

The role of Internal Audit is to provide the Authority, through the Audit Committee with an independent and objective opinion on the adequacy and effectiveness of internal control, risk management and governance arrangements. The department reviews, appraises and reports on:

- The adequacy and effectiveness of the systems of financial, operational and management control and their operation in practice in relation to the business risks to be addressed;

- The extent of compliance with and relevance of, policies, standards, plans and procedures established by the County Council and the extent of compliance with external laws and regulations, including reporting requirements of regulatory bodies;
- The extent to which the assets and interests are acquired economically, used efficiently, accounted for and safeguarded from losses of all kinds arising from waste, extravagance, inefficient administration, poor value for money, fraud or other cause, and that adequate business continuity plans exist;
- The suitability, accuracy, reliability and integrity of financial and other management information and the means used to identify, measure, clarify and report such information;
- The integrity of processes and systems, including those under development, to ensure that controls offer adequate protection against error, fraud and loss of all kinds; and that the process aligns with the Council's strategic goals;
- The follow-up action taken to remedy weaknesses identified by Internal Audit review, ensuring that good practice is identified and communicated widely;
- The operation of the Council's corporate governance arrangements;
- The potential within the Council for fraud and other violations through the analysis of systems of control in high-risk operations.

The Internal Audit department completes advisory / consultancy work in agreement with Chief Officers and Senior Managers by responding to requests for audit reviews and by contributing to projects and working groups throughout the Authority.

Where the Authority has entered into a partnership with other organisations the partnership arrangement will be subject to review. In addition, where Flintshire County Council is the lead authority of a partnership or collaboration, the work undertaken will be subject to review by Flintshire Internal Audit.

All managers are responsible for applying controls to reasonably prevent and detect fraud. Furthermore, internal audit is not responsible for identifying fraud, however it will assess the risk of fraud and be aware of the risk of fraud when planning and undertaking any internal audit work. All actual or suspected incidents of fraud, corruption or impropriety should be reported without delay to Internal Audit in accordance with Financial Procedure Rules (ref 11.17e). The internal audit department investigates fraud and irregularity in terms of:

- The undertaking of investigations into reports of violations of the Council's regulations or criminal activities i.e. fraud against the Council
- The undertaking of investigations of reports from staff, other persons engaged in activities on behalf of the Council and members of the public, reporting perceived cases of possible violations of rules or regulations, mismanagement, misconduct, or fraudulent abuse of authority.

Referrals to the police are made if there is suspected criminal activity, in accordance with the Corporate Anti-Fraud and Corruption Strategy and the Fraud and Irregularity Response

Plan, following consultation with the Monitoring Officer or Human Resources where appropriate.

The investigation of Housing and Council Tax Benefit fraud is undertaken by the Benefit s Fraud Team, however Internal Audit will overview these procedures.

Where it is thought necessary, External Audit may conduct investigations, either in liaison with Internal Audit or independently.

Independence and Authority

Internal Audit is independent of the activities that it audits to ensure the unbiased judgements essential to its proper conduct and impartial advice to management.

To ensure independence, Internal Audit operates within a framework that gives it the authority to:

- have unrestricted access to all activities undertaken in the Council.
- have unrestricted access to all functions, records and property, including those of partner organisations. In very exceptional circumstances if the "responsible officer" (Section 151 Officer) and Monitoring Officer believe this would constitute a breach of the laws of confidentiality, or the provisions of the Human Rights Act or the Data Protection Act the matter will be referred to the Audit Committee for consideration.
- have full and free access to the Audit Committee via the Internal Audit Manager, and an annual private meeting with the committee;
- have full and free access to the Chief Executive, Corporate Finance Manager, Monitoring Officer, Chair and Vice Chair of the Audit Committee and External Auditors via the Internal Audit Manager;
- have unrestricted access to senior management, members and all employees;
- receive any information and explanation considered necessary concerning any matter under consideration from all Members and Officers;
- require any employee of the Council to produce or account for cash, stores or any other Council asset or asset of a third party under his or her control;
- allocate resources, set timeframes, define review areas, develop ,scopes of work and apply techniques to accomplish the overall audit objectives;
- issue audit reports in its own name.

The Internal Audit department is part of the Governance portfolio. The Internal Audit Manager reports to the Chief Officer (Governance) and through him to the Chief Officer Team.

He also reports to the Audit Committee, which is responsible for

- approving the internal audit charter
- approving the internal audit Strategic and Operational plans

- receiving reports from the Internal Audit Manager on the departments performance relative to its plan and other matters
- making appropriate enquiries of management and the Internal Audit Manager to determine whether there are inappropriate scope or resource limitations

The department's budget is approved annually as part of the Council's overall budget. Remuneration and arrangements for the appointment and removal of the Internal Audit Manager are managed in accordance with the Council's adopted HR policies.

Every effort is made to preserve objectivity by ensuring that all members of internal audit staff are free from any conflicts of interest and do not undertake any non-audit duties. Internal Audit has complete segregation from Council operations and is not responsible for the management of areas that are audited. The Internal Audit Manager and internal audit staff are not authorised to:

- perform any operational duties associated with the Authority;
- initiate or approve accounting transactions on behalf of the Authority
- direct the activities of any employee unless specifically seconded to Internal Audit

Audit Responsibility

The primary task of Internal Audit is to review the systems of internal control operating throughout the authority, and in doing this it will adopt a predominantly risk-based approach to audit.

The Internal Audit Manager is required to manage the provision of a complete audit service to the Council that will include systems, regularity, computer and advisory audit in addition to the investigation of potential fraud and irregularity. In discharge of this duty, the Internal Audit Manager has a responsibility to:

- prepare a rolling strategic risk-based audit plan in consultation with Chief Officers and senior management, for formal approval by the Audit Committee. This strategic plan is regarded as flexible rather than as an immutable expression of audit policy;
- translate the strategic plan into annual plans for formal agreement with Chief Officers and Audit Committee;
- implement the audit plan as approved, including any additional work requested by management and the Audit Committee;
- ensure that the scopes of individual audit assignments are agreed with departmental management;
- prepare and maintain an Audit Manual detailing departmental procedures and standards;
- ensure a system of close supervision of audit work, and maintain a Quality Assurance and Improvement Programme of internal and external assessments;
- maintain knowledge, skills and expertise within the section specifically for the investigation of fraud and irregularity;

- bring a systematic disciplined approach to evaluate and report on the effectiveness of risk management, internal control and governance processes;
- highlight control weaknesses and required associated improvements together with corrective action recommended to management based on an acceptable and practicable timeframe;
- undertake follow up reviews and recommendation tracking to ensure management has implemented agreed internal control improvements within specified and agreed timeframes;
- liaise with the external auditor for the purpose of providing optimal audit coverage to the Authority;
- work with the external auditor to provide consistent advice to management and the Audit Committee;
- prepare, for agreement with the Chief Officer, Governance, annual reports on audit and special investigation activities for presentation to the Audit Committee, and such other reports on audit issues as may be required by the Chief Executive or the Audit Committee.

All audit work contributes to the overall review of effectiveness of the control environment. The Internal Audit Manager is also a member of the Corporate Governance Working Group which undertakes this review and prepares the draft Annual Governance Statement for consideration by the Audit Committee and Council.

All Internal Audit activity is carried out in accordance with Financial Procedure Rules and PSIAS requirements. In order to maintain an audit presence and sound, informal lines of communication, as much audit work as possible will be done on location. Internal Audit testing may go beyond the records and involve observations and interviews.

Audit Resources

The staffing structure of the section will comprise qualified Internal Auditors, Accountants and Accounting Technicians with a mix of professional specialisms to reflect the varied functions of the section.

Internal Audit will not participate in the day-to-day operation of any systems of internal financial control. However, in strict emergency situations only, audit personnel may be called upon to carry out non-audit work on a temporary basis. If such a call is made the decision to allocate resources will be the Internal Audit Managers but the Chief Officer, Governance and Audit Committee Chair or Vice Chair will be advised.

Upon request from the Chief Officer, Governance appropriate specialists from other Directorates and departments should be made available to take part in any audit review requiring specialist knowledge.

Audit Training

The Internal Audit Manager carries out a continuous review of the development and training needs of all audit personnel through the Authority's appraisal system and will arrange, within budget provision, in-service training covering both internal and external courses.

Specific resources are devoted to specialised training in relation to computer audit, contract audit and fraud investigation to keep abreast of developments.

Audit Reporting

All audit assignments are the subject of formal reports. Debrief meetings are held with the managers responsible for the area under review for agreement to the factual accuracy of findings. After agreement, draft reports are issued to the manager and Chief Officer of the department under review. Once the recommendations and action points have been agreed, final reports are issued. The Internal Audit Manager considers the release of special investigations audit reports for disciplinary purposes on a case-by-case basis. Access to audit files is restricted to the Chief Officer, Governance and External Auditor.

The Internal Audit Manager issues progress reports to the Audit Committee and management summarising outcomes of audit activities, including follow up reviews and the tracking of audit recommendations. These are presented at quarterly Audit Committee meeting.

He reports to the Committee on the progress of investigations into possible fraud and irregularity and also briefs the Audit Chair on any high profile investigations.

The assignment opinions that audit provides during the year are part of the framework of assurances that assist the Authority to prepare an informed Annual Governance Statement.

Internal Audit provides the Chief Officer, Governance with an opinion on the adequacy and effectiveness of the Authority's governance, risk management and control arrangements. In giving the opinion it should be noted that assurance can never be absolute, the most that can be provided is a reasonable assurance that there are no major weaknesses in governance, risk management and control processes. The annual opinion is provided in the Annual Report after the year end.

Performance Reporting

Performance Indicators for Internal Audit are reported to each Audit Committee meeting and to the Chief Officer, Governance.

The department participates in benchmarking within the Wales Chief Auditors Group. Results are reported to the Audit Committee.

Related Documents

This document is one of a series that, together, constitute the policies of the Council in relation to anti-fraud and corruption measures. The other documents are:

- Financial Procedure Rules and Contract Procedure Rules;
- Anti Fraud and Corruption Strategy;
- Fraud and Irregularity Response Plan;
- Whistle-blowing Policy;
- Disciplinary Procedure



AUDIT COMMITTEE

Date of Meeting	Monday, 26 September 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

16th MARCH 2016				
Agenda Item No.	Report	Action Required	Responsible Officer	Action Taken
63	Internal Audit Progress Report	To consider how best to report PIs on future reports.	Internal Audit Manager	PI's to be reviewed.
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.	<p>The review has been undertaken, a proposal to remove supply teachers (not support staff) from the Council supply register has been agreed by the Working Group and shared with Headteachers of all Flintshire schools. Feedback was sought from all Headteachers and no objections to the proposal were received.</p> <p>However, since the proposal was completed and agreed, a Welsh Government Taskforce has been established to look at alternative delivery models for supply teaching. The Taskforce will review national and international models of delivery for supply cover and engage with key stakeholders to provide a list of alternative options for the future delivery model of supply teachers for Wales.</p> <p>It has been proposed to defer progression of the intended change, in order to take opportunity to consider the Welsh Government Taskforce's findings. The Taskforce is due to report to the Cabinet Secretary in January.</p>

13th JULY 2016

Agenda Item No.	Report	Action Required	Responsible Officer	Action Taken
5	Consultancy Follow Up	CROSC Part 2 report on Use of Consultants to be e mailed to Paul Williams	Committee Officer	E mailed 14 th July 2016.
5	Consultancy Follow Up	To incorporate into the electronic forms a mechanism for reminding the officer to return the third stage forms to Procurement following the project date.	Internal Audit Manager	Microsoft database to be developed, to include this reminder.
6	Draft Statement of Accounts	<i>Cllr Bateman's query</i> To provide reasons for the reduced amount 'transferred in' to earmarked reserves on Single Status / Equal Pay.	Corporate Finance Manager / Finance Manager – Technical Accountancy	Included in letter sent to all Members, 9 th September.
6	Draft Statement of Accounts	To clarify where the £147k for car parking was transferred out to.	Corporate Finance Manager / Finance Manager – Technical Accountancy	Included in letter sent to all Members, 9 th September.

13th JULY 2016

Agenda Item No.	Report	Action Required	Responsible Officer	Action Taken
6	Draft Statement of Accounts	<i>Cllr Bateman's query</i> To clarify the reason for the reduced amount for vehicles, plant and equipment operating leases.	Corporate Finance Manager / Finance Manager – Technical Accountancy	Included in letter sent to all Members, 9 th September.
6	Draft Statement of Accounts	Part 2 report on all School Balances to be scheduled for a future meeting, to include the views of the Educ and Youth OSC and School Budget Forum.	Internal Audit Manager.	Scheduled for January meeting.
8	Annual Governance Statement	That the Annual Governance Statement attached to the Statement of Accounts be recommended to Council.	Internal Audit Manager	To be taken to Council meeting 26 th September 2016.
8	Annual Governance Statement	CROSC report on Appraisals to be e mailed to Paul Williams	Committee Officer	E mailed 14 th July, 2016.
9	Treasury Management	<i>Cllr Woolley query</i> Internal Borrowing – agreed that projections could be shared in response to concerns about the need to borrow for capital purposes.	Finance Manager – Technical Accountancy	Cllr Woolley invited in to see The Finance Manager – Technical Accountancy to see the calculations involved in projections for internal borrowing.

13th JULY 2016

Agenda Item No.	Report	Action Required	Responsible Officer	Action Taken
11	Certification of Grant Claims	An interim report on progress with the action plan to be received in the Autumn. Periodic updates to be shared with WAO.	Corporate Finance Manager	Work has not yet commenced on the audit of grant claims for 2015/16. An update report will be provided to the next Audit Committee meeting.
11	Certification of Grant Claims	Update report on CPRs to be brought to the Sept meeting.	Chief Officer Governance / Corporate Finance Manager	Report to this meeting.
11	Certification of Grant Claims	To share with the Committee comparative statistics on grant claims by other Authorities to show Flintshire's standing.	WAO	Statistics provided to this meeting.
14	Internal Audit Progress Report	To provide a response to PW's question on why investigations 3.2 and 3.3 were not taken forward by the police.	Internal Audit Manager	E mail to the committee 19 th July 2016.
17	Car User Allowance	Details of the outcome of the review to be shared with the Committee for information only.	Chief Executive	Information circulated to Audit Committee and Corporate Resources Overview and Scrutiny Committee members on 6 th September.



AUDIT COMMITTEE

Date of Meeting	Monday, 26 September 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.

RECOMMENDATIONS

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 Telephone: 01352 702248 E-mail: david.webster@flintshire.gov.uk</p>

7.00	GLOSSARY OF TERMS
7.01	<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
January 2017	Risk Management update Corporate Governance Report Treasury Management Mid-Year Update and Strategy School Balances Mobile Phones update (from July meeting) Annual Report on external inspections Internal Audit Progress Report Action Tracking Forward Work Programme	Karen Armstrong Karen Armstrong Liz Thomas Ian Budd Aled Griffiths Lisa Brownbill Lisa Brownbill Lisa Brownbill Lisa Brownbill
March 2017	Audit Plan (WAO) Annual Improvement Report (WAO) Treasury Management Update	Karen Armstrong Liz Thomas

MEETING DATE	AGENDA ITEM	AUTHOR
	Internal Audit Progress Report	Lisa Brownbill
	Internal Audit Strategic Plan	Lisa Brownbill
	PSIAS Compliance	Lisa Brownbill
	Audit Committee Self Assessment	Lisa Brownbill
	Action Tracking	Lisa Brownbill
	Forward Work Programme	Lisa Brownbill
	Private Meeting (WAO and IA)	Lisa Brownbill
June 2017	Certification of Grants and Returns Report (WAO)	Liz Thomas
	Annual Improvement Report (WAO)	Karen Armstrong
	Treasury Management Update and Annual Report 2015/16	Liz Thomas
	Internal Audit Annual Report	Lisa Brownbill
	Internal Audit Progress Report	Lisa Brownbill
	Risk Management Update	Karen Armstrong
	Financial Procedure Rules	Sara Dulson
	Asset Disposals and Capital Receipts	Neal Cockerton

MEETING DATE	AGENDA ITEM	AUTHOR
	Action Tracking	Lisa Brownbill
	Forward Work Programme	Lisa Brownbill
July 2017	Draft Statement of Accounts	Gary Ferguson
	Supplementary Financial Information to Draft Statement of Accounts 2016/17	Liz Thomas
	Draft Annual Governance Statement	Karen Armstrong
September 2017	Statement of Accounts 2016/17	Gary Ferguson
	Supplementary Financial Information to Statement of Accounts	Gary Ferguson
	Audit of Financial Statements (WAO)	
	Internal Audit Progress Report	Lisa Brownbill
	Corporate Governance Report	Karen Armstrong
	Action Tracking	Lisa Brownbill
	Forward Work Programme	Lisa Brownbill

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