

# Public Document Pack



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To: All Members of the Council

20 September 2016

Dear Councillor

You are invited to attend a meeting of the Flintshire County Council which will be held at 2.00 pm on Monday, 26th September, 2016 in the Council Chamber, County Hall, Mold CH7 6NA to consider the following items

## A G E N D A

### 1 COMMEMORATION AND TRIBUTES TO THE LATE CHIEF OFFICER (PEOPLE AND RESOURCES), HELEN STAPPLETON

### 2 PRESENTATIONS

#### **Connah's Quay Nomads FC**

In recognition of their fantastic achievement in reaching the second qualifying round of the UEFA Europa League

#### **Flintshire County Council's Academi**

Shortlisted in the Best Employment & Equality Initiative APSE 2016 Service Awards

#### **Rhian Evans**

Overall winner of the Leadership in the Public Sector Category of the Leading Wales Awards 2016

### 3 APOLOGIES FOR ABSENCE

**Purpose:** To receive any apologies.

### 4 COUNCIL MINUTES (Pages 5 - 20)

**Purpose:** To confirm as a correct record the minutes of the previous meeting.

### 5 DECLARATIONS OF INTEREST

**Purpose:** To receive any Declarations and advise Members accordingly.

## 6 CHAIRMAN'S COMMUNICATIONS

**Purpose:** To receive the communications as circulated.

## 7 PETITIONS

**Purpose:** To receive any Petitions.

## 8 PUBLIC QUESTION TIME

**Purpose:** To receive any Public Questions.

## 9 QUESTIONS

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

## 10 QUESTIONS FROM MEMBERS ON COMMITTEE MINUTES

**Purpose:** The Minute Book, Edition 3, has been circulated to Members. Members are now entitled to ask questions on these minutes, subject to certain limitations, and answers will be provided at the meeting. Members are requested to bring to the meeting their copy of the Minute Book. Any questions must have been received by the Democracy and Governance Manager prior to the close of business on 20 September 2016.

## 11 NOTICE OF MOTION

**Purpose:** To consider the following Notices of Motion:

### Councillor Tim Newhouse

In 2012, the General Teaching Council for England was abolished by the UK Government, saving teachers and the government tens of millions of pounds. The equivalent quango in Wales, the Education Workforce Council costs teachers approximately £1.7 million per year and costs the Welsh Assembly about £6.9 million.

This Council calls on the Welsh Assembly to abolish the EWC and spend much of the £6.9 million annual saving on far more important priorities in education.

Abolishing the EWC will also mean that teachers will no longer have to pay an annual registration fee, which is important in times of wage restraint.

Councillor Andy Dunbobbin

We are proud to live in a diverse and tolerant society. Racism, xenophobia and hate crimes have no place in our country. We Flintshire County Council condemn racism, xenophobia and hate crimes unequivocally. We will not allow hate to become acceptable.

Flintshire County Council will work to ensure local bodies and programmes have support and resources needed to fight and prevent racism and xenophobia.

We reassure all people living in Flintshire that they are valued members of our community

**12 STATEMENT OF ACCOUNTS 2015/16 (Pages 21 - 226)**

Report of Corporate Finance Manager

**13 SUPPLEMENTARY FINANCIAL INFORMATION TO STATEMENT OF ACCOUNTS 2015/16 (Pages 227 - 232)**

Report of Corporate Finance Manager

**14 ANNUAL GOVERNANCE STATEMENT (Pages 233 - 236)**

Report of Chief Officer (Governance)

**15 TREASURY MANAGEMENT OUTTURN REPORT 2015/16 (Pages 237 - 254)**

Report of Corporate Finance Manager

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

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

It is not good employment practice or in the public interest for matters the subject of consultation with employees effected and other unions to be discussed in public at this stage of the process.

**16 ESTABLISHMENT STRUCTURE IN DEMOCRATIC SERVICES (Pages 255 - 262)**

Report of Chief Officer (Governance)

Yours faithfully

A handwritten signature in black ink, appearing to read 'Peter Evans', with a long horizontal stroke extending to the right.

Peter Evans  
Democracy & Governance Manager

**WEBCASTING NOTICE**

This meeting will be filmed for live broadcast on the Council's website. The whole of the meeting will be filmed, except where there are confidential or exempt items, and the footage will be on the website for 6 months.

Generally the public seating areas are not filmed. However, by entering the Chamber you are consenting to being filmed and to the possible use of those images and sound recordings for webcasting and / or training purposes.

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**FLINTSHIRE COUNTY COUNCIL**  
**14 JUNE 2016**

Minutes of the meeting of Flintshire County Council held in the Council Chamber, County Hall, Mold on Tuesday, 14 June 2016

**PRESENT: Councillor Peter Curtis (Chairman)**

Councillors: Alex Aldridge, Bernie Attridge, Glyn Banks, Haydn Bateman, Marion Bateman, Chris Bithell, Helen Brown, Derek Butler, Clive Carver, David Cox, Paul Cunningham, Ron Davies, Adele Davies-Cooke, Rosetta Dolphin, Andy Dunbobbin, Brian Dunn, Jim Falshaw, Veronica Gay, Robin Guest, Alison Halford, Ron Hampson, George Hardcastle, David Healey, Dennis Hutchinson, Joe Johnson, Rita Johnson, Christine Jones, Kevin Jones, Richard Jones, Phil Lightfoot, Brian Lloyd, Richard Lloyd, Mike Lowe, Dave Mackie, Nancy Matthews, Hilary McGuill, Ann Minshull, Tim Newhouse, Mike Peers, Vicky Perfect, Mike Reece, Gareth Roberts, Ian Roberts, David Roney, Aaron Shotton, Paul Shotton, Ian Smith, Nigel Steele-Mortimer, Carolyn Thomas, Owen Thomas, Sharon Williams, David Wisinger and Arnold Woolley

**APOLOGIES:**

Councillors: Alan Diskin, Glenys Diskin, Chris Dolphin, Ian Dunbar, Carol Ellis, Hilary Isherwood, Colin Legg, Brian Mullin, Sara Parker, Neville Phillips, David Williams and Matt Wright

**IN ATTENDANCE:**

Chief Executive, Chief Officer (Governance), Chief Officer (Community & Enterprise), Chief Officer (Planning & Environment), Chief Officer (Streetscene & Transportation), Chief Officer (Social Services) Chief Officer (Organisational Change) Chief Officer (Education & Youth) Corporate Finance Manager, Corporate Business and Communications Executive Officer Finance Manager – Technical, and Committee Officers

Prior to the start of the meeting the Chairman expressed his apologies for not being present at the Buckley Civic Service and explained that the invitation to attend had not been received by his office.

**16. PRESENTATIONS**

**Society of IT Management (SOCITM) Better Connected Awards**

The Chief Executive welcomed employees from the Council's Web Development and Customer Services teams (Mandy Humphreys, Rebecca Jones, Jason Snead, Matthew Small and Jake Selvester) and congratulated them on achieving Best Welsh Unitary Authority website and Best Rubbish and Recycling Report a Missed Collection web service in the SOCTIM Better Connected Awards.

The Chief Executive explained that Better Connected is an independent assessment of over 400 council websites which is run on an annual basis by (SOCITM), its main purpose being to identify best practice and help councils in improving the quality of the online experience for people who visit council websites for obtaining information and receiving services. Flintshire's website had been awarded

four stars, one of only 44 websites to achieve this standard and the only Welsh website to achieve it. Both the star rating and the awards recognise the significant work undertaken by the IT Service and the Customer Services team who work closely in the design and functionality of the website.

The Chair expressed his thanks and appreciation for the hard work of the Team and the ongoing training provided by the County.

Councillor Aaron Shotton said it was a significant achievement for the Council and expressed his congratulations and thanks to the Team for their continued work to develop high quality digital service solutions for Flintshire's residents.

#### Youth Work Excellence Awards 2016

The Chief Executive welcomed Alison Thomas and Emma Murphy (Flintshire County Council employees) and Lauren Kelsall and Ant Jones (Flintshire Youth Forum). He congratulated them on their success in being shortlisted for the Outstanding Youth Work Project at the National Youth Work Excellence Awards 2016 in recognition of their contribution to delivery of participation in Flintshire. The Flintshire Youth Forum strive to reach out to ensure that all Young People in Flintshire have a voice and are heard and listened to by individuals and organisations who make decisions about their lives.

Councillor Chris Bithell also expressed his thanks and appreciation for the contribution made by the Flintshire Youth Forum. He advised that the Forum had a Theatre Forum group which worked in partnership with Theatre Clwyd to give young people an opportunity to voice opinions and to share views through a creative medium and in a less formal setting. Councillor Bithell said that the work of the Flintshire Youth Forum had been recognised for its innovative and passionate approach to ensuring a representative voice for all Young people in Flintshire.

#### City & Guilds Winter Service Operations

The Chief Executive welcomed Thomas Cartwright and David Humphreys (Flintshire County Council Streetscene operatives) and congratulated them on the completion of their City & Guilds Winter Service Operations course.

Councillor Bernie Attridge expressed his congratulations and said that the Winter Maintenance Service was recognised as one of the most important functions that the Highway Authority provided. It was fundamental to provided safe and reliable access to transportation networks during the Winter period each year and was crucial to emergency services, businesses, social services, education and the general public. Councillor Attridge explained that the City & Guilds Winter Service Operations course had been successfully completed by 14 generic Streetscene Operatives who were no approved Winter Maintenance Operators.

## 17. MINUTES

- (i) The minutes of the meeting held on 16 February 2016 had been circulated with the agenda

### Accuracy

Councillor Richard Jones referred to his comments on page 13, paragraph 3, of the minutes and said that he had said that there were four of six parts not four and six parts of the lobbying case which had not been achieved. He asked that the minutes be amended to reflect this.

- (ii) The minutes of the meeting held on 1 March 2016 had been circulated with the agenda

### Matters arising

Councillor Clive Carver referred to item 98 of the minutes and raised a query regarding the declaration of interest made by Councillor Bernie Attridge. The Chief Officer (Governance) said he would check that the appropriate form had been completed.

Councillor Clive Carver raised a further query concerning the response to the public question which had been raised by Mr. John Yorke at the meeting. He said he had received an email from Mr. Yorke who was seeking clarification of the response which differed from the response given by the Planning Inspector. The Chief Officer (Governance) said he would circulate a copy of the response provided by Councillor Bernie Attridge to all Members for clarity. Councillor Attridge outlined the reasons for his declaration of interest.

- (iii) The minutes of the Annual General Meeting held on 10 May 2016 had been circulated with the agenda
- (iv) The minutes of the special meeting held on 10 May 2016 had been circulated with the agenda

### RESOLVED:

That subject to the above amendment the minutes be approved and signed by the Chair.

## 18. DECLARATIONS OF INTEREST

The Chief Officer (Governance) referred to the notice of motion on abolition of free Theatr Cymru tickets and advised members of the Theatr Board that they should declare a personal interest.

Councillors Derek Butler, Ron Davies, Robin Guest, Alison Halford, Ron Hampson, Dave Mackie Nigel Steele-Mortimer, and Tim Newhouse declared a personal interest in the following item:

Item 11- Notice of Motion – Abolition of free Theatr Cymru tickets.

Councillor Bernie Attridge sought advice concerning the need to make a declaration of interest on item 14 – Policy amendments – minimum revenue provision and prudential indicators. Following advice from the Chief Officer (Governance) Councillor Attridge explained that he did not wish to speak on the item and would leave the room for the debate.

**19. VICE-CHAIRMAN OF THE COUNCIL FOR THE MUNICIPAL YEAR 2016/17: INVESTITURE WITH CHAIN OF OFFICE AND ACCEPTANCE OF OFFICE**

The Vice-Chair who had made his declaration of acceptance of office with the Chief Executive at an earlier date now made his declaration in front of the Council.

**20. CHAIRMAN'S COMMUNICATIONS**

The Chairman referred to his communications which had been circulated to all Members before the meeting and drew attention to some of the events including the Eisteddfod yr Urdd 2016. The Chairman expressed his thanks to the Vice-Chair who had attended some of the events on his behalf.

Councillor Ian Roberts expressed his appreciation to all staff in the Council who had made a valuable contribution to the success of the Eisteddfod. He said the event had been a credit to Flintshire and the Council.

Councillor Owen Thomas drew attention to the hard work and financial support which had been provided by local communities for the Eisteddfod.

**21. PETITIONS**

Councillor Richard Jones submitted a petition from residents about keeping the Buckley Recycling Centre HRC site open.

A petition was submitted by Councillor Veronica Gay on behalf of the residents of the Brook Farm estate in Saltney regarding a request to relocate the play area from its current site on the estate to Sandy Lane Community Centre, Saltney.

**22. PUBLIC QUESTION TIME**

Mr. John Farley was invited to read out his question:

“I have seen at first hand the impact when a child is refused admission to the same school as his classmates and his football team, indeed his entire social circle of friends.

This can leave a child upset and dejected and can have a detrimental impact leading to behavioural changes. It can also lead to teasing about not being accepted. Any parent would be distressed to see the effect this has on any child.

If a child is isolated away from his friends by being sent to a high school where he doesn't know anybody then any parent would be extremely concerned for his health and welfare and the substantial impact this will have on his academic performance.

The Welsh Government is a strong advocate for complying with the United Nations Convention on the Rights of the Child (UNCRC) in particular Article 3 A duty to consider "the Best interest of the Child". I therefore want to ask the following question:

Does the Flintshire County Council School Admission policy and in particular the admission appeal panel consider the health and social wellbeing of the child, when deciding whether or not to uphold an appeal? and If not why?"

As the Cabinet Member for Education, Councillor Chris Bithell provided a response which clarified the County's School Admissions Policy.

When asked if he wished to ask a supplementary question, Mr. Farley asked if the Council had policy and processes in place to make sure this issue did not happen in the future. In his response Councillor Bithell explained that the Admissions Panel was completely independent and reached decisions based on the facts provided by the Authority and parents.

## **23. QUESTIONS**

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

## **24. QUESTIONS FROM MEMBERS ON COMMITTEE MINUTES**

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

## **25. NOTICE OF MOTION**

The following Notices of Motion were received from Councillor David Roney.

### **(i) Takeaway litter**

This Council calls upon the Welsh Assembly and Westminster Governments to introduce legislation requiring Hot Food Takeaways serving food to people in a motor vehicle to clearly mark all takeaway cartons with the registration number of that vehicle. This will enable the identification of the source of litter and assist in prosecution, saving the residents of Flintshire the cost of litter collection and also preserving the beauty of our countryside.

Councillor Bernie Attridge stated that littering on the highways in the immediate vicinity of drive-in takeaway and fast food outlets was a problem in Flintshire and almost every other County. He said that the resultant litter blighted local communities and cost thousands of pounds to collect. He stated that the proposal would be a deterrent and would enable the Council's enforcement team to

build a case against the perpetrators through use of CCTV footage taken at the takeaway facility and evidence of vehicle registration number. Councillor Attridge explained that the idea had been discussed previously and with use of modern surveillance techniques would be relatively easy to introduce in Flintshire although it would require national legislation to ensure operators of such drive-in facilities complied. Councillor Attridge said that he would write to Ministers in both the Government and Welsh Government to seek their support for the proposal. The Motion was seconded by Councillor Attridge.

Councillor Mike Peers said that although he supported the proposal in principle he felt that there was a need for further work to be done around how the scheme would work in practice and he cited a number of examples where the system could fail or be open to fraudulent activity.

Speaking in support of the Motion Councillor Roney referred to the damaging effect of litter on the environment and wildlife and the negative impact on tourism and the economy. He referred to the cost of both clearing and cleaning up litter in Wales which was born by ratepayers and said fast food wrappers were a common cause of the problem. He said the Motion called upon both the Government and Welsh Governments to introduce a scheme to force drive-through fast food outlets to record the date and registration number of customer vehicles and to print the registration number onto the relevant containers.

Councillor Robin Guest also supported the proposal in principle but expressed concerns around its effectiveness. Referring to bye-laws on litter control areas he suggested that the Environment Overview and Scrutiny Committee might wish to consider recommending a report to Council on the matter which would be of benefit to some areas in Flintshire.

Councillor Chris Bithell asked what powers the Council could enforce/ adopt to force local fast food outlets to clear up the area in the immediate vicinity of their premises. He asked if this could be looked into by the appropriate Cabinet Member and the Chief Officer (Governance).

Councillor Nigel Steele-Mortimer suggested that the name of the retailer should be imprinted on each piece of packaging issued by the fast food/take-away outlet.

The Chair invited Councillor Roney to sum up. Councillor Roney acknowledged the concerns and the suggestions which had been raised by Members and stated that the Motion proposed that Flintshire asked the Government and the Welsh Government to support the proposal.

On being put to the vote the Notice of Motion was carried.

(ii) Abolition of free Theatr Cymru tickets

“This Council accepts that Theatr Clwyd operates an industry-standard complimentary ticket policy to develop audiences and encourage sponsor and media patronage. The policy should not extend to giving complimentary tickets and drinks

to Theatr Board Members, Councillors, Senior Officers and other officials who should be expected to meet the costs of their tickets and drinks at the Theatr. The Theatr Clwyd Board should remove these privileges from its policy”

In support of his Motion Councillor Roney referred to the current enforced financial austerity faced by the Authority and the public perception of the privilege of giving complimentary tickets and drinks to Theatr Board Members, Councillors, and Senior Officers. He said that the Motion asks that all Councillors and their partners, senior officers, and officials, pay for their tickets and drinks. He explained that this would bring about a small cost saving in terms of management and would enable the Theatr Board Members to engage more closely with Theatr visitors to assess the public perception of performances and the overall services provided within the Theatr.

In response to a question from Councillor Nigel Steele-Mortimer the Chief Officer (Governance) reiterated his advice that all Theatr Board Members need only declare a personal interest and could remain for debate on the item.

Councillor Nigel Steele-Mortimer withdrew from the meeting at this point.

Councillor Aaron Shotton seconded the Notice of Motion. He said that this issue had been discussed by the Theatr Board and there had been a review of the current practices, however, it would be a Cabinet decision to enforce a change at Theatr Clwyd. He commented that the level of financial cuts in local government funding and the impact on public services were of the deepest concern to Members and on that basis he would not wish to see this historical practice continue and urged Members to support the Motion.

Councillor Ron Davies gave a response to the Motion and explained the current complimentary ticket policy at the Theatr. He advised that this applied only on press nights for Board members and to Theatr Company productions (six per year) not third party productions. Councillor Davies gave an assurance that In the current period of financial restraints the Board operated its complimentary ticket system robustly and referred to the minimal cost of the refreshment aspect and the greater benefits to be gained by the critical assessment of the quality of productions and ensuring that the taxpayer received value for money.

Councillor Robin Guest also clarified that the number of occasions when the complimentary policy was afforded was very limited.

The Chairman stated that the matter had been thoroughly debated and gave Councillor David Roney the right to sum up before moving to the vote. In responding Councillor Roney emphasised that it was the public perception in times of severe financial constraint which was the issue not the cost of the complimentary policy which he acknowledged was minimal.

The Chair commented on the voluntary policy which existed in terms of the claims made by Members for expenses and other sundry items and suggested that a similar policy could be applied to members of the Theatr Board.

On being put to the vote the Notice of Motion was carried.

Councillor Nigel Steele-Mortimer returned to the room prior to the start of the next item.

**RESOLVED:**

- (a) That the Notice of Motion on Takeaway litter be supported; and
- (b) That the Notice of Motion on Abolition of free Theatr Cymru tickets be supported.



## **26. LOCAL GOVERNMENT FINANCE COMMISSION**

The Chief Executive introduced a report on the Independent Commission on Local Government Finance in Wales. He provided background information and reported that the Commission had concluded its work and had made its report public in March 2016. The Commission had made a number of fundamental recommendations and Members were invited to make a response to the Commission's report. The Chief Executive advised that by making a constructive evidenced response to the Commission, WG and WLGA together the Council could make its position and ideas known for the benefit of the local government 'family'.

The Chief Executive gave a joint presentation with the Corporate Finance Manager on the Independent Commission on Local Government Finance in Wales. The main points of the presentation were:

- Commission's recommendations
- national financial position
- responding to the Commission
- Council financial profile
- Council strategy
- the Funding Formula
- the Funding Formula dilemma
- standard levels of service
- remedial work needed on the Formula
- making the Flintshire case
- setting out our funding plan

Councillor Aaron Shotton welcomed the Commission's report and the recommendations which acknowledged the concerns raised by Flintshire regarding the discrepancies in the funding formula and mounting pressure on public services. He also said that some of the solutions that had been proposed, citing the retention of business rates as an example, had been acknowledged by the Commission. He commented on the need to engage the support of Assembly Members and MPs to support the arguments to be put forward to the WG for change and reform of the funding formula and proposed that a special Group Leaders meeting be convened as early as possible to formulate a detailed response to the Commission's report, the WG and the WLGA and the next steps forward.

Councillor Chris Bithell welcomed the Commission's report and commented that many of the recommendations would improve Flintshire's position, however, he expressed the view that the whole system of local government finance was in need of a radical review and that the current system was no longer 'fit for purpose'. He continued that although there could be 'winners' and 'losers' in any review of the distribution of funding local authorities had to have sufficient funding to be able to cover the 'basic' costs, citing teacher's pay, social and residential care as examples. which were the same throughout Wales.

Councillor Mike Peers reiterated the need for a quick and fair review of the funding formula. He expressed the view that Flintshire was getting a 'poor deal' and that its position should be 'average' at the least which would provide an additional

£17m per year. He spoke for and against some of the proposals put forward by the Commission and said the priority was a quick and fair review of the funding formula.

Councillor Gareth Roberts also welcomed the report and the potential for change. He spoke in support and against some of the Commission's recommendations and welcomed the less hypothecation of grants and commented on S106 agreements.

Councillor Richard Jones supported the need for a fairer funding system but asked where the money would come from. In his response the Chair explained that a robust argument would be put forward to the WG to outline the case for the residents of Flintshire.

### **RESOLVED**

- (a) That the report and recommendations of the Independent Commission be received: and
- (b) That a special Group Leaders meeting be convened as early as possible to formulate a detailed response to the Commission's report, the WG and the WLGA

## **27. IMPROVEMENT PLAN 2016-17**

The Chief Executive introduced a report on the Improvement Plan 2016-17 and advised that the Plan had been updated in June 2016 to reflect the key priorities of the Council for the next year. He provided background information and said that the Plan was agreed by Cabinet earlier in the day and that the final draft had been the result of consideration by Overview and Scrutiny Committees within their terms of reference.

The Chief Executive invited the Corporate Business and Communications Executive Officer to give a presentation on the Improvement Plan 2016-2017. The main points of the presentation which highlighted the benefits of the Improvement Plan were as follows:

- the Improvement Plan
- how the plan is put together
- choosing the in-year priorities
- new content – national issues
- Member consultation
- benefits of planning
- this year's 2016/17 Improvement Plan
- using the Plans
- positive feedback
- next steps

The Chief Officer (Community & Enterprise) presented the Housing priority. She advised that Housing remained a key strategic priority for the Authority and referred to the need to continue to improve the quality of the existing housing stock; not only through improving the Council's stock to WHQS standard but also to support

improvement in the private sector stock either by grants or loans. In addition there was a need to increase the number of homes provided throughout the County and specifically affordable housing. Referring to risks the Chief Officer commented on the need to manage homelessness and to stimulate the growth of affordable housing.

The Chief Officer (Community & Enterprise) also presented the priority for Economy and Enterprise and referred to work taking place across North Wales and the North West of England with the Northern Powerhouse to continue to grow the economy. She outlined the strategic objectives which continued to be the priorities for next year

Councillor Aaron Shotton referred to the importance of the improvement Plan as a 'blueprint' for the Authority's ambition and for what it wished to achieve for Flintshire's residents. He spoke of Flintshire's priorities and referred to the need to expand and grow the quality of apprenticeships, developing a successful economy, and building the infrastructure for development, and housing and affordable accommodation. Councillor Shotton moved the report and expressed his thanks to Officers for their hard work in producing the Plan.

Councillor Bernie Attridge referred to the Environment priority and reported on the sustainable development and environmental management sub priority. He also referred to the priority Modern and Efficient Council and reported on the community asset transfers programme and rationalisation of the Council's assets.

Councillor Chris Bithell commented on the need for more government funding if the Council hoped to achieve the ambitions set out in the Plan.

Councillor Mike Peers welcomed the new format of the Plan and drew attention to a small number of amendments which needed to be made. He referred to the risks to be managed in each of the priorities and asked what the impact would be if the risks were not managed and said it would be helpful if these were known. He raised a number of specific questions in relation to housing and achievement measures and also commented on the subject of annual appraisals.

Councillor Christine Jones drew attention to the new priority dementia within the Living Well priority. She commented on the work taking place in Flintshire in terms of raising dementia awareness, training, and development of 'friendship' and community support groups.

Councillor Richard Jones commented on the need for an equitable and fair division of funding within the County and made a comparison between the Plan and the funding formula in Wales. He expressed a concern that although the Improvement Plan described how funding would be spent it did not identify where the money would be spent. He said that in the future he would like to see a more equitable spread of the finances within the Improvement Plan which showed that each part of the County, and thereby each resident, got a share of the capita.

The Chief Executive responded to the questions and concerns which had been raised by Members during debate around annual employee appraisals, the priority

risks to be managed, and spend per capita. He also agreed to provide a written response to the further specific points which had been raised by Members

**RESOLVED**

That the Improvement Plan 2016-17 be approved.

**28. POLICY AMENDMENTS – MINIMUM REVENUE PROVISION AND PRUDENTIAL INDICATORS**

Councillor Bernie Attridge withdrew from the meeting at this point.

The Chief Officer (Community & Enterprise) introduced a report on the Minimum Revenue Provision and Prudential Indicators – Policy amendments. She provided background information and referred to the decision taken by Cabinet at its meeting on 17 May 2016 to agree in principle to loan funding to NEW Homes to build 62 affordable homes on the site of The Walks, Flint. She advised that appended to the report was the Cabinet report of 17 May 2016 which explained the considerations involved in building the affordable homes and the agreement to the loan from the Council to NEW Homes. She explained that financially the scheme would bring in a new revenue stream for the Council but that it was a low risk activity as the loan would be repaid by NEW Homes with interest and should the company default the Council would own its assets.

The Chief Officer explained that the changes made to the capital programme also required some small changes to be made to other policies which were required to be approved by Council. She invited the Corporate Finance Manager to present the changes required to each policy as detailed in the report.

The Corporate Finance Manager advised that loans from the Council to NEW Homes for house building purposes, in accounting terms, were classed as capital expenditure and therefore needed to be included within the Council's capital programme. Cabinet at a meeting on 17 May 2016, had approved the loan to NEW Homes and the associated changes to the Council's 2016/17 and future year's capital programme. The Corporate Finance Manager explained that there are 2 phases to the funding of any new housing development, the first being the construction phase during which the properties are built and the second being the operational phase when the properties are built, and in this case let out for the purposes as set out in the report. He reported on the structure of the lending, the capital programme, minimum revenue provision and prudential indicators as detailed in the report.

The Chief Officer commented that this was an opportunity for the Council to continue to achieve its housing growth needs and to meet the need for affordable housing within the County.

Councillor Aaron Shotton in moving the recommendation in the report said the initiative was integral to the Improvement Plan priorities and was a good example to other Authorities in Wales of innovative financing of housing development.

Councillor Mike Peers raised questions around the loan arrangements. He also commented on the duration of the second loan and asked if there would be an opportunity to redeem this earlier as rents increased. He referred to the financial guarantee that the Council could have provided if NEW Homes had sought to obtain funding from another source and asked what the cost may have been to the Council to provide the guarantee. Officers responded in detail to the queries raised and referred to the process and structure of the loan to NEW Homes. The Chief Officer (Governance) also advised that under the Articles of Association for NEW Homes

there were a number of matters which were referred to the Council for approval in respect of its business case and any distribution of assets. Referring to the question from Councillor Peers concerning the cost of a guarantee, the Finance Manager – Technical, explained that there was no set formula in terms of calculating the cost of the guarantee that the Council might enter into but reported on how this would be applied in accounting terms to reflect the additional risk to the Council.

During discussion Officers responded to the further questions raised by Councillor Nancy Matthews concerning the timescale for repayment of the loan and the rate of interest charged. In response to the question from Councillor Richard Jones concerning the effect on the Revenue Account the Finance Manager – Technical advised there would be no detrimental impact and that there would be a positive impact due to the difference between the loan that the Council had taken out and the repayment received from NEW Homes on the interest on the loan.

**RESOLVED**

- (a) That the changes to the policy on Minimum Revenue Provision as detailed in paragraphs 1.16 and 1.17 of the report be approved; and
- (b) That the changes to the Prudential Indicators 2016/17 to 2018/19 as detailed in paragraphs 1.19 to 1.28 be approved.

**29. CLWYD PENSION FUND COMMITTEE**

The Chief Executive explained that in accordance with the constitution the Council appoints the Chair and Vice-Chair of the Clwyd Pension Fund Committee at its Annual General Meeting. The Chair had been appointed at the Council's Annual General Meeting held on 10 May 2016 but not the Vice-Chair. The Clwyd Pension Fund Committee had nominated Councillor Haydn Bateman as Vice-Chair for the 2016/17 municipal year but the nomination was subject to Council approval.

**RESOLVED:**

That Councillor Haydn Bateman be appointed as Vice-Chair of the Clwyd Pension Fund for the municipal year 2016/17

**30. MEMBERS OF THE PRESS AND PUBLIC IN ATTENDANCE**

There were no members of the press or public present.

(The meeting started at 2.00pm and ended at 5.20 pm)

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**Chairman**

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## FLINTSHIRE COUNTY COUNCIL

<b>Date of Meeting</b>	Monday 26 <sup>th</sup> September 2016
<b>Report Subject</b>	Statement of Accounts 2015/16
<b>Report Author</b>	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 approval.
- 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 approval.

### RECOMMENDATIONS

1	Members are requested to approve the final version of the Statement of Accounts 2015/16.
2	Members are requested to approve; the Letter of Representation - Flintshire County Council, and the Letter of Representation - Clwyd Pension Fund.

## **REPORT DETAILS**

<b>1.00</b>	<b>EXPLAINING THE STATEMENT OF ACCOUNTS</b>
1.01	The statutory deadline for the approval of the Statement of Accounts is 30 <sup>th</sup> September. The audit of the 2015/16 accounts has now been substantially completed. The statutory audit completion notice will be reported in the press in due course.
1.02	As part of the final accounts process, Wales Audit Office presented to the Audit Committee on 26 <sup>th</sup> September 2016 the ISA 260 reports 'Audit of the Financial Statements - Flintshire County Council' and 'Audit of the Financial Statements - Clwyd Pension Fund', attached (appendices 2 and 3 respectively). The ISA (International Standards on Auditing) 260 requires the auditor to communicate relevant matters relating to the audit of the financial statements to those charged with governance of the entity.
1.03	During the audit, changes were made to the draft Statement of Accounts agreed with Wales Audit Office and these have been incorporated into the document, as attached (Appendix 1).
1.04	If the Audit Committee recommend any changes to the Statement of Accounts or wish to make any specific comments to Council, these will be reported verbally at the meeting.
1.05	The Letter of Representation - Flintshire County Council, and the Letter of Representation - Clwyd Pension Fund are attached (Appendices 4 and 5 respectively). The Letter of Representation requires the Council to confirm the accuracy of the audit. In such letters, the Council confirms to the WAO that all the information contained within the financial statements is true and accurate and that all information has been disclosed.

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	Financial implications are as set out in the report. There are no other resource implications as a result of this report.

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

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	Actions will be taken in year (2016/17) to address recommendations from the WAOs reports.

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

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

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	<p><b>Financial Audit:</b>The annual external audit of the Council’s Statement of Accounts.</p> <p><b>Financial Year:</b> the period of 12 months commencing on 1 April</p> <p><b>Material:</b> 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><b>Statement of Accounts / Final Accounts / Financial Accounts or Statements:</b> The Council’s annual finance report providing details of the Council’s financial performance and position at the end of the financial year. The format is prescribed to enable external comparison with other public and private entities.</p> <p><b>Wales Audit Office:</b> works to support the Auditor General as the public sector watchdog for Wales. They aim to ensure that the people of Wales know whether public money is being managed wisely and that public bodies in Wales understand how to improve outcomes.</p>

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# STATEMENT OF ACCOUNTS

2015-16



# CONTENTS

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

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

**Supplementary Financial Statements:**

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

**Group Accounts:**

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

**Clwyd Pension Fund:**

Clwyd Pension Fund Accounts for the Year Ended 31 <sup>st</sup> March 2016	98 - 125
--	----------

**Flintshire County Council and Clwyd Pension Fund:**

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

**Annual Governance Statement:**

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

# NARRATIVE REPORT

## INTRODUCTION

Welcome to Flintshire County Council's Statement of Accounts for 2015/16 which details the income and expenditure on service provision for the year 1<sup>st</sup> April 2015 to 31<sup>st</sup> March 2016 and the value of the Council's assets and liabilities as at 31<sup>st</sup> 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 30<sup>th</sup> 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 17<sup>th</sup> 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)
<b>Net expenditure on services</b>	<b>228,348</b>	<b>228,681</b>	<b>333</b>
Central loans and investment account	14,971	14,912	(59)
Central and Corporate Finance	9,138	8,088	(1,050)
<b>Total net expenditure</b>	<b>252,457</b>	<b>251,681</b>	<b>(776)</b>
Contribution from reserves	(1,000)	(1,000)	0
<b>Budget requirement</b>	<b>251,457</b>	<b>250,681</b>	<b>(776)</b>
<b>Financed by</b>			
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
<b>Total resources</b>	<b>251,457</b>	<b>252,170</b>	<b>(713)</b>
<b>Net variance - (underspend)</b>	<b>0</b>	<b>(1,489)</b>	<b>(1,489)</b>

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
<b>Net expenditure on services</b>	<b>22,951</b>	<b>23,372</b>	<b>421</b>
Central loans and investment account	5,620	5,441	(179)
Support Services	1,040	1,080	40
<b>Total net expenditure</b>	<b>29,611</b>	<b>29,893</b>	<b>282</b>
Contribution from reserves	(234)	(293)	(59)
<b>Budget requirement</b>	<b>29,377</b>	<b>29,600</b>	<b>223</b>
<b>Financed by</b>			
Rents	28,746	29,019	(273)
Grants and Other Income	631	581	50
<b>Total resources</b>	<b>29,377</b>	<b>29,600</b>	<b>(223)</b>
<b>Net variance - (underspend)</b>	<b>0</b>	<b>0</b>	<b>0</b>

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 19<sup>th</sup> 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 21<sup>st</sup> 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.

	<b>2016</b>
	<b>£000</b>
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
<b>Outturn</b>	<b>140,287</b>

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

The programme was financed as follows -

	<b>2016</b>
	<b>£000</b>
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
<b>Core financing</b>	<b>140,287</b>

\* 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 2<sup>nd</sup> 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 31<sup>st</sup> 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 31<sup>st</sup> 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
<b>Total revenue reserves</b>	<b>39,406</b>	<b>1,196</b>	<b>(4,047)</b>	<b>42,257</b>

### 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 31<sup>st</sup> 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 1<sup>st</sup> 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](http://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 31<sup>st</sup> 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 31<sup>st</sup> 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 31<sup>st</sup> March 2016 representing a decrease from the balance sheet total of £271,210k as at 31<sup>st</sup> 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](http://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 31<sup>st</sup> 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 31<sup>st</sup> 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 31<sup>st</sup> 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
<b>At 31st March 2015</b>	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
<b>Total comprehensive income and expenditure</b>	<b>(7,729)</b>	<b>0</b>	<b>(128,767)</b>	<b>0</b>	<b>0</b>	<b>(136,496)</b>	<b>33,476</b>	<b>(103,020)</b>
Adjustments between accounting and funding basis under	5 4,871	0	128,774	1,205	(1,478)	133,372	(133,372)	0
<b>Net increase/(decrease) before transfers to earmarked reserves</b>	<b>(2,858)</b>	<b>0</b>	<b>7</b>	<b>1,205</b>	<b>(1,478)</b>	<b>(3,124)</b>	<b>(99,896)</b>	<b>(103,020)</b>
Transfers to/(from) earmarked reserves	21 2,487	(2,487)	0	0	0	0	0	0
<b>Increase/(decrease) in year</b>	<b>(371)</b>	<b>(2,487)</b>	<b>7</b>	<b>1,205</b>	<b>(1,478)</b>	<b>(3,124)</b>	<b>(99,896)</b>	<b>(103,020)</b>
<b>At 31st March 2016</b>	<b>10,144</b>	<b>27,745</b>	<b>1,517</b>	<b>7,969</b>	<b>3,336</b>	<b>50,711</b>	<b>117,479</b>	<b>168,190</b>

## MOVEMENT IN RESERVES STATEMENT

for the year ended 31<sup>st</sup> March 2015

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

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

for the year ended 31<sup>st</sup> 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		Net Expenditure	
		Gross Expenditure	Gross Income	Gross Expenditure	Gross Income		
<b>Service Expenditure Analysis</b>	<b>37</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	
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
<b>Cost of services</b>		<b>534,175</b>	<b>(149,014)</b>	<b>385,161</b>	<b>419,057</b>	<b>(152,153)</b>	<b>266,904</b>
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)
<b>(Surplus)/deficit on the provision of services</b>				<b>136,496</b>			<b>21,928</b>
(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
<b>Total comprehensive income and expenditure</b>				<b>103,020</b>			<b>91,176</b>

\* 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	
<b>Service Expenditure Analysis</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Central services to the public	3,151	13,287	10,136
Housing - Council fund	62,284	52,148	(10,136)

## BALANCE SHEET

as at 31<sup>st</sup> March 2016

		2016		2015	
	Note	£000	£000	£000	£000
<b>NON-CURRENT ASSETS</b>					
<b>Property, Plant &amp; Equipment</b>	<b>6</b>				
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	
<b>Total Property, Plant &amp; Equipment</b>			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
<b>NON-CURRENT ASSETS TOTAL</b>			<u>712,102</u>		<u>750,106</u>
<b>CURRENT ASSETS</b>					
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	
<b>CURRENT ASSETS TOTAL</b>			<u>65,024</u>		<u>82,224</u>
<b>CURRENT LIABILITIES</b>					
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)	
<b>CURRENT LIABILITIES TOTAL</b>			<u>(36,827)</u>		<u>(44,485)</u>
<b>NON-CURRENT LIABILITIES</b>					
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)	
<b>NON-CURRENT LIABILITIES TOTAL</b>			<u>(572,109)</u>		<u>(516,635)</u>
<b>NET ASSETS</b>			<u>168,190</u>		<u>271,210</u>

## BALANCE SHEET

	Note	2016		2015	
		£000	£000	£000	£000
<b>USABLE RESERVES</b>	<b>21</b>				
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	
<b>USABLE RESERVES TOTAL</b>			50,711		53,835
<b>UNUSABLE RESERVES</b>	<b>22</b>				
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)	
<b>UNUSABLE RESERVES TOTAL</b>			117,479		217,375
<b>TOTAL RESERVES</b>			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 31<sup>st</sup> 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>	
<b>Net increase or decrease in cash and cash equivalents</b>			<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
<b>Cash and cash equivalents at the end of the reporting period</b>	15		<b>25,063</b>		<b>42,679</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

for the year ended 31<sup>st</sup> 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 1<sup>st</sup> 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 31<sup>st</sup> 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 1<sup>st</sup> April 2014 to 31<sup>st</sup> 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 1<sup>st</sup> April 2008 and on future supported capital expenditure.
- Capital expenditure incurred on or after 1<sup>st</sup> 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:-

	<b>Years</b>
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	
<b>2015/16</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Adjustments involving the Capital Adjustment Account:</b>						
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES):</b>						
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)
<b>Inclusion of items not debited or credited to the CIES:</b>						
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
<b>Adjustments involving the Capital Grants Unapplied Account:</b>						
Capital grants and contributions unapplied credited to CIES	(27,504)	0	0	0	27,504	0
<b>Adjustments involving the Capital Receipts Reserve:</b>						
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
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>						
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(327)	0	(40)	0	0	367
<b>Adjustments involving the Pensions Reserve:</b>						
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
<b>Adjustment involving the Accumulated Absences Account:</b>						
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(1,355)	0	(50)	0	0	1,405
<b>Adjustments involving the Deferred Capital Receipts Account:</b>						
Transfer from CIES to deferred Capital Receipts Reserve	0	0	0	18	0	(18)
<b>Adjustments between accounting basis &amp; funding basis under regulations</b>	<b>4,871</b>	<b>0</b>	<b>128,774</b>	<b>1,205</b>	<b>(1,478)</b>	<b>(133,372)</b>

## 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
<b>Adjustments involving the Capital Adjustment Account:</b>						
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES):</b>						
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)
<b>Inclusion of items not debited or credited to the CIES:</b>						
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
<b>Adjustments involving the Capital Grants Unapplied Account:</b>						
Capital grants and contributions unapplied credited to CIES	(22,813)	0	0	0	22,813	0
<b>Adjustments involving the Capital Receipts Reserve:</b>						
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
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>						
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(222)	0	(144)	0	0	366
<b>Adjustments involving the Pensions Reserve:</b>						
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
<b>Adjustment involving the Equal Pay Adjustment Account:</b>						
Amount by which amounts charged for Equal Pay claims to the CIES are different from the cost of settlements chargeable in the year in accordance with statutory requirements	(4,978)	0	0	0	0	4,978
<b>Adjustment involving the Accumulated Absences Account:</b>						
Amount by which officer remuneration charged to the CIES on an accruals basis is	(45)	0	(35)	0	0	80
<b>Adjustments involving the Deferred Capital Receipts Account:</b>						
Transfer from CIES to deferred Capital Receipts Reserve	(116)	0	0	0	0	116
<b>Adjustments between accounting basis &amp; funding basis under regulations</b>	<b>778</b>	<b>0</b>	<b>11,292</b>	<b>2,471</b>	<b>1,010</b>	<b>(15,551)</b>

## 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
<b>Cost or Valuation</b>								
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	<b>242,376</b>	<b>302,266</b>	<b>27,506</b>	<b>8,719</b>	<b>222,108</b>	<b>4,711</b>	<b>21,089</b>	<b>828,775</b>
<b>Accumulated Depreciation and Impairment</b>								
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	<b>(26,190)</b>	<b>(42,303)</b>	<b>(12,544)</b>	<b>(26)</b>	<b>(68,559)</b>	<b>0</b>	<b>0</b>	<b>(149,622)</b>
Balance Sheet at 31st March 2016	<b>216,186</b>	<b>259,963</b>	<b>14,962</b>	<b>8,693</b>	<b>153,549</b>	<b>4,711</b>	<b>21,089</b>	<b>679,153</b>
Balance Sheet at 1st April 2015	<b>256,346</b>	<b>271,696</b>	<b>16,272</b>	<b>7,426</b>	<b>156,781</b>	<b>4,543</b>	<b>3,771</b>	<b>716,835</b>
<b>Nature of Asset Holding</b>								
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	<b>216,186</b>	<b>259,963</b>	<b>14,962</b>	<b>8,693</b>	<b>153,549</b>	<b>4,711</b>	<b>21,089</b>	<b>679,153</b>



## NOTES TO THE CORE FINANCIAL STATEMENTS

### Movements 2014/15

	Council Dwellings & Garages £000	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Surplus Assets £000	Infrastructure Assets £000	Community Assets £000	Assets under Construction £000	Total £000
<b>Cost or Valuation</b>								
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
<b>Total</b>	<b>293,335</b>	<b>317,435</b>	<b>27,740</b>	<b>7,848</b>	<b>213,062</b>	<b>4,543</b>	<b>4,582</b>	<b>868,545</b>
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
<b>At 31st March 2015</b>	<b>305,413</b>	<b>307,228</b>	<b>27,252</b>	<b>7,946</b>	<b>219,685</b>	<b>4,543</b>	<b>3,771</b>	<b>875,838</b>

### 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
<b>Total</b>	<b>(30,304)</b>	<b>(43,767)</b>	<b>(11,296)</b>	<b>(41)</b>	<b>(57,462)</b>	<b>(26)</b>	<b>0</b>	<b>(142,896)</b>
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
<b>At 31st March 2015</b>	<b>(49,067)</b>	<b>(35,532)</b>	<b>(10,980)</b>	<b>(520)</b>	<b>(62,904)</b>	<b>0</b>	<b>0</b>	<b>(159,003)</b>

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
<b>At 31st March 2015</b>	<b>256,346</b>	<b>271,696</b>	<b>16,272</b>	<b>7,426</b>	<b>156,781</b>	<b>4,543</b>	<b>3,771</b>	<b>716,835</b>

\* 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
<b>Total</b>	<b>0</b>	<b>3,019</b>	<b>5,674</b>	<b>8,693</b>

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
<b>Cost or Valuation</b>		
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
<b>Depreciation and Impairments</b>		
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
<b>Total</b>	<b>0</b>	<b>11,820</b>	<b>18,791</b>	<b>30,611</b>

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
<b>At 1st April 2015</b>	<b>0</b>	<b>499</b>	<b>2,157</b>	<b>2,656</b>
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
<b>At 1st April 2014</b>	<b>232</b>	<b>0</b>	<b>571</b>	<b>803</b>
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	<b>3,556</b>
<b>Total</b>	<b>0</b>	<b>0</b>	<b>3,556</b>	<b>3,556</b>

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 2<sup>nd</sup> 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 1<sup>st</sup> 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

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Other entities and individuals	2,111	2,072
<b>Total</b>	<b>2,111</b>	<b>2,072</b>

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

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
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
<b>Total</b>	<b>2,111</b>	<b>2,072</b>

### 12. INVENTORIES

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

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
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
<b>Total</b>	<b>1,069</b>	<b>1,038</b>

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

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



## 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
<b>Current Assets</b>				
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

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
<b>Short Term</b>		
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
<b>Total</b>	<u>28,221</u>	<u>31,151</u>
<b>Long Term</b>		
Central government bodies	1,719	0
Other local authorities	250	787
Other entities and individuals	297	229
<b>Total</b>	<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:

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
<b>Credited to Taxation and Non Specific Grant Income</b>		
Revenue Support Grant	142,543	145,253
Outcome Agreement Grant	1,479	1,453
<b>Total Non Ringfenced Government Grants</b>	<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
<b>Total Capital Grants and Contributions</b>	<u>23,611</u>	<u>16,648</u>
<b>Total</b>	<u>167,633</u>	<u>163,354</u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

	2016 £000	2015 £000
<b>Credited to Services</b>		
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
<b>Short Term</b>		
Revenue Grants	129	1,778
Capital Grants	0	102
Capital Contributions	285	496
Revenue Contributions	444	197
Total	858	2,573
<b>Long Term</b>		
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
<b>Current Liabilities</b>				
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
<b>Total</b>	<b>2,492</b>	<b>(4,352)</b>	<b>1,463</b>	<b>5,381</b>
<b>Non-Current Liabilities</b>				
Claims (Employees)	9	0	0	9
Aftercare of former landfill sites	1,033	(493)	503	1,023
<b>Total</b>	<b>1,042</b>	<b>(493)</b>	<b>503</b>	<b>1,032</b>

- 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 13<sup>th</sup> November 2012 with an initial levy of 15% of claims paid to date set by the scheme administrator. Creditors were informed in March 2016 that the levy will increase to 25%, with payments due for the additional 10% of claims paid to date payable in April 2016. Flintshire, as the incumbent local government organisation, is responsible for paying the levy in relation to the former borough councils of Delyn and Alyn and Deeside, and its share of the former county council of Clwyd as agreed with the other North Wales Local Authorities.

## NOTES TO THE CORE FINANCIAL STATEMENTS

- The Council's service Portfolios have business plans which include planned reductions to workforce numbers and costs in order to making recurring revenue savings. The Council was sufficiently committed with some proposals at the balance sheet date to warrant the creation of a provision in 2015/16 for the termination benefits of employees leaving the Council's employment in 2016/17.
- A group of property search companies sought to claim refunds of fees paid to the Council to access land charges data. The parties have reached agreement on the claims.
- A pharmaceutical company abandoned their premises in Sandycroft leaving substantial quantities of chemicals on site. Subsequently the company went into liquidation. In the interest of protecting the public, the Council and other statutory partners had to intervene and are in the process of implementing a phased plan to remove the risk to the public and restore the site. During the year the risk has reduced due to the removal of the chemicals from the site, work continues to decontaminate the site and is expected to end in October 2016. The provision reflects the best estimate of future liabilities at the balance sheet date.

### Current Provisions – Accumulated Absences

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

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

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

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

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 20. LONG TERM BORROWING

Analysis	Interest Rates		2016	2015
	Minimum %	Maximum %	£000	£000
<b>By Loan Type (Fixed Rate)</b>				
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
<b>By Maturity</b>				
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 £000	Transfers Out 2014/15 £000	Transfers In 2014/15 £000	Balance at 31 March 2015 £000	Transfers Out 2015/16 £000	Transfers In 2015/16 £000	Balance at 31 March 2016 £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
<b>Total</b>	<b>39,292</b>	<b>(24,275)</b>	<b>15,215</b>	<b>30,232</b>	<b>(22,272)</b>	<b>19,785</b>	<b>27,745</b>

### 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)
<b>Total Unusable Reserves</b>	<b>117,479</b>	<b>217,375</b>

#### Revaluation Reserve

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

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

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

	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	368		367	
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		(7,177)		(7,545)

### 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	0		0	
Amount by which amounts charged for equal pay claims to the comprehensive income and expenditure statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements		0		4,978
Balance at 31st March		0		0

## 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 31<sup>st</sup> March. Statutory arrangements require that the impact on the council fund balance is neutralised by transfer to or from the account.

	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:

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

### 24. CASH FLOW STATEMENT - INVESTING ACTIVITIES

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
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
<b>Net cash flows from investing activities</b>	<b>(25,468)</b>	<b>1,460</b>

### 25. CASH FLOW STATEMENT - FINANCING ACTIVITIES

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
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
<b>Net cash flows from financing activities</b>	<b>78,389</b>	<b>(509)</b>

## 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 £
<b>2015/16</b>					
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 31<sup>st</sup> 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 31<sup>st</sup> 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):-

	<b>Gross £000</b>	<b>Net £000</b>	<b>%</b>
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](http://www.nwrwtp.org)), Taith ([www.taith.gov.uk](http://www.taith.gov.uk)) GWE ([www.gwynedd.gov.uk](http://www.gwynedd.gov.uk)) and Clwydian Range & Dee Valley AONB ([www.denbighshire.gov.uk](http://www.denbighshire.gov.uk)). The 2015/16 joint committee statements record:-

	2016	2015		<b>FCC Share</b>	
	£000	£000		2016 £000	2015 £000
<b>Gross Expenditure</b>			<b>Expenditure - allocation basis</b>		
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 31<sup>st</sup> 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 31<sup>st</sup> 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 31<sup>st</sup> 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:-

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
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	
<b>Reported to Management</b>							
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
<b>Portfolio Final Outturn Reported to Management</b>	<b>176,818</b>	<b>244,524</b>	<b>421,342</b>	<b>(89,936)</b>	<b>(81,145)</b>	<b>(171,081)</b>	<b>250,261</b>
<b>Items within 'Net Cost of Services', not Reported to Management</b>							
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)
<b>Items Reported to Management, not included within 'Net Cost of Services'</b>							
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
<b>Net Cost of Services</b>	<b>175,937</b>	<b>358,237</b>	<b>534,174</b>	<b>(65,938)</b>	<b>(83,075)</b>	<b>(149,013)</b>	<b>385,161</b>
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)
<b>(Surplus) / Deficit on Provision of Services</b>	<b>175,937</b>	<b>412,130</b>	<b>588,067</b>	<b>(200,863)</b>	<b>(250,708)</b>	<b>(451,571)</b>	<b>136,496</b>

## 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	
<b>Reported to Management</b>							
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
<b>Portfolio Final Outturn Reported to Management</b>	<b>177,626</b>	<b>259,015</b>	<b>436,641</b>	<b>(81,619)</b>	<b>(101,458)</b>	<b>(183,077)</b>	<b>253,564</b>
<b>Items within 'Net Cost of Services', not Reported to Management*</b>							
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
<b>Items Reported to Management, not included within 'Net Cost of Services'*</b>							
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)
<b>Net Cost of Services</b>	<b>175,298</b>	<b>243,757</b>	<b>419,055</b>	<b>(52,801)</b>	<b>(99,350)</b>	<b>(152,151)</b>	<b>266,904</b>
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)
<b>(Surplus) / Deficit on Provision of Services</b>	<b>175,298</b>	<b>296,339</b>	<b>471,637</b>	<b>(186,840)</b>	<b>(262,868)</b>	<b>(449,708)</b>	<b>21,929</b>

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



## NOTES TO THE CORE FINANCIAL STATEMENTS

### 38. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

	2016 £000	2015 £000
<b>Capital Investment</b>		
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>
<b>Sources of Finance</b>		
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>
<b>Increase/(decrease) in capital financing requirement</b>	<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 31<sup>st</sup> March 2016 were as follows:

	Contracts Sum £000	Payments to date £000	Amount Outstanding £000
Council Fund			
Holywell, Community 3-16 Campus	26,732	18,729	8,003
External Wall Insulation	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>
	32,236	22,545	9,691
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>
	14,890	9,637	5,253
<b>Total Commitments</b>	<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:

	2016	2015
<b>Asset Classification</b>	<b>£000</b>	<b>£000</b>
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	Repaid	New	2015
	£000	£000	£000	£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	2015	2016	2015
	£000	£000	£000	£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).

	2016	2015
<b>Asset Classification</b>	<b>£000</b>	<b>£000</b>
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>
<b>Total financial liabilities</b>	<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>
<b>Total financial assets</b>	<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		Financial Liabilities	Financial Assets	
	Liabilities Measured at Amortised Cost	Loans and Receivables	Total	Liabilities Measured at Amortised Cost	Loans and Receivables	Total
	£000	£000	£000	£000	£000	£000
Interest expense	(13,727)	0	(13,727)	(10,212)	0	(10,212)
<b>Interest payable and similar charges</b>	<b>(13,727)</b>	<b>0</b>	<b>(13,727)</b>	<b>(10,212)</b>	<b>0</b>	<b>(10,212)</b>
Interest income	0	290	290	0	506	506
<b>Interest and investment income</b>	<b>0</b>	<b>290</b>	<b>290</b>	<b>0</b>	<b>506</b>	<b>506</b>
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 31<sup>st</sup> 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
<b>Financial Liabilities</b>					
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>
<b>Financial Assets</b>					
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 31<sup>st</sup> 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](http://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
<b>Comprehensive Income and Expenditure Statement</b>				
<b>Service Expenditure Analysis -</b>				
Current service cost	20,950	16,748	0	0
Past service cost/(gain)	1	59	0	0
Curtailments/settlements	988	3,250	0	56
<b>Other Operating Expenditure -</b>				
Administration expenses	406	418	0	0
<b>Financing and Investment Income and Expenditure</b>				
Net interest expense	8,990	8,947	1,432	1,867
<b>Net charge to surplus / deficit on the provision of services -</b>	<u>31,335</u>	<u>29,422</u>	<u>1,432</u>	<u>1,923</u>
<b>Other Comprehensive Income and Expenditure</b>				
<b>Remeasurement of the net defined benefit liability -</b>				
Return on plan assets	11,121	(42,220)	0	0
Actuarial (gains) and losses - financial assumptions	(43,559)	107,885	(1,389)	3,759
<b>Net charge to other comprehensive income and expenditure -</b>	<u>(32,438)</u>	<u>65,665</u>	<u>(1,389)</u>	<u>3,759</u>
<b>Net charge to Comprehensive Income and Expenditure -</b>	<u>(1,103)</u>	<u>95,087</u>	<u>43</u>	<u>5,682</u>
<b>Movement in Reserves Statement</b>				
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)
<b>Actual amount charged against the Council fund balance for pensions in the year</b>				
Employers' contributions payable to scheme	20,937	21,862	3,298	3,350
<b>Net debit/(credit) to the movement in reserves statement</b>	<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	<u>(25,473)</u>	<u>(26,751)</u>
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 31<sup>st</sup> March 2013. The significant assumptions used by the actuary are:-

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2016	2015	2016	2015
<b>Mortality Assumptions</b>				
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 31<sup>st</sup> 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 31<sup>st</sup> 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 31<sup>st</sup> 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.

	<b>2016</b>		<b>2015</b>	
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Expenditure</b>				
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
<b>Total expenditure</b>		<b>153,934</b>		<b>38,270</b>
<b>Income</b>				
Dwelling rents (gross)	28,917		27,588	
Non-dwelling rents (gross)	497		364	
		29,414		27,952
Charges for services and facilities		651		675
<b>Total income</b>		<b>30,065</b>		<b>28,627</b>
<b>Net cost of HRA services as included in the whole authority</b>		<b>123,869</b>		<b>9,643</b>
<b>Comprehensive Income and Expenditure Statement</b>				
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
<b>Net cost of HRA services</b>		<b>123,875</b>		<b>9,912</b>
<b>Other Operating Expenditure</b>				
Net (gain) / loss on the disposal of non-current assets		(559)		(289)
Admin. expenses on the net defined benefit liability*		22		22
<b>Financing and Investment Income and Expenditure</b>				
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
<b>Total (surplus) / deficit for the year on HRA services</b>		<b>128,767</b>		<b>11,444</b>

\* 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 31<sup>st</sup> 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.

	<b>Note</b>	<b>2016</b>	<b>2015</b>
	<b>(from core notes)</b>	<b>£000</b>	<b>£000</b>
At 1st April		1,510	1,662
Surplus/(deficit) on the HRA income and expenditure statement		(128,767)	(11,444)
<b>Total comprehensive income and expenditure</b>		<b>(128,767)</b>	<b>(11,444)</b>
Adjustments between accounting and funding basis under regulations	<b>5</b>	128,774	11,292
<b>Net increase/(decrease) before transfer to earmarked reserves</b>		<b>7</b>	<b>(152)</b>
Transfers (to)/from earmarked reserves		0	0
<b>Increase/(decrease) in year on the HRA</b>		7	(152)
At 31st March		<b>1,517</b>	<b>1,510</b>

## 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 31<sup>st</sup> 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
	<u>7,198</u>	<u>7,319</u>

### 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
<b>Rents</b>		
Current tenants	966	774
Former tenants	158	177
	<u>1,124</u>	<u>951</u>
<b>Provision for impairment losses (bad debts)</b>	<b>£000</b>	<b>£000</b>
Opening provision	428	706
Written off in year	(349)	(464)
Increase in provision	330	186
	<u>409</u>	<u>428</u>

## 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
	<u>1,641</u>	<u>5,574</u>	<u>11,288</u>	<u>81,123</u>	<u>99,626</u>

#### 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
	<u>1,493</u>	<u>858</u>

#### Depreciation

Straight line depreciation is provided for on all housing revenue account non-current assets with a finite useful life, other than for non-depreciable land. The charge of £5,139k (£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	
	<u>5,139</u>	<u>5,110</u>	

#### 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 2<sup>nd</sup> 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 1<sup>st</sup> 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
<b>Comprehensive Income and Expenditure Statement</b>				
<b>Service Expenditure Analysis -</b>				
Current service cost	1,004		834	
Curtailments/settlements	<u>6</u>		<u>197</u>	
<b>Other Operating Expenditure -</b>		1,010		1,031
Administration expenses	<u>22</u>		<u>22</u>	
<b>Financing and Investment Income and Expenditure</b>		22		22
Net interest expense	<u>522</u>		<u>525</u>	
<b>Total HRA Charge</b>		<u>1,554</u>		<u>1,578</u>
<b>Movement in Reserves Statement</b>				
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)
<b>Actual amount charged against the HRA balance for pensions in the year:</b>				
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 3<sup>rd</sup> 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](http://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 31<sup>st</sup> 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
<b>At 31st March 2015</b>	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
<b>Total comprehensive income and expenditure</b>	<b>(7,806)</b>	<b>(128,767)</b>	<b>(136,573)</b>	<b>33,476</b>	<b>(103,097)</b>	<b>835</b>	<b>(102,262)</b>
Adjustments between group accounts and authority accounts	77	0	77	0	77	(77)	0
<b>Net increase/(decrease) before transfers</b>	<b>(7,729)</b>	<b>(128,767)</b>	<b>(136,496)</b>	<b>33,476</b>	<b>(103,020)</b>	<b>758</b>	<b>(102,262)</b>
Adjustments between accounting and funding basis under regulations	4,871	128,501	133,372	(133,372)	0	0	0
<b>transfers to earmarked reserves</b>	<b>(2,858)</b>	<b>(266)</b>	<b>(3,124)</b>	<b>(99,896)</b>	<b>(103,020)</b>	<b>758</b>	<b>(102,262)</b>
Transfers to/(from) earmarked reserves	2,487	(2,487)	0	0	0	0	0
<b>Increase/(decrease) in year</b>	<b>(371)</b>	<b>(2,753)</b>	<b>(3,124)</b>	<b>(99,896)</b>	<b>(103,020)</b>	<b>758</b>	<b>(102,262)</b>
<b>At 31st March 2016</b>	<b>10,144</b>	<b>40,567</b>	<b>50,711</b>	<b>117,479</b>	<b>168,190</b>	<b>2,489</b>	<b>170,679</b>

## GROUP MOVEMENT IN RESERVES STATEMENT

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

## GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

for the year ended 31<sup>st</sup> March 2016

	2016			2015			
	Note	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
		£000	£000	£000	£000	£000	£000
<b>Service Expenditure Analysis</b>							
Adult social care		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
<b>Cost of services</b>		<b>534,235</b>	<b>(149,057)</b>	<b>385,178</b>	<b>419,062</b>	<b>(152,177)</b>	<b>266,885</b>
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)
<b>(Surplus)/deficit on the provision of services</b>				<b>136,513</b>			<b>21,909</b>
Tax expenses of subsidiary				5			4
<b>Group (Surplus)/deficit</b>				<b>136,518</b>			<b>21,913</b>
(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
<b>Total comprehensive income and expenditure</b>				<b>102,262</b>			<b>89,445</b>

## GROUP BALANCE SHEET

as at 31<sup>st</sup> March 2016

		2016		2015	
Note	£000	£000	£000	£000	£000
<b>NON-CURRENT ASSETS</b>					
<b>Property, Plant &amp; Equipment</b>					
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		
<b>Total Property, Plant &amp; Equipment</b>		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	
<b>NON-CURRENT ASSETS TOTAL</b>		715,171		752,239	
<b>CURRENT ASSETS</b>					
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	
<b>CURRENT ASSETS TOTAL</b>		65,097		82,271	
<b>CURRENT LIABILITIES</b>					
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)	
<b>CURRENT LIABILITIES TOTAL</b>		(36,856)		(44,505)	
<b>NON-CURRENT LIABILITIES</b>					
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)	
<b>NON-CURRENT LIABILITIES TOTAL</b>		(572,733)		(517,064)	
<b>NET ASSETS</b>		170,679		272,941	

## GROUP BALANCE SHEET

as at 31<sup>st</sup> March 2016

	Note	2016		2015	
		£000	£000	£000	£000
<b>USABLE RESERVES</b>					
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	
<b>USABLE RESERVES TOTAL</b>			50,746		53,850
<b>UNUSABLE RESERVES</b>					
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)	
<b>UNUSABLE RESERVES TOTAL</b>			119,933		219,091
<b>TOTAL RESERVES</b>			<u>170,679</u>		<u>272,941</u>

**GROUP CASH FLOW STATEMENT**  
for the year ended 31<sup>st</sup> 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>	
<b>Net increase or decrease in cash and cash equivalents</b>			<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
<b>Cash and cash equivalents at the end of the reporting period</b>			<b>25,197</b>		<b>42,764</b>



## CLWYD PENSION FUND ACCOUNTS

for the year ended 31<sup>st</sup> 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 31<sup>st</sup> 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 31<sup>st</sup> March 2013, the findings of which became effective on 1<sup>st</sup> April 2014. The valuation showed that the funding level decreased from the previous valuation (31<sup>st</sup> 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 31<sup>st</sup> March 2016 and 2015 is shown below:

	<b>2016</b>	<b>2015</b>
	<b>No.</b>	<b>No.</b>
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 31<sup>st</sup> 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 31<sup>st</sup> March.
- Individual Transfer values received and paid out have been accounted for on a cash basis.
- Bulk Transfer values paid out are accounted for on an accruals basis.
- The financial statements do not take account of liabilities to pay pensions and other benefits after the reported accounting period.
- Investment management expenses are accounted for on an accruals basis and include the fees paid and due to the fund managers and custodian, actuarial, 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
<b>Contributions and Benefits</b>						
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
<b>NET (ADDITIONS) WITHDRAWALS</b>				<u>15,890</u>		<u>8,133</u>
<b>Returns on Investments</b>						
Investment income	5		(5,863)		(5,345)	
Change in market value of investments (Realised and Unrealised) [(Increase)/Decrease]	5		4,706		(184,629)	
<b>NET RETURNS ON INVESTMENT</b>				<u>(1,157)</u>		<u>(189,974)</u>
<b>NET DECREASE/(INCREASE) IN THE FUND</b>				14,733		(181,841)
<b>OPENING NET ASSETS OF THE SCHEME</b>				<u>1,395,408</u>		<u>1,213,567</u>
<b>CLOSING NET ASSETS OF THE SCHEME</b>				<u>1,380,675</u>		<u>1,395,408</u>

## CLWYD PENSION FUND ACCOUNTS

	Note	2016 £000	2015 £000	
<b>Net Assets Statement</b>				
<b>Investment Assets :</b>				
	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	
<b>Current Assets :</b>				
Due within 1 year	9	5,349	6,236	
		5,349	6,236	
<b>Current liabilities</b>				
Due within 1 year	9	(4,996)	(3,193)	
		(4,996)	(3,193)	
<b>NET ASSETS AT 31<sup>st</sup> MARCH</b>		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
	69,198	72,236	66,689	72,953

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

### 2. 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
<b>Oversight &amp; Governance</b>		
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
<b>Investment Management Fees</b>		
Net Fund Management Fees	14,971	16,127
Custody Fees	28	32
Performance Monitoring Fees	30	20
	15,029	16,179
<b>Administration Costs</b>		
Employee Costs	603	592
Support Services	146	156
Outsourcing	404	32
Supplies & Services	237	222
	1,390	1,002
<b>Total Fees</b>	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 2015
	£000	£000	£000
<b>Fund Management Fees</b>			
<b>Core</b>			
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
<b>Non-Core</b>			
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](http://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**

	<b>Market Value 2014/15 £000</b>	<b>Purchases £000</b>	<b>Sales £000</b>	<b>Realised Gain (Loss) £000</b>	<b>Unrealised Gain (Loss) £000</b>	<b>Market Value 2015/16 £000</b>	<b>Investment Income £000</b>
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 31<sup>st</sup> March 2016 is £1,123.290m (£1,083.899m in 2014/15). The market value of investments as at 31<sup>st</sup> 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 31<sup>st</sup> 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 31<sup>st</sup> 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 31<sup>st</sup> 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 31<sup>st</sup> 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 31<sup>st</sup> March, the valuations are derived from unaudited quarterly reports from the underlying managers or vehicles. Where the timber investments are direct rather than through underlying managers, valuations are based upon regular independent valuation of these holdings.
- 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 31<sup>st</sup> March 2016 and 31<sup>st</sup> 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
	1,365,288	247,487	536,318	581,483
Cash	15,034	15,034	0	0
Total 2015/16	1,380,322	262,521	536,318	581,483

## 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.

	<b>Market Value 2014/15 £000</b>	<b>Level 1 £000</b>	<b>Level 2 £000</b>	<b>Level 3 £000</b>
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](http://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 31<sup>st</sup> March 2016 were £15.034m (£47.591m at 31<sup>st</sup> March 2015). This was held as follows:

	Rating	2016 £000	2015 £000
<b>Money Market Funds</b>			
BlackRock	AAA	0	482
Bank of New York Mellon	AAA	1,395	3,374
<b>Bank Deposit Accounts</b>			
National Westminster Bank PLC	BBB+	13,619	43,715
<b>Bank Current Accounts</b>			
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 31<sup>st</sup> 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 31<sup>st</sup> 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 31<sup>st</sup> 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 31<sup>st</sup> 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
<b>Cash and cash equivalents</b>	15,034	0.01	15,036	15,032
<b>Investment portfolio assets:-</b>				
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
<b>Cash and cash equivalents</b>	47,591	0.01	47,596	47,586
<b>Investment portfolio assets:-</b>				
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 31<sup>st</sup> March 2016 and as at the previous year end:

Currency Exposure - Asset Type	Market Value	Market Value
	2015/16	2014/15
	£000	£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 31<sup>st</sup> March 2016, it was considered that the likely volatility associated with foreign exchange rate movements to be 5.85%. For the period to 31<sup>st</sup> 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
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

<b>Analysis of receivables</b>	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
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>
<b>Analysis of payables</b>	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
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.

<b>2015/16</b>					
<b>Manager</b>	<b>Mandate</b>	<b>Allocation</b>	<b>Redemption/</b>	<b>Subscription</b>	
			<b>Initial</b>	<b>Final</b>	
<b>Redemptions</b>					
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
<b>Subscriptions</b>					
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 31<sup>st</sup> 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 31<sup>st</sup> 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 Board	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

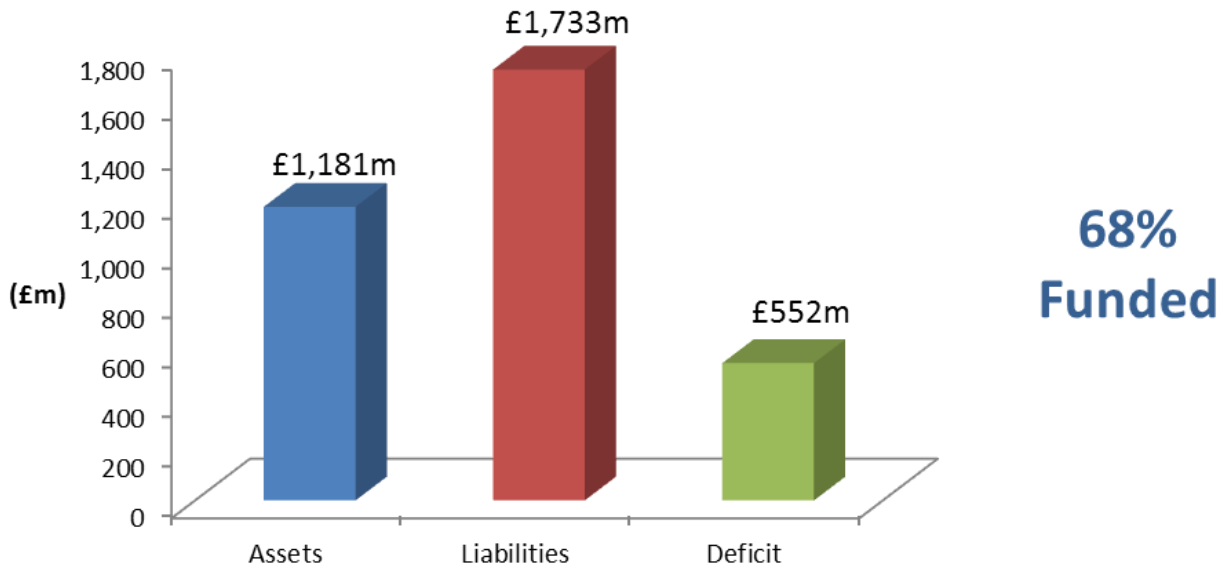
### 16. ACTUARIAL VALUATION & VALUE OF PROMISED RETIREMENT BENEFITS FOR THE PURPOSE OF IAS 26 (Provided by the Fund's Actuary)

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:

	<b>For past service liabilities (Funding Target)</b>	<b>For future service liabilities (Common Contribution Rate)</b>
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: 29<sup>th</sup> 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 31<sup>st</sup> March 2016 and up to the date of approval of the annual statement of accounts.

## ANNUAL GOVERNANCE STATEMENT

### 3. THE GOVERNANCE FRAMEWORK AND REVIEW OF EFFECTIVENESS

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

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

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

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

#### **Council (Plan) Governance Framework**

The final drafting and publication of the Council (Plan) Governance Framework was endorsed by the Council's then Executive in May 2011 and endorsed by County Council in June 2011. The framework is a family of co-related documents describing how the organisation's priorities and values are reflected within the Portfolios and how the Council interacts with partners and its customers and communities.

The framework is revised and updated periodically.

#### **Business Planning**

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

The Improvement Plan is published annually and describes the Council's priorities (Improvement Objectives) which are supported by both corporate and service level (sub) priorities. These priorities are connected to the County's Vision and priorities as determined by the Local Service Board through the Flintshire Wellbeing Plan, Flintshire's Single Integrated Plan (SIP).

The Council's Medium Term Financial Strategy (MTFS) provides a framework for the financial principles through which revenue and capital resources are forecast, organised and managed to deliver the Council's vision and strategic objectives. It is based on a rolling three year strategy forecasting funding levels and resources required over the medium term to support strategic decision making; to ensure balanced budgets in future years, and so that the Council can invest in its improvement priorities.



## ANNUAL GOVERNANCE STATEMENT

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

- Flintshire Wellbeing Plan, Flintshire's Single Integrated Plan as set by the Local Service Board.
- Improvement Plan - Council priorities as set by the County Council and supported by service and corporate sub priorities which are monitored quarterly to show progress of the delivery of the plan.
- Three year Business Efficiency Plans – for each portfolio laying out the intended programmes of efficiencies of a 30% reduction over three years.
- Portfolio and Service Strategies and Plans: a variety of plans and strategies which form the basis of key committed and planned activity and outcomes.
- Council Improvement Targets – a set of performance indicators designated as those which require focused attention for improvement.
- Risk management – risks are owned and led in various ways dependent upon the type of risk:
  - The Council's strategic risks are owned in the Improvement Plan by sub priority lead officers and reported quarterly to Cabinet and respective Overview and Scrutiny Committees;
  - Operational risks by Chief Officers / service managers and where appropriate are;
  - Project risks by the relevant Project Manager / Project Board and where appropriate are included within Chief Officer reports twice yearly;
  - Partnership risks by the relevant Partnership Board and where appropriate are included within Chief Officer reports twice yearly or via an annual report;
  - Collaborative risks by the 'lead' organisation of the collaborative partnership and where these have been agreed to be from a principal collaboration, reported to Cabinet and relevant Scrutiny Committees in accordance with the Council's agreed protocol.
- Outcome Agreement (with Welsh Government) – the final year of a set of actions and measures, positive performance against the actions and measures results in grant funding of approximately £1.4m which supports the Council's budget.
- Findings of and Council responses to external regulation.

### Three year Business Efficiency Plans

The Council continues to modernise and reform local services through its three year service 'portfolio' business plans. All services and corporate support services, with the exception of education and social care, have 30% cost reduction targets to achieve. All Business Plans are governed by a framework of Programme Boards for each portfolio, attended by both Officers and Members. The remit of each Board is to: i) track efficiencies and highlight risks and mitigating actions in relation to the achievement of in-year efficiencies; ii) consider the robustness of efficiency planning and forecasting; iii) plan communication and engagement activity; iv) consider resourcing of the delivery of the plans. The Programme Boards are also responsible for reviewing other strategic issues and proposed policy changes from within their portfolio.

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

### Alternative Delivery Models (ADMs)

The development of ADMs is a key plank of an ambitious strategy to sustain important services whilst creating significant efficiencies within work programmes in 2016 and beyond. ADMs enable other sources of income to be found or cost savings to be made that are not possible in a Council structure

## ANNUAL GOVERNANCE STATEMENT

### Corporate Strategies

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

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

### Strategic partnerships

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

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

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

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

The following strategic partnerships make up Flintshire in Partnership:-

- Community Safety through the Local Service Board and the regional Safer Communities Board.
- Health, Wellbeing and Independence Board.
- Regional Safeguarding Children Board.
- Voluntary Sector Compact.
- Youth Justice Plan and Board.

## ANNUAL GOVERNANCE STATEMENT

The strategic partnerships have a partnership governance framework which includes an annual self-assessment. This self-assessment enables the partnerships to assess areas for improvement when working as a partnership. The assessments are reported into the Local Service Board.

Overall strategic partnership performance is reported to the Council's Cabinet and the Corporate Resources Overview and Scrutiny Committee twice yearly.

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

### **Regional partnerships and Collaborative Working**

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

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

### **County partnerships**

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

### **Review of Effectiveness**

#### **Council (Plan) Governance Framework**

During the year the plan has been used as part of the management development programme for Managers at Institute of Leadership and Management (ILM) Levels 4 and 5 and received a favourable response as a comprehensive and user friendly resource.

A major review of the principal strategic plans (Medium Term Financial Strategy, Improvement Plan, Corporate Resources, Governance Plan) was introduced during 2015 for publication of a newly formatted set of plans starting with the Medium Term Financial Strategy and the Improvement Plan during the summer of 2015.

### **Business Planning**

The Council approved its first Improvement Plan in June 2011. This Plan built on the Administration Priorities established in 2010 and identified a set of ten (primary) Improvement Priorities supported by more detailed secondary Directorate priorities. Subsequently, the Plan has been revised annually to reset priorities and supporting activities and measures to make it clearer and sharper. The Council adopted its Improvement Plan for 2015/6 on 24 June 2015 and retained a set of eight Improvement Priorities with 16 sub-priorities.

## ANNUAL GOVERNANCE STATEMENT

The Improvement Plan focused on the priorities which were going to have the most impact during 2015/16. This helped the organisation to concentrate on the things where sustained corporate attention was needed during, with the remaining priorities being managed as more routine performance management.

The Improvement Plan has been monitored in the following ways:

- Quarterly Improvement Plan monitoring, including an overview of progress against the achievement measures/milestones and risks is reported to Cabinet. In addition the Improvement Priorities have been monitored by appropriate Overview and Scrutiny Committees.
- Annual achievement against each of the eight Improvement Priorities is summarised in the Council's Annual Performance Report (APR) which is presented to both Cabinet and County Council.

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

In addition, the Council has implemented a new electronic performance management system (CAMMS) which integrates and provides accountability across actions, objectives, measures and risks (across strategic objectives (such as the Improvement Plan), operational (team and individual) objectives, programmes and projects and collaboration or partnership objectives (such as the Single Integrated Plan). The system has been introduced on a phased basis; the first phase concentrating on the Improvement Plan. Quarterly reporting on the Improvement Plan was undertaken during the year with the monitoring reports being drawn down from the CAMMS system.

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

### **Three year Business Efficiency Plans**

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

### **Alternative Delivery Models**

Flintshire has adopted principles for alternative delivery models which aim to ensure a common understanding of what we are trying to achieve by sustaining important services for communities and individuals that would otherwise be lost.

A methodology has been developed and adopted to ensure that all proposals are sound in terms of business sustainability, capacity and financial assessments. The methodology also ensures member accountability through Scrutiny and Cabinet involvement.

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

## 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.

## ANNUAL GOVERNANCE STATEMENT

### Members

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

- Community and Enterprise.
- Corporate Resources.
- Environment.
- Education and Youth.
- Organisational Change.
- Social & Health Care.

In addition the Council has the following Standing Committees:-

- Audit Committee.
- Constitution Committee.
- Standards Committee.
- Planning and Development Control Committee.
- Licensing Committee.
- Democratic Services.
- Clwyd Pension Fund Committee.

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

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

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

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

### Officers

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

## ANNUAL GOVERNANCE STATEMENT

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 27<sup>th</sup> January 2016. The updated version was agreed and the Constitution subsequently amended to reflect the changes made.

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

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

### Counter Fraud and Anti-Corruption Arrangements

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

## ANNUAL GOVERNANCE STATEMENT

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

Internal controls were improved after fraud investigations and as a result of internal audits.

During the year an ICT health check was carried out by an independent company, confirming the security of internal IT systems. Quarterly vulnerability scans were completed to confirm the security of external facing systems.

### 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.

## ANNUAL GOVERNANCE STATEMENT

### Regulation and Assurance

Regulation and accountability provides assurance for the effectiveness of the Council's arrangements for the services it is responsible for and the achievement of its objectives. It is undertaken both internally within the organisation through its governance arrangements, practices and procedures.

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

Their role is independent of government and they examine and challenge the performance and effectiveness of Welsh public bodies work and produce either periodic or annual local and national reports on their findings.

The Council has a well-established practice of dealing with findings from the external regulatory bodies through referral to committees, formal responses and tracking, and open publication of regulatory reports in our committee papers (with availability on the website). An annual summary report is presented to the Audit Committee showing all regulatory reports, their findings, the council's response and where they were reported to.

### Audit Committee

The Council's Audit Committee's role and functions are to:-

- Review the effectiveness of the Council's systems of Corporate Governance, internal control and risk management systems, and to make reports and recommendations to the County Council on the adequacy and effectiveness of these arrangements.
- Oversee the reporting of the statutory financial statements process to ensure the balance, transparency and integrity of published financial information and to review the financial statements prepared by the authority and recommend them to County Council.
- Monitor the performance and effectiveness of the internal and external audit functions within the wider regulatory context.
- Review and scrutinise the County Council's financial affairs, and to make reports and recommendations on them. The role of the committee is to assure the budgetary control systems of the Council rather than the scrutiny of the use and value for money of expenditure which is the role of the respective Overview and Scrutiny Committees.

The above reflects the expanded role of the committee as a result of the Local Government (Wales) Measure 2011. A lay person is a member of the committee pursuant to that measure.

### Internal Audit

The Internal Audit service is provided in accordance with the Public Sector Internal Audit Standards (PSIAS) and in accordance with the CIPFA Statement on the Role of the Head of Internal Audit. The Standards state that Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Internal Audit objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources. An annual audit plan is prepared on the basis of the Internal Audit Strategy.

## ANNUAL GOVERNANCE STATEMENT

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](http://www.clwydpensionfund.org.uk). The Fund publishes other documents relating to governance and management: Risk Management policy, Conflict of Interest Policy, Training Policy, 3 year Business Plan, Funding Strategy Statement and Statement of Investment Principles.

### Review of Effectiveness

#### Finance

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

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

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

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

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

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

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

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

## ANNUAL GOVERNANCE STATEMENT

The financial future facing the Council continues to be very uncertain and challenging. A reduction in the amount of external funding received from Welsh Government (Revenue Support Grant and Non Domestic Rates) and increases in pay and price inflation has meant the Council had to face an initial projected funding gap £20.8m to achieve a balanced budget for 2016/17.

### Risk Management

**Strategic risks** are reported to Audit Committee at least twice yearly for review and to ensure that emerging risks are captured and that assurance of risks being mitigated is achieved.

The Council's approach to risk management was reviewed by Internal Audit during the year who identified that corporate arrangements were strong but that the approach needed to be used consistently across the Council. Taking on board these findings and those of the Wales Audit Office Corporate Assessment a new approach to risk management has been devised for implementation for 2015/16 onwards. This includes:

- Enhanced descriptions of risk including an explanation of the impact if the risk were to be realised.
- More sophisticated risk matrix (6 x 4) allowing further options to show how the risk is being reduced or increasing.
- Improved format to capture both new and emerging risks and also to allow for a risk to be 'closed' once it has been mitigated or realised as an issue being dealt with.
- Incorporating risk more prominently within Council reports.

The new approach also includes guidance for escalation of risks and frequency of reporting depending on the assessed severity of the risk; for the higher level risks e.g. 'black' reporting will be monthly and 'red' quarterly.

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

### Business Continuity

Part of the Council's approach to risk management includes its **business continuity arrangements**. From July 2015 regional arrangements were established across North Wales to support and enhance local approaches. An audit has been undertaken across North Wales to assess the currency and areas for improvement of business continuity arrangements. A local Business Continuity Planning group has been established to lead and direct local arrangements and ensure recommended improvements are followed through.

No circumstances arose during the year where it was necessary for the Mission Critical Business Continuity Plans to be invoked.

### Regulation and Assurance

All formal reports are presented to the Cabinet and Audit Committee and considered by the various Overview & Scrutiny Committees as appropriate. Some reports such as the annual improvement report are presented to the full Council. In January 2016 the annual summary report on external regulation was presented to the Audit Committee detailing all the regulatory reports received from Wales Audit Office, Estyn and the Care and Social Services Inspectorate for Wales (CSSIW), along with their findings, the council's response and where the reports had been presented to.

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

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

## ANNUAL GOVERNANCE STATEMENT

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

Proposal for Improvement (P1-7) Including overall lead <sup>1</sup> .	Action Update	RAG Status
<p><b>P1</b> The Council should develop and implement a (more) consistent approach to <b>business planning</b> 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>	<b>G</b>
	<p>P1.2 Plans using the new performance management solution (CAMMS) to be piloted (09.15) with full roll out (04.16).</p>	<b>G</b>
	<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>	<b>G</b>
<p><b>P2</b> <b>The Council should improve the quality of its reports to committees and Cabinet to ensure that:</b></p> <ul style="list-style-type: none"> <li>• <b>where necessary, reports enable councillors to refer easily to relevant policies and previous decisions and discussions;</b></li> <li>• <b>key messages and recommendations are clear and succinct; and</b></li> <li>• <b>Reports to scrutiny committees include recommendations or options that committees might endorse.</b></li> </ul> <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>	<b>G</b>
	<p>P2.2 Updated report writing guidelines have been produced and issued. Refresher report writing training is being organised (by 12.15).</p>	<b>G</b>
	<p>P2.3 Quality assurance systems for report approval have been implemented (complete).</p>	<b>G</b>

## ANNUAL GOVERNANCE STATEMENT

<p><b>P3</b> The Council should ensure that, in implementing its revised <b>strategies</b> for People, ICT, Finance and Asset Management:</p> <ul style="list-style-type: none"> <li>• Their financial implications feed into the medium-term financial plan; and</li> <li>• The links between the strategies are fully considered so that specialist staff are available when required.</li> </ul> <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;"><b>A</b></p> <p style="text-align: center;"><b>G</b></p> <p style="text-align: center;"><b>G</b></p>
<p><b>P4</b> Group Leaders should strongly encourage members to take advantage of the <b>Member Development Scheme</b>.</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;"><b>A</b></p> <p style="text-align: center;"><b>A</b></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.

## ANNUAL GOVERNANCE STATEMENT

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

## ANNUAL GOVERNANCE STATEMENT

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

## ANNUAL GOVERNANCE STATEMENT

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

Signed.....Leader of the Council

Signed.....Chief Executive

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# Audit of Financial Statements Report

## **Flintshire County Council**

**Audit year: 2015-16**

**Issued: September 2016**

**Document reference: 518A2016**

# Status of report

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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](mailto:info.officer@audit.wales).

# Contents

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The Auditor General intends to issue an unqualified audit report on your financial statements. There are some issues to report to you prior to their approval.

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<b>Summary report</b>	
Introduction	4
Status of the audit	4
Proposed audit report	4
Significant issues arising from the audit	5
Recommendations arising from our 2015-16 financial audit work	7
Independence and objectivity	8
<b>Appendices</b>	
Final Letter of Representation	9
Proposed audit report of the Auditor General to Flintshire County Council	12
Summary of corrections made to the draft financial statements which should be drawn to the attention of Flintshire County Council	15
Responses to recommendations arising from our 2014-15 financial audit work	17
Recommendations arising from our 2015-16 financial audit work	19

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# Summary report

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## 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](#).

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## 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

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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

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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.

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## 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

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## 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.

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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

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## 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

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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.

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**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	<b>Comprehensive Income and Expenditure Statement</b> 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	<b>Note 6 – Property, Plant &amp; Equipment</b> 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	<b>Note 6 – Property, Plant &amp; Equipment</b> 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	<b>Note 22 – Unusable Reserves</b> 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	<p><b>Note 26 – Officers Remuneration</b> Correction made to the Remuneration Ratio which was previously shown as 1:73, but should be 1:7.73.</p>	To correct narrative error.
£192,000	<p><b>Note 38 – Future Capital Commitments</b> Expenditure incorrectly included against External Wall Insulation commitment (£38,000). Contract Sums amended for External all Insulation (-£236,000) and WHQS (£390,000).</p>	To correctly reflect the commitment position.
£1.95 million	<p><b>Group Comprehensive Income and Expenditure Statement</b> 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).</p>	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><b>Preparation of the Comprehensive Income and Expenditure Statement (CIES)</b></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><b>Management Response</b></p> <p>Comprehensive exercise undertaken to map all transactional codes to ensure accurate classification of income and expenditure within the CIES.</p> <p><b>Audit response</b></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><b>Allocation of support services and other overheads</b></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><b>Management Response</b></p> <p>The apportionment of support costs has been reviewed.</p> <p><b>Audit Response</b></p> <p>We have carried out a high level review of the apportionment of support costs and identified no issues.</p>
<p><b>Internal recharging</b></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><b>Management Response</b></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><b>Audit Response</b></p> <p>Audit work has confirmed that we are satisfied that internal charges are appropriately netted out of the CIES.</p>
<p><b>Bank Reconciliation</b></p> <p>Ensure that the bank reconciliation is correctly prepared and that all transactions are fully reconciled.</p>	<p><b>Management Response</b></p> <p>The year-end bank reconciliation has been reconciled to the cash book.</p> <p><b>Audit Response</b></p> <p>We are satisfied that the bank reconciliation has been appropriately prepared.</p>
<p><b>Weaknesses in Payroll controls</b></p> <p>Ensure that the detailed Internal Audit report recommendations are implemented.</p>	<p><b>Management Response</b></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><b>Employee Contract documentation</b> 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. <b>Audit Response</b> 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><b>Quality review</b> 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><b>Management Response</b> Additional processes were built into the closedown programme to review significant variances in transactions and balances in 2015/16. <b>Audit Response</b> We obtained satisfactory explanation for all significant variances.</p>
<p><b>Understanding the accounts and audit process</b> Ensure that all relevant departments are clear about their respective roles and responsibilities in the accounts and audit process.</p>	<p><b>Management Response</b> 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. <b>Audit Response</b> We identified no issues in terms of the wider organisation engaging with the accounts and audit process.</p>
<p><b>Faster Closing</b> 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

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## 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

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

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

<b>Findings</b>	The Council is currently unable to estimate the value of any potential liabilities relating to the cost of landfill restoration and aftercare.
<b>Priority</b>	High
<b>Recommendation</b>	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.
<b>Benefits of implementing the recommendation</b>	<i>To determine whether there is a need to set aside a financial provision in the accounts.</i>
<b>Accepted in full by management</b>	Accepted

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

<b>Management response</b>	<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>
<b>Implementation date</b>	<p>This will be an ongoing issue until investigations at all sites are completed which will take some years.</p>

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

<b>Findings</b>	<p>There are discrepancies in pension data that need to be resolved.</p>
<b>Priority</b>	<p>High</p>
<b>Recommendation</b>	<p>The Council needs to liaise with the Pension Fund administrator to resolve discrepancies in pension data.</p>
<b>Benefits of implementing the recommendation</b>	<p><i>To ensure that the Actuary has appropriate information on which to base the triennial valuation and IAS19 figures.</i></p>
<b>Accepted in full by management</b>	<p>Accepted</p>
<b>Management response</b>	<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>
<b>Implementation date</b>	<p>31 March 2018</p>



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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

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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](mailto:info.officer@audit.wales).



# Contents

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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	4
Status of the audit	4
Proposed audit report	4
Significant issues arising from the audit	5
Recommendations arising from our 2015-16 financial audit work	7
Independence and objectivity	7

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## Appendices

Final Letter of Representation	8
Summary of corrections made to the draft financial statements which should be drawn to the attention of Flintshire County Council	11
Recommendations arising from our 2015-16 financial audit work	13

# Summary report

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## 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.

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## 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 <b>membership of the fund at 31st March 2016</b> was amended for the following</p> <ul style="list-style-type: none"> <li>• 'Active Members' from 16,282 to 15,989.</li> <li>• 'Pensions and survivors': <ul style="list-style-type: none"> <li>– 'Ex employees' from 9,815 to 9,862.</li> <li>– 'Survivors' from 1,601 to 1,616.</li> </ul> </li> <li>• 'Other': <ul style="list-style-type: none"> <li>– 'Preserved benefits/ Undecided' from 13,052 to 13,176</li> <li>– 'Frozen Refund' from 955 to 1,022.</li> </ul> </li> </ul>	<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><b>Presentational disclosure only.</b></p>
<p>The table containing the analysis <b>market value of investments 2015-16</b> in Note 4 was amended for the following:</p> <ul style="list-style-type: none"> <li>• 'Property' from £109,422,000 to £109,233,000.</li> <li>• 'Infrastructure' from £27,436,000 to £27,351,000.</li> <li>• 'Timber &amp; Agriculture' from £25,832,000 to £25,937,000.</li> <li>• 'Private Equity' from £139,117,000 to £139,582,000.</li> <li>• 'Opportunistic' from £8,384,000 to £8,240,000.</li> </ul>	<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><b>Note 6 'Fair value of investments – Hierarchy – Overseas Equities Active'</b> table was amended:</p> <ul style="list-style-type: none"> <li>• 'Level 1' from £86,317,000 to £60,073,000.</li> <li>• 'Level 2' from £116,509,000 to £142,753,000</li> </ul>	<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><b>Note 9 'Receivables/Payables - Current Liabilities' was amended for the following:</b></p> <ul style="list-style-type: none"> <li>• 'Lump sums' from £(2,717,000) to £(3,324,000).</li> <li>• 'Death grants' from £(418,000) to (£755,000)</li> </ul>	<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

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### 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

<b>Findings</b>	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.
<b>Priority</b>	High
<b>Recommendation</b>	The Council should continue working with employer bodies to ensure that membership records are brought up to date and subsequently maintained.
<b>Benefits of implementing the recommendation</b>	To ensure that membership records are accurate and complete.
<b>Accepted in full by management</b>	Yes
<b>Management response</b>	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
<b>Implementation date</b>	Work in progress with planned completion across all employer bodies in 2017-18.

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

<b>Findings</b>	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.
<b>Priority</b>	High
<b>Recommendation</b>	The Pension Fund to fully reconcile the monthly reconciliation of transactions relating to lump sums and death benefit payments, ensuring any differences are corrected.
<b>Benefits of implementing the recommendation</b>	To ensure that transactions are both accurate and complete.
<b>Accepted in full by management</b>	Yes
<b>Management response</b>	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.
<b>Implementation date</b>	31 March 2017



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24 Cathedral Road,  
Cardiff.  
CF11 9LJ

Your Ref/Eich Cyf  
Our Ref/Ein Cyf  
Date/Dyddiad  
Ask for/Gofynnwr am  
Direct Dial/Rhif Union  
Fax/Ffacs

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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[www.flintshire.gov.uk](http://www.flintshire.gov.uk)  
Neuadd y Sir, Yr Wyddgrug. CH7 6NB  
[www.siryfflint.gov.uk](http://www.siryfflint.gov.uk)

## **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 26<sup>th</sup> 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: 26<sup>th</sup> September 2016

Date: 26<sup>th</sup> 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  
26<sup>th</sup> 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



County Hall, Mold. CH7 6NA  
[www.clwydpensionfund.org.uk](http://www.clwydpensionfund.org.uk)  
Neuadd y Sir, Yr Wyddgrug. CH7 6NA  
[www.cronfabensiynauclwyd.org.uk](http://www.cronfabensiynauclwyd.org.uk)

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 26<sup>th</sup> 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: 26<sup>th</sup> September 2016

Date: 26<sup>th</sup> September 2016

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## FLINTSHIRE COUNTY COUNCIL

<b>Date of Meeting</b>	Monday 26 <sup>th</sup> September 2016
<b>Report Subject</b>	Supplementary Financial Information to Statement of Accounts 2015/16
<b>Report Author</b>	Corporate Finance Manager

### EXECUTIVE SUMMARY

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

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

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

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

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

### RECOMMENDATIONS

1	Members note the report
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## REPORT DETAILS

1.00	EXPLAINING THE APPENDICIES
1.01	<p>The information requested is shown in Appendix 1 to this report. For clarity the information has been split into 2 categories described in paragraphs below:</p> <ul style="list-style-type: none"> <li>• Table 1 – Council Employees</li> <li>• Table 2 – Payments to Short Term Professional Advisors and Non-Permanent Posts</li> </ul>
1.02	<p>Table 1 contains costs (including termination benefits where applicable) for council employees only. For the purpose of this report council employees have been defined as permanent members of staff paid via Flintshire County Council's payroll system.</p> <p>As the notice of motion requests, the detail of any council employee already included in the 'Senior Employee Emoluments' note in the Statement of Accounts 2015/16 has not been included.</p>
1.03	<p>Table 2 contains payments made for short term professional advice and non-permanent posts.</p> <p>It is important that Members note that actual costs incurred by the Council in 2015/16 are in bold in the third column in table 2.</p> <p>The fourth column, theoretical annual costs, has been supplied to provide an equivalent annualised salary as requested by the notice of motion. Figures have been calculated by taking the daily (or hourly costs in some cases) and grossing up assuming a 37 hour standard week and that 48 weeks per year are worked. As is clear from the difference between both columns the majority were in post for significantly less than a year.</p>
1.04	<p>During the year a number of reports and additional information has been provided under the broad heading of 'consultants' to the Audit Committee and Corporate Resources Overview and Scrutiny Committee.</p> <p>As a result the Council has adopted a revised definition of 'consultant' during the year.</p> <p>Corporate Resources Overview and Scrutiny Report extract – March 2016  <i>A consultant is an organisation or an individual contracted to provide specific services to the Council for a limited period of time. These are services where the Council does not have the expertise 'in-house' to be self-sufficient or where the Council has some expertise but insufficient capacity. It is not possible for the Council to be wholly self-sufficient and it would be a poor use of resources to employ specialist individuals to maintain an internal expertise which is only required occasionally or indeed once.</i></p> <p>In future Consultants will be classified into 2 groups:</p>



	<ul style="list-style-type: none"> <li>• <i>Retained consultant: with a contract in place for the periodic provision of advice; and</i></li> <li>• <i>Project consultant: to work on defined and time limited projects on 'strategy, structure or management.'</i></li> </ul>
1.05	<p>The notice of motion specifically requests information on salaries of consultants and non-permanent posts. As it predates the introduction of the revised definition of consultant above, the information in Table 2 has been produced using the wider description of 'individuals providing short term professional advice'.</p> <p>For clarity where information within Table 2 has been included in the Corporate Resources Overview and Scrutiny Committee March 2016 report (therefore meeting the newly adopted definition of consultant) it has been marked with an asterisk (*).</p> <p>Figures have been taken from the general ledger on codes used for consultancy (therefore taking account of the previous wider definitions in use) and agency workers. These will be on an accruals rather than a cash basis, therefore relating to costs of services provided during the year, rather than amounts physically paid during the year.</p>
1.06	<p>Flintshire County Council leads on a number of collaborative projects with partner Local Authorities, examples include; the North Wales Regional Waste Treatment Project, and Regional Emergency Planning service. Members are advised that the information supplied in appendix 1 does not include the costs of any individual working for joint arrangements, given that the expenditure has been incurred by the partnership and not Flintshire County Council. Joint arrangements that are set up as Joint committees publish their own separate accounts.</p>

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	As set out within the report.

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	None required.

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

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

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

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	Definitions required as contained within the report.

**SUPPLEMENTARY FINANCIAL INFORMATION TO DRAFT STATEMENT OF ACCOUNTS 2015/16**

**TABLE 1 - COUNCIL EMPLOYEES**

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

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

## SUPPLEMENTARY FINANCIAL INFORMATION TO DRAFT STATEMENT OF ACCOUNTS 2015/16

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

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

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

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



## FLINTSHIRE COUNTY COUNCIL

<b>Date of Meeting</b>	Monday, 26 September 2016
<b>Report Subject</b>	Annual Governance Statement
<b>Report Author</b>	Internal Audit Manager

### EXECUTIVE SUMMARY

For each financial year the Council is required to produce an Annual Governance Statement (AGS) as part of its final accounts. The AGS explains how the Council has complied with its Code of Corporate Governance and it also meets the requirements of the Accounts and Audit (Wales) Act 2015.

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

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

### RECOMMENDATIONS

1	For the Council to consider, amend as appropriate and approve the AGS attached as part of the Statement of Accounts.
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### REPORT DETAILS

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

	each year they must conduct a review of the effectiveness of the system and prepare an Annual Governance Statement (AGS). The review must be considered and the AGS approved by a committee or members of the authority meeting as a whole.
1.02	The AGS accompanies the financial statements but is not the part of the statement on which the external auditors' opinion is given. However, the auditors review the governance statement to confirm it is consistent with the audited financial statements and other information of which they are aware.
1.03	The preparation of the AGS has been coordinated by the Corporate Governance Working Group (CGWG) which has reported to the Chief Executive, the Monitoring Officer and the Section 151 Officer on its work.
1.04	The preparation of the AGS was informed by a corporate governance self-assessment undertaken by each Chief Officer, responding to a questionnaire prepared by the CGWG and based on the CIPFA guidance. The responses received were challenged by the CGWG where, for example, they did not provide adequate supporting information for the assessment given.
1.05	In addition, questionnaires were sent to Overview and Scrutiny Committee Chairs. They all completed the questionnaire and their views have been taken into account in preparing the draft AGS.
1.06	Information was obtained from a number of other officers to complete various sections of the AGS. It was then submitted to the Chief Executive, Monitoring Officer and Section 151 Officer for their observations and distributed to all Members asking for any comments.
1.07	The format of the AGS reflects the six core principles within the CIPFA / SOLACE framework and brings the AGS more into line with practice in other councils. The review of effectiveness is shown relating to each principle.
1.08	The AGS includes a list of significant strategic risks to the Council and the proposed mitigating actions for those risks.
1.09	The final version was approved and recommended to the Council by the Audit Committee on 13 <sup>th</sup> July 2016.  It is included within the Statement of Accounts also being submitted to this meeting.

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	None arising from this report.

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

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

5.00	<b>APPENDICES</b>
5.01	The Annual Governance Statement is included within the paper on the Statement of Accounts

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

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

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## FLINTSHIRE COUNTY COUNCIL

<b>Date of Meeting</b>	Monday 26 <sup>th</sup> September 2016
<b>Report Subject</b>	Treasury Management Annual Report 2015/16
<b>Report Author</b>	Corporate Finance Manager

### **EXECUTIVE SUMMARY**

On 17<sup>th</sup> February 2015, the Council approved the Treasury Management Investment Strategy 2015/16, following the recommendation of the Cabinet and consideration by the Audit Committee.

The Annual Treasury Management Report 2015/16 is attached as Appendix 1. As required by the Council's Financial Procedure Rules, this Annual Report was reviewed by Audit Committee on 13<sup>th</sup> July 2016 and Cabinet on 20<sup>th</sup> September 2016.

The treasury function operated within the limits detailed in the Treasury Management Strategy 2015/16.

The report presents the Treasury Management Annual Report 2015/16 for approval.

### **RECOMMENDATIONS**

1	Council approves the Annual Treasury Management Report for 2015/16.
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### **REPORT DETAILS**

<b>1.00</b>	<b>EXPLAINING THE ANNUAL REPORT</b>
1.01	On 17 <sup>th</sup> February 2015, the Council approved the Treasury Management Investment Strategy 2015/16, following the recommendation of the Cabinet and consideration by the Audit Committee.

1.02	The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to Cabinet, and for execution and administration of treasury management decisions to the Corporate Finance Manager, who acts in accordance with the Council's Treasury Management Policy Statement, Strategy and Practices.
1.03	The Council has nominated Audit Committee to be responsible for ensuring effective scrutiny of Treasury Management Strategy and Policies.
	<b><u>CONSIDERATIONS</u></b>
1.04	The Annual Treasury Management Report 2015/16 is attached as Appendix 1. As required by the Council's Financial Procedure Rules, this Annual Report was reviewed by Audit Committee on 13 <sup>th</sup> July 2016 and Cabinet on 20 <sup>th</sup> September 2016.
	Summary of Key Points
1.05	The UK bank base interest rate remained at its historic low of 0.5% throughout the year. This was reflected in the low level of interest that the Council was able to generate on its investments; the average interest rate for investments during the year was 0.51%. Section 2 of the annual report provides a review of the economy and interest rates, and Section 4 provides further details of the Council's investment activity during the year.
1.06	£79.2m of new borrowing was taken out in respect of the HRA Subsidy Reform. This is detailed in paragraph 3.04.
1.07	Debt rescheduling opportunities were considered by officers and the Council's Treasury Management advisors. However, the premium charged for repaying high interest rate debt or replacing it with debt at a lower interest rate was deemed too expensive and therefore made any debt rescheduling unattractive. Section 3 of the annual report provides more information on borrowing and debt management during the year.
1.08	The treasury function operated within the limits detailed in the Treasury Management Strategy 2015/16.

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

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

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

<b>5.00</b>	<b>APPENDICES</b>
5.01	1. Treasury Management Annual Report 2015/16

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

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	<p><b>Authorised Limit:</b> A statutory limit that sets the maximum level of external debt for the Council.</p> <p><b>Balances and Reserves:</b> Accumulated sums that are held, either for specific future costs or commitments (known as earmarked) or generally held to meet unforeseen or emergency expenditure.</p> <p><b>Bank Rate:</b>The official interest rate set by the Bank of England’s Monetary Policy Committee and what is generally termed at the “base rate”.</p> <p><b>Basis Point:</b> A unit of measure used in finance to describe the percentage change in the value or rate of a financial instrument. One basis point is equivalent to 0.01% (1/100th of a percent). In most cases, it refers to changes in interest rates and bond yields. For example, if interest rates rise by 25 basis points, it means that rates have risen by 0.25% percentage points.</p> <p><b>Bond:</b> A certificate of debt issued by a company, government, or other institution. The bond holder receives interest at a rate stated at the time of issue of the bond. The price of a bond may vary during its life.</p> <p><b>Capital Expenditure:</b> Expenditure on the acquisition, creation or enhancement of capital assets.</p> <p><b>Capital Financing Requirement (CFR):</b> The Council’s underlying need to borrow for capital purposes representing the cumulative capital expenditure of the local authority that has not been financed.</p>

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

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

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

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

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

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

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

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

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

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

**LIBID:** The London Interbank Bid Rate (LIBID) is the rate bid by banks on Eurocurrency deposits (i.e. the rate at which a bank is willing to borrow from other banks).

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

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

**IFRS:** International Financial Reporting Standards.

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

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

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

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

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

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

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

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

**Prudential Code:** Developed by CIPFA and introduced in April 2004 as a professional code of practice to support local authority capital investment planning within a clear, affordable, prudent and sustainable framework and in accordance with good professional practice.

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

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

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

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

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

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

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

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

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

**Treasury Bills (T-Bills):** Treasury Bills are short term Government debt instruments and, just like temporary loans used by local authorities, are a means to manage cash flow. They are issued by the Debt Management Office and are an eligible sovereign instrument, meaning that they have an AAA-rating.

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

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

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

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

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

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**FLINTSHIRE COUNTY COUNCIL**

**TREASURY MANAGEMENT**

**ANNUAL REPORT 2015/16**

## **1.00 INTRODUCTION**

- 1.01 The Council approved the Treasury Management Strategy (Strategy) 2015/16 including key indicators, limits and an annual investment strategy on 17<sup>th</sup> February 2015.
- 1.02 The Strategy was produced based on the 2011 edition of the CIPFA Treasury Management in the Public Services: Code of Practice.
- 1.03 The purpose of this report is to review the outcomes from 2015/16 treasury management operations and compare with the Strategy.
- 1.04 Treasury management comprises the management of the local authority's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

## **2.00 ECONOMIC & INTEREST RATE REVIEW 2015/16**

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

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

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

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

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

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

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

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

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

### **3.00 BORROWING REQUIREMENTS AND DEBT MANAGEMENT**

#### 3.01 PWLB (Public Works Loans Board) Certainty Rate

The Council again qualified for the PWLB Certainty Rate, allowing the authority to borrow at a reduction of 20 basis points on the Standard Rate.

#### 3.02 Borrowing Activity in 2015/16.

The total long term borrowing outstanding, brought forward into 2015/16 totalled £172.1 million. Loans with the Public Works Loans Board were in the form of fixed rate (£143.2m) and variable rate (£10m). The remaining £18.95m was variable in the form of LOBO's (Lender's Option, Borrower's Option). The Council's average borrowing rate throughout the year was 5.02%.

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

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

#### 3.04 **Welsh HRA Subsidy Reform**

The Housing (Wales) Act 2014 became law in Wales on 17<sup>th</sup> September 2014 and provided for the abolition of the Housing Revenue Account Subsidy (HRAS) system. The Authority was required to buy itself out of the previous arrangement by making 'settlement payments' to the Welsh Government. In return the Authority will be able to keep all future rental revenues generated from the housing stock. A cap has been set by the Welsh Government for how much the Authority can continue to borrow for the HRA in the future. The Authority was required to enter

into a Voluntary Agreement with Welsh Ministers under section 80B of the Local Government and Housing Act 1989. This Agreement set out all the terms and conditions of settlement.

The Authority was required to make an application for loans totalling £79.2m on the morning of 31<sup>st</sup> March 2015. As part of the settlement, the Authority was required to borrow for the full settlement amount from the PWLB at special Welsh HRA Subsidy Reform interest rates. These were set at a margin above PWLB Standard rates due to the methodology adopted by the Welsh Government and HM Treasury in determining the settlement amounts. The Authority was required to draw down loans that would deliver a minimum interest payment to the PWLB of £3.3m for each of the first five years following settlement. Receipt of funding from the PWLB took place on 2<sup>nd</sup> April 2015.

### 3.05 Loans at Variable Rates

The Council has £10m of PWLB variable rate loans, at an average rate of 0.66% which mitigate the impact of changes in variable rates on the Authority's overall treasury portfolio (the Authority's investments are deemed to be variable rate investments due to their short-term nature). This strategic exposure to variable interest rates will be regularly reviewed and, if appropriate, reduced by switching into fixed rate loans.

### 3.06 Internal Borrowing

Given the significant cuts to local government funding putting pressure on Council finances, the strategy followed was to minimise debt interest payments without compromising the longer-term stability of the portfolio. The differential between the cost of new longer-term debt and the return generated on the Council's temporary investment returns was significant at around 2.95%. The use of internal resources in lieu of borrowing was judged to be the most cost effective means of funding £18.4m of capital expenditure. This has, for the time being, lowered overall treasury risk by reducing both external debt and temporary investments. However, this position is not sustainable and the Council expects it will need to borrow for capital purposes from 2016/17 onwards.

### 3.07 Lender's Option Borrower's Option Loans (LOBOs)

The Authority holds £18.95m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. All of these LOBOS had options during the year, none of which were exercised by the lender.

### 3.08 Debt Rescheduling

The PWLB continued to operate a spread of approximately 1% between “premature repayment rate” and “new loan” rates so the premium charge for early repayment of PWLB debt remained relatively expensive for the loans in the Authority’s portfolio and therefore unattractive for debt rescheduling activity. No rescheduling activity was undertaken as a consequence. However, The Chief Finance Officer, along with the Council’s Treasury Management Advisors, keeps under review any opportunities which may arise for restructuring the Council’s debt in order to take advantage of potential savings as interest rates change and to enhance the balance of the long term portfolio (amend the maturity profile and/or the balance of volatility).

## 4.00 INVESTMENT ACTIVITY

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

4.02 Investment Activity in 2015/16

### Summary of investments as at 31<sup>st</sup> March 2016.

Country	Total	<1 month	1 –12 months	>12 months
	£m	%	£m	£m
UK BANKS	5.0	3.0	2.0	
UK BUILDING SOCIETIES	8.0	7.0	1.0	
OVERSEAS	5.2	5.2		
MMF’s				
LOCAL AUTHORITIES	6.4	3.4	3.0	
DMO	8.0	8.0		
<b>TOTAL</b>	<b>32.6</b>	<b>26.6</b>	<b>6.0</b>	<b>0.0</b>
<b>% OF PORTFOLIO</b>		81.6%	18.4%	0.0%
<b>TARGET 2015/16</b>		35%	55%	10%

4.03 Security of capital remained the Council’s main investment objective. This was maintained by following the Council’s counterparty policy as set out in its Strategy for 2015/16. Investments during the year included:

- Deposits with the Debt Management Office
- Deposits with other Local Authorities
- Investments in AAA-rated Constant Net Asset Value Money Market Funds
- Call accounts and deposits with Banks and Building Societies
- Treasury Bills
- Certificates of Deposit

#### 4.05 Credit Risk

The Authority assessed and monitored counterparty credit quality with reference to credit ratings; credit default swaps; GDP of the country in which the institution operates; the country's net debt as a percentage of GDP and share price. The minimum long-term counterparty credit rating determined by the Authority for the 2015/16 treasury strategy was A-/A-/A3 across rating agencies Fitch, S&P and Moody's.

#### 4.06 Counterparty Update

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

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

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

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

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

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

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

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

The end of bank bail-outs, the introduction of bail-ins, and the preference being given to large numbers of depositors other than local authorities means that the risks of making unsecured deposits continues to be elevated relative to other investment options. The Authority therefore increased investments in diversified alternatives such as non-bank investments and pooled funds.

#### 4.07 Liquidity

In keeping with the WG's Guidance on Investments, the Authority maintained a sufficient level of liquidity through the use of Money Market Funds and call accounts. The Authority uses purpose-built cash flow forecasting software to determine the maximum period for which funds may prudently be committed.

#### 4.08 Yield

The UK Bank Rate was maintained at 0.5% through the year. Short term money market rates also remained at very low levels which continued to have a significant impact on investment income. The low rates of return on the Authority's short-dated money market investments reflect prevailing market conditions and the Authority's objective of optimising returns commensurate with the principles of security and liquidity.



Income earned on £2m of longer-dated investments made in 2015/16 at a rate of 1.05% provided some cushion against the low interest rate environment.

The Authority's budgeted investment income for the year had been estimated at £130k. The average cash balances were £61.7m during the period and interest earned was £277k, at an average interest rate of 0.51%.

## **5.00 COMPLIANCE**

5.01 The Council can confirm that it has complied with its Prudential Indicators for 2015/16, which were approved on 17<sup>th</sup> February 2015 as part of the Council's Treasury Management Strategy.

5.02 In compliance with the requirements of the CIPFA Code of Practice this report provides members with a summary report of the treasury management activity during 2015/16. None of the Prudential Indicators have been breached and a prudent approach has been taking in relation to investment activity with priority being given to security and liquidity over yield.

5.03 The treasury function operated within the limits detailed in the Treasury Management Policy and Strategy Statement 2015/16.

## **6.00 OTHER ITEMS**

6.01 The following were the main treasury activities during 2015/16:

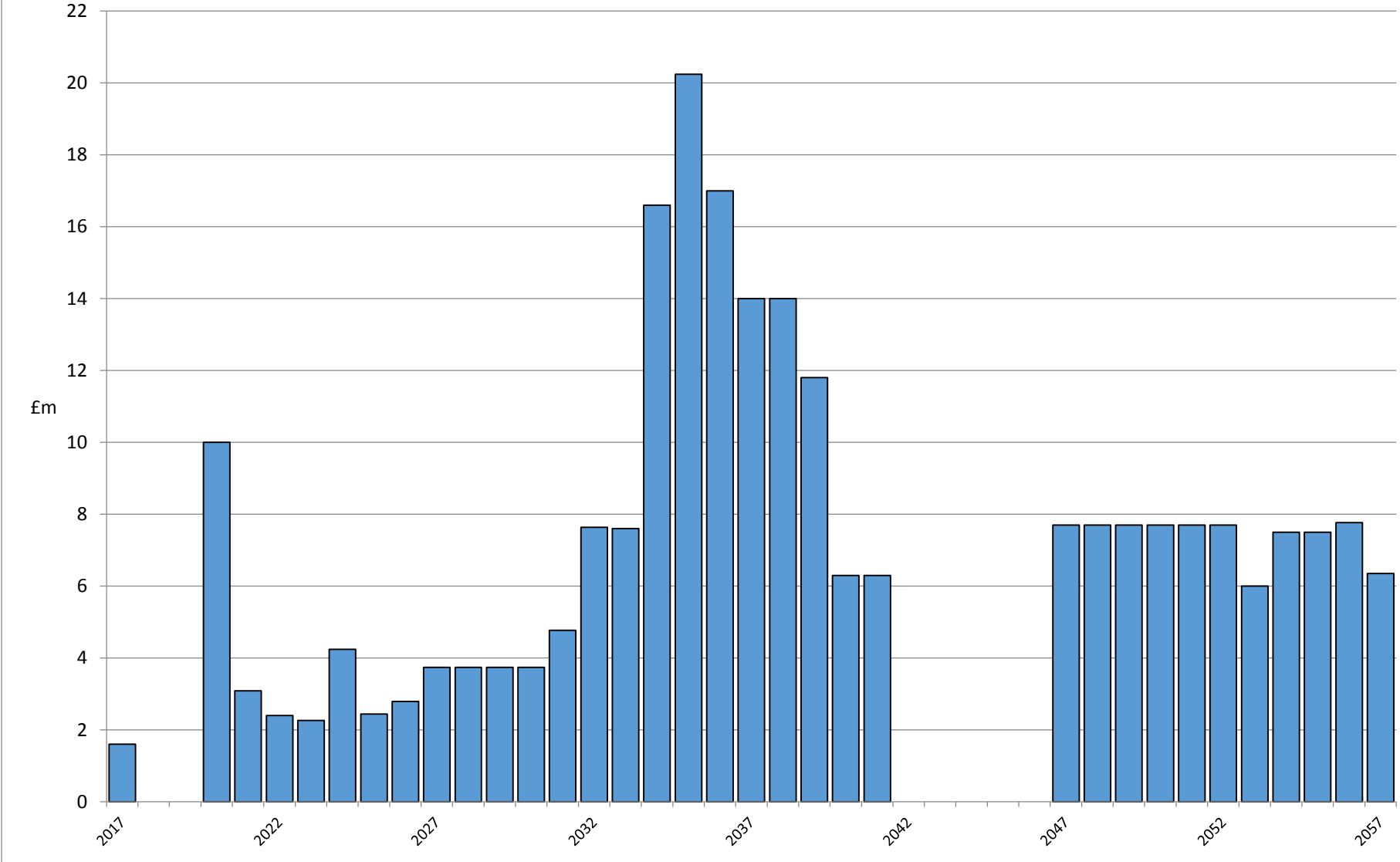
- The Council received a Mid-Year Report on 16<sup>th</sup> February 2016.
- Quarterly update reports were presented to the Audit Committee.
- All Members were invited to a training session undertaken by Arlingclose Ltd on 26<sup>th</sup> January 2016, which was hosted by Audit Committee.
- The 2016/17 Investment Strategy Statement was approved by Council on 16<sup>th</sup> February 2016.
- The Council continues to be an active member of the CIPFA Treasury Management Network.
- The Council's cash flow was managed on a daily basis. During the year the Authority acted both as a borrower and as a lender and was a net borrower over the year in question. The maximum investments the Authority had on deposit at any one time was £67.1m and the maximum long-term borrowing at any one time was £251.3m.

## **7.00 CONCLUSION**

7.01 The treasury management function has operated within the statutory and local limits detailed in the 2015/16 Treasury Management Strategy.

7.02 The Policy was implemented in a pro-active manner with security and liquidity as the focus.

Debt Maturity Profile - June 2016



By virtue of paragraph(s) 15 of Part 4 of Schedule 12A of the Local Government Act 1972.

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