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To: Cllr Chris Dolphin (Chairman)

Councillors: Geoff Collett, Andy Dunbobbin, Patrick Heesom, Andrew Holgate,
Paul Johnson and Arnold Woolley

Co-opted Member:
Sally Ellis

2 July 2019

Dear Sir/Madam

You are invited to attend a meeting of the Audit Committee which will be held at 10.00 am on Wednesday, 10th July, 2019 in the Clwyd Committee Room, County Hall, Mold CH7 6NA to consider the following items

A G E N D A

1 **APOLOGIES**

Purpose: To receive any apologies.

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

Purpose: To receive any Declarations and advise Members accordingly.

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

Purpose: To confirm as a correct record the minutes of the meeting on 5 June 2019.

4 **DRAFT STATEMENT OF ACCOUNTS 2018/19** (Pages 11 - 144)

Report of Corporate Finance Manager - Cabinet Member for Finance

Purpose: To present the draft Statement of Accounts 2018/19 for Members' information only at this stage.

5 **SUPPLEMENTARY FINANCIAL INFORMATION TO DRAFT STATEMENT OF ACCOUNTS 2018/19** (Pages 145 - 150)

Report of Corporate Finance Manager - Cabinet Member for Finance

Purpose: To provide Members with supplementary financial information to accompany the draft accounts as per the previously agreed Notice of Motion.

6 **DRAFT CLWYD PENSION FUND ACCOUNTS 2018/19** (Pages 151 - 198)

Report of Corporate Finance Manager - Cabinet Member for Finance

Purpose: For Members to consider the accounts for information.

7 **TREASURY MANAGEMENT ANNUAL REPORT 2018/19 AND 2019/20 QUARTER 1 UPDATE** (Pages 199 - 224)

Report of Corporate Finance Manager - Cabinet Member for Finance

Purpose: To provide Members with the Treasury Management annual report 2018/19 and the first quarterly update for 2019/20.

8 **RISK MANAGEMENT UPDATE** (Pages 225 - 270)

Report of Chief Executive - Leader of the Council and Cabinet Member for Education

Purpose: To receive an update on actions to mitigate the strategic risks contained within the Council's 2018/19 Council Plan.

Yours faithfully



Robert Robins
Democratic Services Manager

AUDIT COMMITTEE **5 JUNE 2019**

Minutes of the meeting of the Audit Committee of Flintshire County Council held in the Clwyd Committee Room, County Hall, Mold on Wednesday, 5 June 2019

PRESENT:

Councillors: Chris Dolphin, Andy Dunbobbin, Patrick Heesom, Paul Johnson and Arnold Woolley

Co-opted member: Sally Ellis

SUBSTITUTE: Councillor: Clive Carver (for Andrew Holgate)

APOLOGY: Councillor Geoff Collett

ALSO PRESENT: Councillors Glyn Banks, Christine Jones, Billy Mullin, Ian Roberts and Carolyn Thomas attended as observers

Gwilym Bury of Wales Audit Office

IN ATTENDANCE:

Chief Executive; Chief Officer (Governance); Internal Audit Manager; Corporate Finance Manager; and Democratic Services Officer

Corporate Business & Communications Executive Officer - for minute number 6

Senior Auditor - for minute number 9

1. **APPOINTMENT OF CHAIR**

Councillor Dunbobbin proposed that Councillor Dolphin be appointed Chairman of the Committee. This was seconded by Councillor Heesom and on being put to the vote, was carried. No further nominations were received.

RESOLVED:

That Councillor Chris Dolphin be appointed as Chairman of the Committee.

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

2. **APPOINTMENT OF VICE-CHAIR**

Councillor Heesom's nomination for Sally Ellis as Vice-Chair was seconded by Councillor Dunbobbin and on being put to the vote, was carried.

RESOLVED:

That Sally Ellis be appointed Vice-Chair of the Committee.

3. SUBSTITUTION

In accordance with Constitutional requirements, the Committee agreed to allow Councillor Carver to substitute for Councillor Holgate. It was confirmed that Councillor Carver had undertaken the requisite audit training.

RESOLVED:

That Councillor Clive Carver be permitted as a substitute for the meeting.

4. DECLARATIONS OF INTEREST

None.

5. MINUTES

The minutes of the meeting held on 27 March 2018 were received.

RESOLVED:

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

The Committee supported Councillor Heesom's proposal to put on record its thanks to the previous Chair for her work.

6. ANNUAL GOVERNANCE STATEMENT 2018/19

The Corporate Business & Communications Executive Officer presented the Annual Government Statement (AGS) 2018/19 for recommendation to County Council to accompany the Statement of Accounts. The process in preparing the AGS involved consultation with Statutory and Chief Officers, Service Managers and Overview & Scrutiny Chairs, with oversight by the Corporate Governance Working Group.

The AGS was based on the seven core principles of good governance on which the Council scored 3 (acceptable) and above on all, with areas of strength highlighted throughout the document. Areas identified for further improvement were derived from four sources including the outstanding 'red' risks in the Council Plan 2018/19 end of year report and not 2017/18 as stated. An update on progress on the areas for improvement identified in the 2017/18 AGS was also included. A mid-year update would give assurance to the Committee that risks were being monitored and addressed.

In thanking the team for their work on this complex document, the Chief Executive said that the aim was to continually seek further improvement even where an acceptable score had been achieved. The dashboard identified the main concerns as capacity and resources. Whilst the assessment against Principle A was not intended to be judgemental, there was a need to give a true reflection on the conduct and culture of the organisation. The aim to improve behavioural standards was being actioned through discussions with Group Leaders, officers and the Chair of the

Council. The Chief Executive welcomed the commitment to improve the areas identified and commended others which reflected best practice.

Sally Ellis welcomed the Chief Executive's acknowledgement of the issues. Whilst she had no major concerns, she highlighted the importance of owning actions. In his role as Monitoring Officer, the Chief Officer (Governance) referred to the various codes/protocols on agreed behaviour and conduct, and the discussions referred to take ownership and encourage meeting those standards.

On workforce planning, actions within the People Strategy were led by the Chief Executive and Senior Manager, Human Resources & Organisational Development and owned by all Chief Officers. Although progress had been made on succession planning, there were risks due to the lean structure of the Council and the implications of external issues such as recruitment in Housing. An update on the People Strategy including workforce planning would be considered by the Corporate Resources Overview & Scrutiny Committee.

On Principle F on change management, Sally acknowledged the work on risk management but was concerned about the number of 'red' audit reports with issues around implementation and transition. The Chief Executive said that this was about scale and he spoke about the Council's positive track record on transition through major policy/service changes. The Internal Audit Manager advised that no issues had been raised on Alternative Delivery Models and that Principle F supported her annual audit opinion. Red assurance reports such as that reported later on the agenda were isolated cases and there were no concerns about aggregation, however any red reports issued during the year had been separately identified within the AGS.

Councillor Heesom spoke about the importance of the AGS which he said was officer driven and lacked Member involvement. He said that as Members were accountable for the AGS, they should be given opportunity to contribute to the self-assessment process. He stressed the importance of managing risks and had major concerns about the risk issues contained in the document.

The Chief Executive said that the Committee had previously agreed the process for preparing the AGS which was a culmination of information already in existence, for example risk assessments which were reviewed by Overview & Scrutiny and Cabinet.

Councillor Dunbobbin referred to the Committee's role in seeking assurance that process was being followed, which differed to the remit of Overview & Scrutiny committees.

The Chief Officer (Governance) spoke about the complexity of the internal control environment where key responsibilities were allocated across the organisation with an overall view by the Audit Committee. The contributors to an effective Governance Framework within the AGS set out those roles, most of which involved Members. The liaison group comprising the Chair and Vice-Chair of the Audit Committee and Overview & Scrutiny Chairs helped to ensure that risks were sufficiently allocated and managed.

The Executive Officer said that the number of risks which had been identified demonstrated the open and transparent approach taken by the Council, supported by action plans.

The Chairman referred to the importance of the governance principles across the Council and the need to work together in moving forward.

RESOLVED:

That the Committee recommends to the Council the Annual Governance Statement 2018/19 to be attached to the Statement of Accounts.

7. INTERNAL AUDIT ANNUAL REPORT

The Internal Audit Manager presented the report which summarised the outcome of audit work undertaken during 2018/19, compliance with Standards and the results of the quality assurance and improvement programme. The audit opinion was that overall, the Council had an adequate and effective framework of governance, risk management and control.

In reaching her opinion, the Internal Audit Manager had considered the two red assurance reports and the 75% green or amber/green assurance opinions issued during the year, which were an improvement on the previous year. There had been more involvement by senior management on the development of action plans where 73% of actions raised during the year had been implemented, with the remainder generally due to extended due dates. On section 2.9, analysis of themes identified from investigations would be an area of focus for the team.

The Chief Executive said that the opinion gave strong assurance on the control environment. He spoke about the high degree of escalation on red assurance reports to ensure management actions were followed through. He acknowledged the value and quality of the Internal Audit team, particularly on advisory/consultancy work which had increased over time.

In response to Councillor Johnson's question about the impact of workforce reduction on risks, attention was drawn to the increase in advisory work and the analysis of action categories which mainly related to policy or operational issues.

Councillor Carver pointed out an error with the page numbers on the index page.

On audit coverage, Sally Ellis questioned whether the level of audit work in Social Services was sufficient, compared to other portfolios. The Internal Audit Manager said that she was satisfied, having consulted with the Chief Officer, and that four audits had been completed with more scheduled on the plan.

The Chief Executive acknowledged the concerns and given the size of the portfolio and amount of commissioning work, agreed to discuss further with officers and provide a response.

When asked about team resources, the Internal Audit Manager referred to the development of a Job Evaluation Questionnaire to help with succession planning to fill the vacant post. The recruitment process would incorporate a further vacancy arising from the forthcoming retirement of another member of staff.

In response to a question from Councillor Dunbobbin on audit work in Social Services, the Internal Audit Manager said that a balanced view was taken on the value of audit work against report of external regulators.

RESOLVED:

That the report and Internal Audit annual opinion be noted.

8. INTERNAL AUDIT CHARTER

The Internal Audit Manager presented a report to consider the outcome of the latest review of the Charter in order to meet legal and regulatory requirements and suggestions from the recent external assessment of service compliance. Some minor changes had been made to reflect current working practice, terminology and positions within the Council.

Following a question by Sally Ellis on section 4.13, it was confirmed that the Internal Audit Manager did not currently have responsibility for services outside Internal Audit. The section was included in the Charter in the event of any future changes to enable appropriate safeguards to be introduced.

The Internal Audit Manager provided clarification to Councillor Paul Johnson on the range of skills and qualifications within Internal Audit which met competency requirements of the Code of Ethics.

RESOLVED:

That the updated Internal Audit Charter be approved.

9. INTERNAL AUDIT PROGRESS REPORT

The Internal Audit Manager presented the update on progress of the Internal Audit department. Amongst the reports issued since the last meeting, there was only one with red/limited assurance on Accounts Payable.

The Senior Auditor for the review, Rafaela Rice, advised that the audit focussed on business and system controls. Whilst some areas were found to be well managed, she provided explanation on the key issues set out in the report. The controls which had been introduced significantly reduced the risk of future potential duplicate payments and actions completed to date had been validated by Internal Audit.

In acknowledging the seriousness of a red assurance audit report, the Corporate Finance Manager confirmed that the issues identified had been promptly escalated to himself and the Chief Executive. Officers had worked closely with Internal Audit to understand the issues and put in place preventative controls. It was noted that

the duplicate payments had arisen from some control weaknesses and no evidence had been found of collusion with vendors or fraud. As set out in the report, a number of actions had been implemented including more robust daily procedures to review transactions to identify potential duplicate payments in advance of the payment run.

The potential gross overpayment of £939K identified during the period included entries where references were similar in nature and these would be investigated. It was found that the actual duplicate total amount was £373K of which half was a single payment to a specific contractor. In providing context, it was noted that in 2017/18 the Council dealt with invoices totalling £777M and £943M in 2018/19. With the exception of an amount of £416.50 which had been written off, all duplicate payments had now been recovered. The Corporate Finance Manager would shortly take on line manager responsibility for the AP/PR team and would closely monitor progress on the actions. To show transparency on the issue, the timely payment of invoices would be included as a Key Performance Indicator to be reported as part of the Medium Term Financial Strategy.

The Chief Executive said that the report - which had arisen from a combination of system controls and roles - had been concerning. He said that the findings raised a question about the ethical behaviour of some contractors in respect of larger duplicate payments. He gave assurance of the level of work being undertaken on actions on which he would have personal oversight.

Sally Ellis acknowledged the point about ethical behaviour of the contractor in receipt of the significant single duplicate payment. The Chief Executive agreed that this should be followed up and officers explained that the company had been taken over by another since the payment was made.

Following comments by Councillor Carver, the Corporate Finance Manager spoke about the limitations of the current financial system and said that alternative options were under consideration. He reiterated the actions in place to identify potential duplicate payments.

The Internal Audit Manager provided an overview of the four amber/red assurance reports issued this year.

Sally Ellis observed that common issues on reports were where services/systems were undergoing change, uncertainty on IT matters or lack of documented procedures. The Internal Audit Manager said that policy procedure and operational issues were reflected in the annual report and that the team's involvement on smaller system changes could be an area for future consideration.

Sally said that transition planning had previously been identified as an area of weakness and could be given more priority, for example including trigger questions within the framework. The Internal Audit Manager said that this could be progressed with Chief Officers to identify key risks.

The Chief Executive spoke about the limitations on software systems to adapt to future changes. He said that to give assurance to the Committee, officers would

discuss common areas of weakness and learning to build into the process going forward.

RESOLVED:

That the report be accepted.

10. ACTION TRACKING

The Internal Audit Manager presented the update report on actions arising from previous meetings, where the vast majority had been completed.

RESOLVED:

That the report be accepted.

11. FORWARD WORK PROGRAMME

The Internal Audit Manager presented the current Forward Work Programme for consideration, which also provided an opportunity to identify training needs. In addition, the Committee would be given briefings on key pieces of work such as training on the Statement of Accounts prior to the meeting (in advance of the draft accounts being considered at the next meeting).

Sally Ellis pointed out that the Clwyd Pension Fund Statement of Accounts would accompany the Council’s accounts scheduled for the July meeting.

In response to a question from Councillor Johnson, it was clarified that the item on Contract Management due in September would deal with management of the performance of contractors whilst reflecting earlier discussion on the red assurance audit report.

RESOLVED:

- (a) That the Forward Work Programme, as amended, be accepted; and
- (b) That the Internal Audit Manager, in consultation with the Chair and Vice-Chair of the Committee, be authorised to vary the Forward Work Programme between meetings, as the need arises.

12. ATTENDANCE BY MEMBERS OF THE PRESS AND PUBLIC

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

The meeting commenced at 10am and finished at 11.30am

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Chairman

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AUDIT COMMITTEE

Date of Meeting	Wednesday 10 th July 2019
Report Subject	Draft Statement of Accounts 2018/19
Report Author	Corporate Finance Manager

EXECUTIVE SUMMARY

The Accounts and Audit (Wales) Regulations 2014 specify that the statutory deadline for the approval of the draft accounts by the Responsible Finance Officer is 15th June.

The Accounts were signed by the Corporate Finance Manager and submitted for audit on 7th June 2019.

The Council's draft accounts are attached at Appendix 1 for Members information.

The draft accounts will now be audited with the statutory deadline for publishing the final audited Statement of Accounts for 2018/19, approved by Council being the 15th September 2019.

Members may discuss any aspect of the Statement of Accounts with Officers or the Wales Audit Office throughout July, August and September prior to the final audited version being brought back to the Committee for their recommendation to Council for final approval on 11th September 2019.

RECOMMENDATIONS

1	Members note the draft Statement of Accounts 2018/19 (which includes the Annual Governance Statement approved by the Committee at its June 2019 meeting).
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2	Members note the opportunity to discuss any aspect of the Statement of Accounts with Officers or the Wales Audit Office throughout July, August and September, prior to the final audited version being brought back to the Committee for their recommendation to Council for final approval on 11 th September 2019.
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REPORT DETAILS

1.00	EXPLAINING THE STATEMENT OF ACCOUNTS
1.01	The Accounts and Audit (Wales) Regulations 2014 specify that the statutory deadline for the approval of the draft accounts by the Responsible Finance Officer is 15 th June. The Accounts were signed by the Corporate Finance Manager and submitted for audit on 7th June 2019. The Council's draft accounts are attached at Appendix 1 for Members information. The draft accounts will now be audited with the statutory deadline for publishing the final audited Statement of Accounts for 2018/19, approved by Council being the 15 th September 2019.
1.02	At the completion of the audit, Wales Audit Office (WAO) will provide a report and opinion on the accounts. Any required adjustment as a result of the audit will be incorporated into the final Statement of Accounts. The final version of the Statement will be presented to Audit Committee on the morning of 11 th September 2019 for recommendation to Council on the afternoon of the same day.
1.03	<p>The Council's Statement of Accounts have been prepared in accordance with the requirements of the 2018/19 Code of Practice on Local Authority Accounting – which is based on International Financial Reporting Standards (IFRS) and include:</p> <ul style="list-style-type: none"> • The core financial statements and notes comprising – expenditure and funding analysis, comprehensive income and expenditure statement, movement in reserves statement, balance sheet and cash flow statement. • The supplementary financial statements – the housing revenue account income and expenditure statement, movement in reserves statement and notes. • The group accounts – incorporating the financial accounts of North East Wales (NEW) Homes Ltd, Newydd Catering and Cleaning Ltd and Theatr Clwyd Productions Ltd with that of the Council's. • The Annual Governance Statement.

1.04	The draft accounts include the Annual Governance Statement which explains how the Council has complied with the Code of Corporate Governance and also meets the requirements of the Accounts and Audit (Wales) Regulations 2014. The Committee received a separate report on the Annual Governance Statement at its June 2019 meeting providing an opportunity for Member scrutiny before its inclusion within the draft accounts.
1.05	There were no significant revisions to the 2018/19 Code of Practice.
1.06	Members may discuss any aspect of the Statement of Accounts with Officers or the Wales Audit Office throughout July, August and September prior to the final audited version being brought back to the Committee for their recommendation to Council for final approval on 11 th September 2019.

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

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

4.00	RISK MANAGEMENT
4.01	<p>The main risk is the Council not being able to meet its statutory deadlines for producing the accounts, the dates are earlier this year. This is 15th June for draft accounts signed by the Responsible Finance Officer, which has already been met; and 15th September for publishing the final version of the accounts which has been externally audited, by the WAO in Flintshire's case. Last year's accounts (2017/18) were successfully prepared by 15th June and 15th September, in preparation for these earlier deadlines.</p> <p>Officers have already been working closely with the WAO in preparing for the financial audit and will continue to do so during July and August to resolve queries arising. Progress will continue to be overseen by the Accounts Governance Group, a group of senior officers including the Chief Executive, Monitoring Officer and Section 151 Officer.</p>

5.00	APPENDICES
5.01	1. Draft Statement of Accounts 2018/19

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

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

STATEMENT OF ACCOUNTS

DRAFT

2018-19



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NARRATIVE REPORT

INTRODUCTION

Flintshire County Council's Statement of Accounts for 2018/19 details the income and expenditure on service provision for the financial year 1st April 2018 to 31st March 2019 and the value of the Council's assets and liabilities as at 31st March 2019. The Group Accounts incorporates the Council's Financial Statements with that of its wholly owned subsidiaries North East Wales Homes Ltd (NEW Homes), Newydd Catering and Cleaning Ltd and Theatr Clwyd Productions Ltd.

The Accounts have been prepared in accordance with the requirements of the 2018/19 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. The Council has prepared and submitted the Accounts to the Council's External Auditors by the earlier legislative deadline of 15th June 2019.

The Council set its budget for the 2018/19 financial year in the context of a continuing reduction in public sector funding and rising demand for its services. Despite facing significant challenges, the Council managed to achieve 98% of its budgeted efficiencies and was able to limit spending to £608k less than its approved budget, due to a combination of one-off savings and good financial management and control. In addition, the Council's overall financial position significantly benefitted as a result of changes made to the Minimum Revenue Provision Policy last year and the receipt of a VAT refund on sporting exemptions. The financial impact of these were £1,400k and £1,940k respectively which allowed the Council to increase its Unearmarked Reserves.

The revenue outturn position, explained below, is important to residents and rent payers, as 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 the CIES 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 contributed to the final position for the financial year ending 31st March 2019.

COUNCIL PERFORMANCE DURING THE YEAR

The Council Plan for 2018/19 set the Council's priorities for the year, identifying the areas where service change or focus was needed. The Plan has six themes and a number of supporting 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 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 outturn for the year reported to Cabinet in July 2019. This report is available on the Council's website. The end of year report is published in October 2019.

NARRATIVE REPORT

FINANCIAL PERFORMANCE DURING THE YEAR

The revenue budget 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 72% of the budget requirement for Council services comes from Welsh Government through Aggregate External Funding (Revenue Support Grant and Non Domestic Rates). In 2018/19, there was a decrease in funding of 0.2% which was combined with significant cost pressures from factors outside of the Council's control such as 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 has significant consequences and is expected to do so in future years as reflected in our latest Medium Term Financial Strategy.

Despite this financial challenge, portfolio business plans and corporate financing options enabled us to plan for £5,511k of new efficiencies in our 2018/19 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 2018/19 was set at £264,329k and was approved by Council on 20th February 2018. Budget monitoring information was reported to Cabinet on a monthly basis throughout the year, with final outturn scheduled to be reported on 16th July 2019.

The budget strategy for 2018/19 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, as well as maximisation of income generation and a review of reserves and balances.

Total net expenditure for 2018/19 amounted to £264,065k against the budget of £264,329k.

NARRATIVE REPORT

	2018/19 Budget £000	2018/19 Actual £000	Variance £000
Corporate Services :			
Chief Executive	2,990	2,554	(436)
People and Resources	4,403	4,387	(16)
Governance	8,135	8,307	172
	<u>15,528</u>	<u>15,248</u>	<u>(280)</u>
Social Services	69,266	69,324	58
Housing and Assets	14,640	14,499	(141)
Streetscene and Transportation	29,878	31,423	1,545
Planning, Environment & Economy	5,640	5,589	(51)
Education and Youth	101,043	101,625	582
Strategic Programmes	4,198	4,179	(19)
Net expenditure on services	240,193	241,887	1,694
Central loans and investment account	13,562	13,427	(135)
Central and Corporate Finance	12,519	10,696	(1,823)
Total net expenditure	266,274	266,010	(264)
Contribution from reserves	(1,945)	(1,945)	0
Budget requirement	264,329	264,065	(264)
Financed by			
Council tax (net of community council precepts expenditure)	75,172	75,516	(344)
General grants	140,031	140,031	0
Non-domestic rates redistribution	49,126	49,126	0
Total resources	264,329	264,673	(344)
Net variance - (underspend)	0	(608)	(608)

The underspend of £264k, increased to £608k by way of additional Council Tax income of £344k, combined with other agreed funding transfers to produce year-end Council fund revenue reserves of £14,020k.

NARRATIVE REPORT

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

	2018/19 Budget £000	2018/19 Actual £000	Variance £000
Estate Management	1,617	1,477	(140)
Landlord Services	1,415	1,408	(7)
Repairs & Maintenance	8,044	7,606	(438)
HRA Projects	87	45	(42)
Finance & Support	1,252	977	(275)
Revenue contributions to fund Capital Expenditure	12,402	14,137	1,735
Net expenditure on services	24,817	25,650	833
Central loans and investment account	8,618	7,508	(1,110)
Support Services	1,040	1,035	(5)
Total net expenditure	34,475	34,193	(282)
Contribution from reserves	330	303	(27)
Budget requirement	34,805	34,496	(309)
Financed by			
Rents	33,780	33,500	280
Grants and Other Income	1,025	996	29
Total resources	34,805	34,496	309
Net variance	0	0	0

2018/19 was the fourth year of a 6 year programme of capital schemes to improve the quality of its housing stock and achieve the Welsh Housing Quality Standard which is in part funded by revenue contributions. The planned WHQS capital programme increased during the year. The increased expenditure was mitigated by underspends on other budget headings. A contribution of £303k was made to HRA reserves bringing the total HRA reserves as at 31st March 2019 to £2,221k.

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 2018/9 Capital Programme was approved in the sum of £60,269k (Housing Revenue Account £36,496k and Council Fund £23,773k); this figure increased during the course of the year to a final programme total of £72,216k, (Housing Revenue Account £27,033k and Council Fund £45,183k). Capital Programme budget monitoring information was reported to Cabinet on a quarterly basis throughout the year, with final outturn scheduled to be reported on 16th July 2019.

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) forms, for its published Local Government Finance Statistics. Schemes and projects include; investment in the Council's housing stock as part of the plan to achieve the Welsh Housing Quality Standard, and the 21st Century Schools building programme which includes works to Connah's Quay High School and the amalgamation of schools in Penyffordd.

	2019
	£000
Education	15,771
Social services	3,186
Transport	10,254
Housing	29,746
Libraries, culture and heritage	303
Agriculture and fisheries *	55
Sport and recreation	2,794
Other environmental services	4,520
Outturn	66,629

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

The programme was financed as follows -

	2019
	£000
Supported borrowing	4,051
Other borrowing (including Salix loans)	14,554
Capital receipts	999
Capital grants and contributions	30,579
Capital reserves/capital expenditure funded from revenue account	16,446
Core financing	66,629

Strategic Housing and Regeneration Programme (SHARP)

The Council has embarked on an ambitious house building programme as part of its Strategic Housing and Regeneration Programme (SHARP). Over a 5 year period 500 new homes will be built at a range of sites across the county, a mixture of new council houses and affordable homes, alongside commissioning a range of linked regeneration initiatives and community benefits.

During the year, the Council House building programme continued, all funded through the Housing Revenue Account. 35 new homes were completed and occupied at sites in Connah's Quay, Leeswood, Mold and Shotton. Work began to develop another 79 homes in Llys Dewi, Penyffordd (Holywell), Nant-Y-Gro, Gronant, the former depot site at Dobshell and Maes Gwern, Mold. Total costs during the year equated to £4,233k (included within the housing figure in the Capital Outturn above). Approval was also given in January for a further 12 HRA properties in Garden City, Deeside.

Affordable homes are being developed through the Council's wholly owned subsidiary North East Wales Homes (NEW Homes) in partnership with the Council. 62 new affordable homes for rent at The Walks site in Flint (one of the former maisonette sites) have been built and are now occupied. The NEW Homes Board's preferred option was to seek approval to borrow the capital finance required directly from the Council. The Council approved the loan with the final £424k drawn down during the year (also included within the housing figure in the Capital Outturn).

NARRATIVE REPORT

During the year the NEW Homes Board also approved the development of 30 new affordable homes for rent at Llys Dewi, Penyffordd (Holywell), Nant-Y-Gro, Gronant, and Maes Gwern, Mold. Following a thorough appraisal of capital funding options available the Board's preferred option was to seek approval to borrow the capital finance required directly from the Council. The Council has approved a loan of up to £10,000k, none of which was drawn down during the year.

Borrowing

The Council undertook £17,531k of long term borrowing from the Public Works Loan Board (PWLB) during 2018/19 to fund capital expenditure schemes including building new homes through the SHARP and the 21st Century Schools building programme. A further £10,000k of long term borrowing was arranged at the end of the financial year which will be paid in 2019/20. The balance sheet (long term) borrowing total of £272,383k includes, the sum of £4,313k relating to interest free loans from Salix Finance Ltd, an independent company funded by the Carbon Trust to help improve energy efficiency in the public sector buildings, with new loans taken out during the year for a variety of energy efficiency projects including street lighting, and loans totaling £860k from Welsh Government for regeneration initiatives in Deeside under the Vibrant and Viable Places Scheme within the Capital Programme.

Financial Position at 31st March 2019

Reserves and Provisions

The Council sets funding aside to meet future liabilities and service developments in provisions and reserves held on the Balance Sheet at 31st March 2019.

Provisions are based on past events that place 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.

	2019	Net	Other	2018
	£000	Underspend	£000	£000
		£000		
Council fund (unearmarked) balance	14,020	608	(285)	13,697
Earmarked council fund reserves	11,979	0	(1,612)	13,591
Locally managed schools	1,335	0	50	1,285
Housing Revenue Account reserves	2,221	49	254	1,918
Total revenue reserves	<u>29,555</u>	<u>657</u>	<u>(1,593)</u>	<u>30,491</u>

Pension Liability

The liability recorded in the balance sheet £395,042k has increased by £46,177k during the year, mainly as a result of changes to the financial assumptions used by the pension fund Actuary. The main change relates to the decrease in the discount rate used to discount the future cash flows of the fund and an increase in the assumption of the rate of Consumer Price Index. These assumptions are determined by the Actuary and represent the market conditions at the balance sheet date. The Council relies and places assurance on the professional judgement of the Actuary and the assumptions used to calculate the liability. Disclosures in Note 42 are in accordance with International Accounting Standard 19 (IAS 19), accounting in full for the pension liability, that 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 Council as reflected in the balance sheet total of £72,615k (£115,014k as at 31st March 2018).

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 and during 2018/19 (the fourth year of the current cycle, commencing 1st April 2015) 25% of operational non-dwelling assets were revalued. The exception to this arrangement is Council Dwellings which were all valued in 2015/16.

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, identifies any funding gap, which enables 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 in recent years and a revised MTFS was shared with Cabinet in April 2019. The Council was able to set a balanced budget for 2019/20 at its meeting in February 2019 although the initial forecast for 2020/21 has identified pressures totaling £13.2m. This forecast will continue to be updated to incorporate budget developments at a national and local level alongside a budget strategy for dealing with the pressures.

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. In April 2019 the Council created a Working Group consisting of Members across all political parties to develop a case for a more sustainable and equitable approach to Local Government funding alongside the Welsh Local Government Association and will continue 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.

There continues to be a high level of uncertainty around how Britain will leave the European Union and the resulting impact of the decision to leave. The Council continues to monitor the situation and manage the risks as much as practical, however, at the present time the Council has concluded that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired, or that its liabilities need to be reviewed.

PRINCIPAL RISKS AND UNCERTAINTIES

The Council has a comprehensive risk management policy and strategy. All the priority areas within the Council 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. Risk management is 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 Committees.

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 was reported to Audit Committee in July 2019 and is available on the Council's website.

NARRATIVE REPORT

CHANGES AND FUTURE CHANGES TO THE STATEMENT OF ACCOUNTS

During the year no significant changes have been introduced to the Council's Statement of Accounts.

The reporting segments (service portfolios) used in revenue budget monitoring reports have changed slightly to reflect changes in responsibility at Chief Officer Level. Changes to match have therefore been made to the Comprehensive Income and Expenditure Statement, the Expenditure and Funding Analysis and associated notes. The prior year comparators have also been amended.

The Accounts and Audit (Wales) Regulations 2018 came into force on 14th March 2018. The regulations confirmed the new timetables for the publishing of statements of accounts in Wales. In 2018/19 the deadline for certification by the Section 151 Officer has been brought forward to 15th June 2019, and for 2020/21 will be brought forward to 31st May 2020. The Council is actively preparing for having to produce its accounts earlier in conjunction with its external auditors. The regulations also remove the requirement for pension fund statements to be included in the administering bodies' accounts.

CHANGE IN ACCOUNTING POLICIES

Minor changes to accounting policies have been made during 2018/19 to reflect changes in the Code of Practice. In the main this relates to the Code's adoption of IFRS 9 Financial Instruments. There have been no other significant changes to accounting policies during the year.

FURTHER INFORMATION

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

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

THE COUNCIL'S RESPONSIBILITIES

The Council 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 Council, 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 Marion Bateman
Chair to the County Council**

Date :

THE CHIEF FINANCE OFFICER'S RESPONSIBILITIES

The Chief Finance Officer is responsible for the preparation of the Council'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 Council at 31st March 2019, and its income and expenditure for the year then ended.

Signed :

**Gary Ferguson CPFA
Corporate Finance Manager (Chief Finance Officer)**

Date :

EXPENDITURE AND FUNDING ANALYSIS

for the year ended 31st March 2019

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's service portfolios. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2018/19	Net Portfolio Final Outturn Reported £000	Adjustments for Movements (to)/from Earmarked Reserves £000	Chargeable to C F / HRA Reserves £000	Adjustments between Funding & Accounting Basis £000	Net Expenditure - CI&ES £000
Chief Executive's	2,554	(17)	2,537	22	2,559
Education & Youth	101,625	443	102,068	3,366	105,434
Governance	7,963	211	8,174	1,551	9,725
Housing & Assets	14,499	997	15,497	(3,674)	11,823
People & Resources	4,387	(66)	4,321	71	4,392
Planning, Environment & Economy	5,589	117	5,706	362	6,068
Social Services	69,324	(65)	69,259	509	69,768
Strategic Programmes	4,179	41	4,220	6,105	10,325
Streetscene	31,423	718	32,141	5,627	37,768
Central & Corporate Finance	22,178	(611)	21,566	(17,423)	4,143
Housing Revenue Account	(49)	(254)	(303)	8,984	8,681
Clwyd Theatr Cymru	0	58	58	32	90
Cost of services	263,672	1,572	265,244	5,532	270,776
Other Income and Expenditure	(264,328)	20	(264,308)	8,495	(255,813)
(Surplus)/deficit on the provision of services	(656)	1,592	936	14,027	14,963
Opening Council Fund / HRA Reserves			30,491		
In Year Revenue Surplus / Deficit					
Council Fund (CF)			(633)		
Housing Revenue Account (HRA)			(303)		
Closing Council Fund / HRA Reserves			29,555		
Restated 2017/18					
	Net Portfolio Final Outturn Reported £000	Adjustments for Movements (to)/from Earmarked Reserves £000	Chargeable to C F / HRA Reserves £000	Adjustments between Funding & Accounting Basis £000	Net Expenditure - CI&ES £000
Chief Executive's	2,805	51	2,856	39	2,895
Education & Youth	99,709	1,112	100,821	5,991	106,812
Governance	7,534	296	7,830	2,414	10,244
Housing & Assets	13,406	161	13,567	(6,574)	6,993
People & Resources	4,412	117	4,529	112	4,641
Planning, Environment & Economy	5,568	126	5,694	1,186	6,880
Social Services	63,250	149	63,399	813	64,212
Strategic Programmes	5,702	99	5,801	1,701	7,502
Streetscene	29,928	(317)	29,611	5,820	35,431
Central & Corporate Finance	20,735	3,192	23,927	(26,129)	(2,202)
Housing Revenue Account	0	(276)	(276)	16,119	15,843
Clwyd Theatr Cymru	0	5	5	39	44
Cost of services	253,049	4,715	257,764	1,531	259,295
Other Income and Expenditure	(255,156)	20	(255,136)	21,584	(233,551)
(Surplus)/deficit on the provision of services	(2,107)	4,735	2,628	23,116	25,743
Opening Council Fund / HRA Reserves			33,120		
In Year Revenue Surplus / Deficit					
Council Fund (CF)			(2,903)		
Housing Revenue Account (HRA)			276		
Closing Council Fund / HRA Reserves			30,493		

*The 2017/18 figures have been restated in line with changes made to the Council's management structure. This has not changed the total figure in the EFA or CIES.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

for the year ended 31st March 2019

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	2019		Restated 2018			
		Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
		£000	£000	£000	£000	£000	£000
Service Expenditure Analysis							
Chief Executive's		2,707	(147)	2,559	3,016	(121)	2,895
Education & Youth		132,948	(27,514)	105,434	136,015	(29,203)	106,812
Governance		11,871	(2,146)	9,725	12,734	(2,491)	10,243
Housing & Assets		52,736	(40,913)	11,823	50,952	(43,958)	6,994
People & Resources		4,757	(365)	4,392	5,033	(392)	4,641
Planning, Environment & Economy		10,858	(4,790)	6,068	11,539	(4,658)	6,881
Social Services		90,832	(21,064)	69,768	85,033	(20,822)	64,211
Strategic Programmes		10,842	(517)	10,325	9,554	(2,052)	7,502
Streetscene		48,597	(10,829)	37,768	47,355	(11,924)	35,431
Central & Corporate Finance		7,367	(3,224)	4,143	(900)	(1,303)	(2,203)
Housing Revenue Account		43,829	(35,148)	8,681	48,959	(33,115)	15,844
Clwyd Theatr Cymru		6,999	(6,908)	90	5,932	(5,889)	43
Cost of services		424,342	(153,565)	270,776	415,222	(155,928)	259,293
Other Operating Expenditure	4			26,727			26,221
Financing and Investment Income and Expenditure	5			20,257			20,716
Taxation and Non-Specific Grant Income	6			(302,797)			(280,488)
(Surplus)/deficit on the provision of services	3			14,963			25,742
(Surplus)/deficit arising on revaluation of non-current assets				(8,810)			(48,838)
(Surplus)/deficit arising on revaluation of available-for-sale financial assets				0			0
Actuarial (gains) or losses on pension assets and liabilities				36,249			(48,404)
Total comprehensive income and expenditure				42,402			(71,500)

*The 2017/18 figures have been restated in line with changes made to the Council's management structure. This has not changed the total figure in the CIES or EFA.

MOVEMENT IN RESERVES STATEMENT

for the year ended 31st March 2019

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 Increase / Decrease in the year shows the Statutory Council Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves as shown in Note 21.

	Note	Council Fund Reserves £000	Housing Revenue Account Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves of the Authority £000
At 31st March 2018		28,575	1,918	14,094	4,825	49,412	65,605	115,017
In Year Movement in Reserves								
Total comprehensive income and expenditure		(838)	(14,125)	0	0	(14,963)	(27,439)	(42,402)
Adjustments between accounting and funding basis under	7	(403)	14,428	1,851	1,838	17,714	(17,714)	0
Increase/(decrease) in year		(1,241)	303	1,851	1,838	2,751	(45,153)	(42,402)
At 31st March 2019		27,334	2,221	15,945	6,663	52,163	20,452	72,615

	Note	Council Fund Reserves £000	Housing Revenue Account Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves of the Authority £000
At 31st March 2017		31,478	1,642	10,671	4,012	47,803	(4,285)	43,518
In Year Movement in Reserves								
Total comprehensive income and expenditure		(4,600)	(21,143)	0	0	(25,743)	97,242	71,499
Adjustments between accounting and funding basis under	7	1,697	21,419	3,423	813	27,352	(27,352)	0
Increase/(decrease) in year		(2,903)	276	3,423	813	1,609	69,890	71,499
At 31st March 2018		28,575	1,918	14,094	4,825	49,412	65,605	115,017

BALANCE SHEETas at 31st March 2019

		2019		2018	
	Note	£000	£000	£000	£000
NON-CURRENT ASSETS					
Property, Plant & Equipment	8				
Council dwellings		203,171		207,735	
Other land and buildings		315,512		313,234	
Vehicles, plant, furniture and equipment		13,956		14,577	
Surplus assets		7,867		8,934	
Infrastructure assets		156,782		153,463	
Community assets		4,721		4,721	
Assets under construction		24,281		7,512	
Total Property, Plant & Equipment			726,290		710,176
Investment properties and Agricultural Estate	9		27,035		29,064
Intangible assets			25		57
Long term investments	11		2,144		0
Long term debtors	12		7,771		2,387
NON-CURRENT ASSETS TOTAL			<u>763,265</u>		<u>741,684</u>
CURRENT ASSETS					
Inventories		1,036		836	
Short term debtors (net of impairment provision)	13	43,845		44,675	
Short term investments	14	0		0	
Cash and cash equivalents	15	30,335		31,803	
Assets held for sale	10	1,113		1,517	
CURRENT ASSETS TOTAL			<u>76,329</u>		<u>78,831</u>
CURRENT LIABILITIES					
Borrowing repayable on demand or within 12 months	16	(50,450)		(58,084)	
Short term creditors	17	(35,953)		(30,622)	
Provision for accumulated absences		(2,666)		(1,776)	
Deferred liabilities	39	(555)		(541)	
Grants receipts in advance	18	(1,815)		(2,512)	
Provisions	19	(112)		(609)	
CURRENT LIABILITIES TOTAL			<u>(91,551)</u>		<u>(94,144)</u>
NON-CURRENT LIABILITIES					
Long term creditors	17	(1,532)		(1,342)	
Long term borrowing	20	(272,383)		(253,672)	
Deferred liabilities	39	(4,479)		(4,846)	
Provisions	19	(990)		(1,000)	
Other long term liabilities	42	(395,042)		(348,865)	
Grants receipts in advance	18	(1,002)		(1,632)	
NON-CURRENT LIABILITIES TOTAL			<u>(675,428)</u>		<u>(611,357)</u>
NET ASSETS			<u>72,615</u>		<u>115,014</u>

BALANCE SHEET

		2019		2018	
	Note	£000	£000	£000	£000
USABLE RESERVES	21				
Capital receipts reserve		15,945		14,094	
Capital grants unapplied		6,663		4,825	
Council fund		14,020		13,697	
Earmarked reserves		13,314		14,876	
Housing revenue account		2,221		1,918	
USABLE RESERVES TOTAL			52,163		49,410
UNUSABLE RESERVES	22				
Revaluation reserve		105,382		103,062	
Capital adjustment account		318,771		319,537	
Financial instruments adjustment account		(6,091)		(6,452)	
Pensions reserve		(395,042)		(348,865)	
Deferred capital receipts		98		98	
Accumulated absences account		(2,666)		(1,776)	
UNUSABLE RESERVES TOTAL			20,452		65,604
TOTAL RESERVES			72,615		115,014

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

CASH FLOW STATEMENT
for the year ended 31st March 2019

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council 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 Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council'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 Council.

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	2019		2018	
		£000	£000	£000	£000
Net surplus or (deficit) on the provision of services		(14,963)		(25,743)	
Adjustment to surplus or deficit on the provision of services for non-cash movements		72,495		62,551	
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		<u>(35,227)</u>		<u>(20,986)</u>	
Net cash flows from operating activities	23		22,305		15,822
Net cash flows from investing activities	24	(34,158)		(30,087)	
Net cash flows from financing activities	25	<u>10,385</u>		<u>39,106</u>	
Net increase or decrease in cash and cash equivalents			<u>(23,773)</u>		<u>9,019</u>
			(1,468)		24,841
Cash and cash equivalents at the beginning of the reporting period	15		31,803		6,962
Cash and cash equivalents at the end of the reporting period	15		30,335		31,803

NOTES TO THE CORE FINANCIAL STATEMENTS

for the year ended 31st March 2019

INTRODUCTION TO NOTES

The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code) and the Council's accounting policies. The notes that follow (1 to 42) set out supplementary information to assist readers of the accounts.

1. NOTE TO EXPENDITURE AND FUNDING ANALYSIS

The adjustments between the funding and accounting basis within the Expenditure and Funding Analysis is explained in more detail below:

Adjustments from Council Fund / HRA to arrive at CI&ES Amounts	2018/19			Total Adjustments £000
	Adjustments for Capital Purposes £000	Adjustments for Employee Benefit Purposes £000	Other Adjustments £000	
Note	a	b	c	
Chief Executive's	0	22	0	22
Education & Youth	3,748	(44)	(338)	3,366
Governance	1,269	71	211	1,551
Housing & Assets	8,082	1	(11,757)	(3,674)
People & Resources	0	71	0	71
Planning, Environment & Economy	549	90	(277)	362
Social Services	210	343	(44)	509
Strategic Programmes	6,256	53	(204)	6,105
Streetscene	7,367	166	(1,906)	5,627
Central & Corporate Finance	1,513	409	(19,345)	(17,423)
Housing Revenue Account	30,572	79	(21,667)	8,984
Clwyd Theatr Cymru	0	32	0	32
Cost of services	59,566	1,293	(55,327)	5,532
Other Income and Expenditure from the EFA	(29,833)	9,526	28,802	8,495
Differences between CF / HRA surplus / deficit and CI&ES surplus / deficit	29,733	10,819	(26,525)	14,027

Adjustments from Council Fund / HRA to arrive at CI&ES Amounts	Restated 2017/18			Total Adjustments £000
	Adjustments for Capital Purposes £000	Adjustments for Employee Benefit Purposes £000	Other Adjustments £000	
Note	a	b	c	
Chief Executive's	0	40	0	40
Education & Youth	7,817	(1,608)	(219)	5,991
Governance	1,695	110	609	2,414
Housing & Assets	3,158	92	(9,824)	(6,574)
People & Resources	0	112	0	112
Planning, Environment & Economy	1,260	146	(220)	1,186
Social Services	269	544	0	813
Strategic Programmes	1,937	0	(235)	1,701
Streetscene	6,023	259	(462)	5,820
Central & Corporate Finance	1,343	(8,655)	(18,817)	(26,129)
Housing Revenue Account	35,239	123	(19,243)	16,119
Clwyd Theatr Cymru	0	39	0	39
Cost of services	58,741	(8,799)	(48,411)	1,531
Other Income and Expenditure from the EFA	(16,663)	10,142	28,106	21,585
Differences between CF / HRA surplus / deficit and CI&ES surplus / deficit	42,078	1,343	(20,305)	23,116

*The 2017/18 figures have been restated in line with changes made to the Council's management structure. This has not changed the total figure in the CI&ES.

NOTES TO THE CORE FINANCIAL STATEMENTS

a. Adjustments for Capital Purposes

This column adds in capital accounting adjustments that are not reported within a portfolio's final outturn but are required in the Comprehensive Income and Expenditure Statement by the Code of Practice and includes; depreciation, impairments, revaluation losses, amortisation, and revenue expenditure funded from capital under statute (REFCUS).

Net gains and losses on the disposal of non-current assets (included within other operating expenditure) and capital grants and contributions (included within taxation and non-specific grant income and expenditure) are reported in the Comprehensive Income and Expenditure Statement but not in the final outturn report and therefore are included within capital accounting adjustments.

b. Adjustments for Employee Benefit Purposes

This column adds in accounting adjustments related to IAS 19 Employee Benefits that are not reported within a portfolio's final outturn but are required in the Comprehensive Income and Expenditure Statement by the Code of Practice and includes; pension adjustments – removing the employer pension contributions made to the pension funds during the year, and replacing with the current service and past service costs (being the calculated benefit earned during the year), and the movement on the accumulated absences provision (being the accounting cost of leave entitlements earned by employees but not taken before the year-end which is carried forward into the next financial year).

The administrative expenses and the net interest on the net defined benefit liability (included within other operating expenditure and financing and investment income and expenditure respectively) are reported in the Comprehensive Income and Expenditure Statement but not in the final outturn report and therefore are included within employee benefit accounting adjustments.

c. Other Adjustments

This column contains all other accounting adjustments required in the Comprehensive Income and Expenditure Statement by the Code of Practice that are not reported within a portfolio's final outturn and includes; Capital grants received to fund REFCUS, removal of charges to revenue to fund capital schemes, removal of statutory provision for the financing of capital expenditure (Minimum Revenue Provision) and debt rescheduling.

In addition, the column also includes adjustments for transactions reported within a portfolio's final outturn required by the Code of Practice to be reported below the Cost of Services line within the Comprehensive Income and Expenditure Statement and includes; income and expenditure related to investment properties (included within financing and investment income and expenditure), interest payable and interest and investment income (included within financing and investment income and expenditure).

NOTES TO THE CORE FINANCIAL STATEMENTS

2. SEGMENTAL INCOME AND EXPENDITURE

Income and expenditure reported on a segmental basis included within the column 'Net Portfolio Final Outturn' in the Expenditure and Funding Analysis as required by the Code of Practice is shown below:

2018/19	CE	E&Y	Gov	H&A	P&R	PE&E	SS	SP	S&T	Central and Corporate Finance	Theatr Clwyd	HRA	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Revenues from External Customers	(137)	(6,463)	(2,108)	(3,523)	(315)	(2,625)	(9,440)	(101)	(8,400)	(3,224)	(4,588)	(35,032)	(75,956)
Revenues from Transactions with other Operating Segments	0	(2,325)	(1,063)	(466)	(158)	(197)	(168)	0	(807)	0	(559)	0	(5,743)
Interest Revenues	0	0	0	0	0	0	0	0	0	(441)	0	0	(441)
Interest Expense	0	0	0	0	0	0	0	0	0	8,010	0	4,974	12,984

Restated 2017/18	CE	E&Y	Gov	H&A	P&R	PE&E	SS	SP	S&T	Central and Corporate Finance	Theatr Clwyd	HRA	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Revenues from External Customers	(121)	(8,798)	(2,548)	(3,861)	(385)	(2,243)	(9,078)	(1,646)	(9,408)	(1,302)	(3,975)	(33,115)	(76,480)
Revenues from Transactions with other Operating Segments	0	(3,881)	(1,061)	(721)	(42)	(170)	(135)	(119)	(905)	(119)	(68)	0	(7,220)
Interest Revenues	0	0	0	0	0	0	0	0	0	(137)	0	0	(137)
Interest Expense	0	0	0	0	0	0	0	0	0	7,913	0	4,637	12,550

*The 2017/18 figures have been restated in line with changes made to the Council's management structure. This has not changed the total figure in the CIES or EFA.

3. INCOME AND EXPENDITURE ANALYSED BY NATURE

Income and Expenditure reported within the Comprehensive Income and Expenditure Statement is analysed as follows:

Nature of Expenses	2018/19 £000	2017/18 £000
Expenditure		
Employee Benefit Expenses	178,703	169,420
Other Service Expenses	196,529	198,452
Depreciation, Amortisation & Impairment	59,437	58,589
Interest Payments	13,474	13,090
Precept and Levies	26,733	25,886
Gain or loss on disposal of fixed assets	(924)	(559)
Total Expenditure	473,953	464,879
Income		
Fees, Charges and Other Service Income	(74,526)	(71,691)
Grants and Contributions	(247,979)	(235,687)
Interest and Investment Income	(2,627)	(2,720)
Income from Council Tax and Non-Domestic Rates	(133,857)	(129,039)
Total Income	(458,990)	(439,136)
Surplus or Deficit on the Provision of Services	14,963	25,743

NOTES TO THE CORE FINANCIAL STATEMENTS

4. OTHER OPERATING EXPENDITURE

	2019	2018
	£000	£000
Precept - Office of North Wales Police and Crime Commissioner	16,477	15,836
Other preceptors - Community Councils	2,847	2,711
Levy - North Wales Fire and Rescue Authority	7,410	7,340
Net gain on the disposal of non-current assets	(924)	(559)
Admin. expenses on the net defined benefit liability	917	894
	26,727	26,221

5. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

An aggregate net financing and investment income and expenditure total of £20,257k (£20,716k in 2017/18), incorporates the investment losses and investment expenditure detailed below:

	2019	2018
	£000	£000
Interest payable and similar charges	13,474	13,189
Investment losses and investment expenditure	2,365	2,005
Net interest on the net defined benefit liability (see note 42)	8,609	9,248
Interest and investment income	(4,191)	(3,727)
	20,257	20,716

6. LOCAL TAXATION AND NON-SPECIFIC GRANT INCOME

	2019	2018
	£000	£000
Council tax income	(84,732)	(79,350)
Non-domestic rates	(49,126)	(49,688)
Non-ringfenced government grants	(140,030)	(135,345)
Capital grants and contributions	(28,909)	(16,105)
	(302,797)	(280,488)

Council Tax

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

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

The tax base is the total of all the properties in each band expressed as Band 'D' equivalent numbers and adjusted for exemptions, discounts and disregards. Allowances are also made within the tax base for bad or doubtful debts. The tax base for 2018/19 was 63,835 band 'D' equivalent properties (63,543 in 2017/18).

NOTES TO THE CORE FINANCIAL STATEMENTS

The Flintshire County Council precept for a band 'D' property in 2018/19 was £1,177.60 (£1,103.55 in 2017/18). Council tax bills were based on the following multipliers for bands A- to I :

Band	A-	A	B	C	D	E	F	G	H	I
Multiplier	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	21/9
No. of equivalent Band 'D' dwellings	8	2,217	6,179	15,963	11,562	11,907	9,906	4,916	1,117	453

Other precepts added to 2018/19 Council Tax demand notices included the North Wales Police and Crime Commissioner precept in the sum of £16,477k (£15,836k in 2017/18) and 34 Town and Community Councils who collectively raised precepts totalling £2,847k (£2,711k in 2017/18).

Analysis of the net proceeds from Council tax:

	2019 £000	2018 £000
Council tax collected	95,271	89,434
Increase/Decrease in bad debts provision	42	79
Council Tax Reduction Scheme	(10,109)	(9,955)
Amounts written off to provision	(472)	(208)
	<u>84,732</u>	<u>79,350</u>
Less - Payable to North Wales Police and Crime Commissioner	(16,477)	(15,836)
	<u>68,255</u>	<u>63,515</u>

Non-Domestic Rates (NDR)

NDR is organised on a national basis. The government sets the rate poundage which in 2018/19 was 51.4p for all properties (49.9p in 2017/18). 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. 2018/19 NDR income paid into the pool was £65,038k after relief and provisions (£56,747k in 2017/18), based on a year end rateable value total of £147,901k (£147,698k in 2017/18).

Analysis of the net proceeds from non-domestic rates:

	2019 £000	2018 £000
Non-domestic rates collected	65,154	57,083
Less - Paid into NDR pool	(65,038)	(56,747)
Less - Cost of collection	(339)	(339)
Increase/Decrease in bad debts provision	184	(85)
Relief Schemes	39	88
	<u>0</u>	<u>0</u>
Receipts from pool	49,126	49,688
	<u>49,126</u>	<u>49,688</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

7. 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 Council to meet future capital and revenue expenditure. The debit adjustment for the year is £17,714k (£27,352k in 2017/18)

	Usable Reserves				Unusable Reserves
	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	
2018/19	£000	£000	£000	£000	£000
Adjustments involving the Capital Adjustment Account:					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES):					
Charges for depreciation and impairment of non current assets	18,007	30,572	0	0	(48,579)
Revaluation losses on Property, Plant and Equipment	6,831	0	0	0	(6,831)
Movements in the market value of Investment Properties	(128)	0	0	0	128
Amortisation of intangible assets	32	0	0	0	(32)
Capital grants and contributions applied	0	0	0	(30,580)	30,580
Revenue expenditure funded from capital under statute	4,123	0	0	0	(4,123)
Soft Loan Accounting Adjustments	(16)	0	0	0	16
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	1,815	70	0	0	(1,885)
Inclusion of items not debited or credited to the CIES:					
Statutory provision for the financing of capital investment	(3,522)	(2,544)	0	0	6,066
Capital expenditure charged against the Council Fund and HRA balances	(2,309)	(14,137)	0	0	16,446
Adjustments involving the Capital Grants Unapplied Account:					
Capital grants and contributions unapplied credited to CIES	(32,418)	0	0	32,418	0
Adjustments involving the Capital Receipts Reserve:					
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	(2,664)	(146)	2,850	0	(40)
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(999)	0	999
Adjustments involving the Financial Instruments Adjustment Account:					
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(359)	(2)	0	0	361
Adjustments involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the CIES	33,450	1,918	0	0	(35,368)
Employer's pensions contributions and direct payments to pensioners payable in the year	(24,133)	(1,305)	0	0	25,438
Adjustment involving the Accumulated Absences Account:					
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	888	2	0	0	(890)
Adjustments involving the Deferred Capital Receipts Account:					
Transfer from CIES to deferred Capital Receipts Reserve	0	0	0	0	0
Adjustments between accounting basis & funding basis under regulations	(403)	14,428	1,851	1,838	(17,714)

NOTES TO THE CORE FINANCIAL STATEMENTS

	Usable Reserves				Unusable Reserves
	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	
2017/18	£000	£000	£000	£000	£000
Adjustments involving the Capital Adjustment Account:					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES):					
Charges for depreciation and impairment of non current assets	17,724	35,239	0	0	(52,963)
Revaluation losses on Property, Plant and Equipment	3,135	0	0	0	(3,135)
Movements in the market value of Investment Properties	(152)	0	0	0	152
Amortisation of intangible assets	53	0	0	0	(53)
Capital grants and contributions applied	0	0	0	(16,750)	16,750
Revenue expenditure funded from capital under statute	2,590	0	0	0	(2,590)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	2,703	162	0	0	(2,865)
Inclusion of items not debited or credited to the CIES:					
Statutory provision for the financing of capital investment	(3,125)	(2,337)	0	0	5,462
Capital expenditure charged against the Council Fund and HRA balances	(623)	(12,248)	0	0	12,871
Adjustments involving the Capital Grants Unapplied Account:					
Capital grants and contributions unapplied credited to CIES	(17,562)	0	0	17,562	0
Adjustments involving the Capital Receipts Reserve:					
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	(3,332)	(92)	3,424	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	0	0	0
Adjustments involving the Financial Instruments Adjustment Account:					
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(360)	(2)	0	0	362
Adjustments involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the CIES	26,048	1,985	0	0	(28,033)
Employer's pensions contributions and direct payments to pensioners payable in the year	(24,527)	(1,288)	0	0	25,815
Adjustment involving the Accumulated Absences Account:					
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(875)	0	0	0	875
Adjustments involving the Deferred Capital Receipts Account:					
Transfer from CIES to deferred Capital Receipts Reserve	0	0	0	0	0
Adjustments between accounting basis & funding basis under regulations	1,697	21,419	3,423	813	(27,352)

NOTES TO THE CORE FINANCIAL STATEMENTS

8. 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 Council, 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 Council 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 2018/19

	Council Dwellings & Garages	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Surplus Assets	Infrastructure Assets	Community Assets	Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
At 1st April, 2018	299,774	358,542	28,423	9,182	233,533	4,721	7,512	941,687
Additions and Acquisitions	23,134	4,832	2,693	0	9,304	0	22,363	62,326
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	(1,722)	0	(88)	0	0	0	(1,810)
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	0	(9,049)	0	(105)	0	0	0	(9,154)
Disposals	0	0	0	0	0	0	0	0
Assets Derecognised		0	(3,554)	0	0	0	0	(3,554)
Reclassifications	(70)	1,262	0	(888)	0	0	0	304
Other movements in cost or valuation	2,700	2,530	20	0	13	0	(5,594)	(331)
At 31st March 2019	325,538	356,395	27,582	8,101	242,850	4,721	24,281	989,468
Accumulated Depreciation and Impairment								
As At 1st April, 2018	(92,038)	(45,309)	(13,846)	(247)	(80,071)	0	0	(231,511)
Depreciation charge	(5,065)	(12,404)	(3,334)	(64)	(5,997)	0	0	(26,864)
Depreciation written out to the Revaluation Reserve	0	9,278	0	77	0	0	0	9,355
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	3,833	0	71	0	0	0	3,904
Impairments written out to the Revaluation Reserve	0	3,150	0	0	0	0	0	3,150
Impairments recognised in the Revaluation Reserve	0	(1,747)	0	0	0	0	0	(1,747)
Reversal of Impairments recognised in the Surplus/Deficit	0	4,091	0	0	0	0	0	4,091
Impairments written out to Surplus/Deficit on the Provision of Services	0	1,248	0	0	0	0	0	1,248
Impairments recognised in the Surplus/Deficit on the Provision of Services	(25,264)	(3,085)	0	0	0	0	0	(28,349)
Assets Derecognised	0	0	3,554	0	0	0	0	3,554
Assets reclassified (to)/from Held for Sale	0	62	0	(71)	0	0	0	(9)
At 31st March 2019	(122,367)	(40,883)	(13,626)	(234)	(86,068)	0	0	(263,178)
Balance Sheet at 31st March 2019	203,171	315,512	13,956	7,867	156,782	4,721	24,281	726,290
Balance Sheet at 1st April 2018	207,736	313,233	14,577	8,935	153,462	4,721	7,512	710,176
Nature of Asset Holding								
Owned	203,171	315,512	9,696	7,867	156,782	4,721	24,281	722,030
Finance Lease	0	0	4,260	0	0	0	0	4,260
At 31st March 2019	203,171	315,512	13,956	7,867	156,782	4,721	24,281	726,290

NOTES TO THE CORE FINANCIAL STATEMENTS

Movements 2017/18

	Council Dwellings & Garages £000	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Surplus Assets £000	Infrastructure Assets £000	Community Assets £000	Assets under Construction £000	Total £000
Cost or Valuation								
At 1st April, 2017	267,720	320,985	28,201	9,116	225,505	4,721	3,789	860,038
Additions and Acquisitions	22,192	4,610	2,122	77	8,028	0	13,747	50,776
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	34,300	0	7	0	0	0	34,307
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	0	(1,094)	0	0	0	0	0	(1,094)
Assets Derecognised	0	(34)	(1,900)	0	0	0	0	(1,934)
Reclassifications	(162)	(225)	0	(19)	0	0	0	(406)
Other movements in cost or valuation	10,024	0	0	0	0	0	(10,024)	0
At 31st March 2018	299,774	358,542	28,423	9,181	233,533	4,721	7,512	941,687
Accumulated Depreciation and Impairment								
As At 1st April, 2017	(56,808)	(49,430)	(12,283)	(108)	(74,273)	0	0	(192,902)
Depreciation charge	(5,076)	(13,213)	(3,463)	(62)	(5,797)	0	0	(27,611)
Depreciation written out to the Revaluation Reserve	0	15,739	0	0	0	0	0	15,739
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	1,227	0	0	0	0	0	1,227
Impairments written out to the Revaluation Reserve	0	1,890	0	(7)	0	0	0	1,883
Impairments recognised in the Revaluation Reserve	0	(3,246)	0	0	0	0	0	(3,246)
Reversal of Impairments recognised in the Surplus/Deficit	0	5,096	0	7	0	0	0	5,103
Impairments written out to Surplus/Deficit on the Provision of Services	0	(1,953)	0	0	0	0	0	(1,953)
Impairments recognised in the Surplus/Deficit on the Provision of Services	(30,155)	(1,485)	0	(77)	0	0	0	(31,717)
Assets Derecognised	0	34	1,900	0	0	0	0	1,934
Assets reclassified (to)/from Held for Sale	0	32	0	0	0	0	0	32
At 31st March 2018	(92,039)	(45,309)	(13,846)	(247)	(80,070)	0	0	(231,511)
Balance Sheet at 31st March 2018	207,735	313,234	14,577	8,934	153,463	4,721	7,512	710,176
Balance Sheet at 1st April 2017	210,912	271,555	15,918	9,008	151,232	4,721	3,789	667,136
Nature of Asset Holding								
Owned	207,735	313,234	9,963	8,934	153,463	4,721	7,512	705,562
Finance Lease	0	0	4,614	0	0	0	0	4,614
At 31st March 2018	207,735	313,234	14,577	8,934	153,463	4,721	7,512	710,176

NOTES TO THE CORE FINANCIAL STATEMENTS

Fair Value Measurement of Surplus Assets

Details of the Council's surplus assets and information about the fair value hierarchy as at 31st March 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 £000
2018/19 Surplus Assets	0	3,242	4,625	7,867
2017/18 Surplus Assets	0	3,261	5,674	8,935

There were no transfers between different levels of the fair value hierarchy during the year and there has been no change in the valuation techniques used during the year for surplus assets.

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

The Council 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.

The Council's valuers, 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 valuers 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

9. INVESTMENT PROPERTIES AND AGRICULTURAL ESTATE

	2019 £000	2018 £000
Cost or Valuation		
At 1st April	29,151	28,554
Reclassifications	(2,167)	405
Additions	40	86
Revaluation Increases/Decreases to Surplus/Deficit	51	106
Other Adjustments	0	0
At 31st March	27,075	29,151
Depreciation and Impairments		
At 1st April	86	46
Reclassifications	(9)	0
Reversal of Impairments recognised in the Surplus/Deficit	0	0
Impairment / Depn	(37)	41
At 31st March	40	87
Balance Sheet at 31st March	27,035	29,064

Fair Value Measurement of Investment Property

Details of the Council's investment properties and information about the fair value hierarchy as at 31st March 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 £000
2018/19				
Commercial and Industrial Estates	0	0	14,224	14,224
Agricultural Estate - Farms	0	11,640	0	11,640
Agricultural Estate - Grazing Land	0	0	1,171	1,171
Total	0	11,640	15,395	27,035
2017/18				
Commercial and Industrial Estates	0	0	16,912	16,912
Agricultural Estate - Farms	0	0	11,291	11,291
Agricultural Estate - Grazing Land	0	0	861	861
Total	0	0	29,064	29,064

Transfers between different levels of the fair value hierarchy during the year have occurred due to comparable information being available this year for similar assets in active markets or prices for similar assets in markets which are not active.

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

The fair value of the Council's investment property is measured annually at each reporting date. In 2018/19 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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 Council's valuation team work closely with finance officers regarding all valuation matters.

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 hierarchy Level 2 was considered appropriate given details of the market comparators were provided as part of the valuation report. The valuation techniques also considered highest and best use reflecting what is physically possible or legally permissible.

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 valuers 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 valuers, 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 valuers.

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 valuers 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 unit's 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

10. ASSETS HELD FOR SALE

	Council Dwellings & Garages £000	Other Property, Plant & Equipment £000	Investment Properties £000	Total £000
At 1st April 2018	0	800	717	1,517
Additions	0	1	0	1
Assets newly classified as held for sale	70	1,320	1,028	2,418
Assets declassified as held for sale	0	(23)	(531)	(554)
Net Reclassifications	70	1,298	497	1,865
Impairments	0	(216)	(102)	(318)
Revaluation gains	0	58	180	238
Revaluation losses	0	(76)	(114)	(190)
Net Revaluations	0	(234)	(36)	(270)
Assets sold	(70)	(1,337)	(593)	(2,000)
At 31st March 2019	0	528	585	1,113

	Council Dwellings & Garages £000	Other Property, Plant & Equipment £000	Investment Properties £000	Total £000
At 1st April 2017	0	1,112	3,131	4,243
Additions	0	0	0	0
Assets newly classified as held for sale	162	212	0	374
Assets declassified as held for sale	0	0	(404)	(404)
Net Reclassifications	162	212	(404)	(30)
Impairments	0	0	0	0
Revaluation gains	0	105	82	187
Revaluation losses	0	0	(19)	(19)
Net Revaluations	0	105	63	168
Assets sold	(162)	(629)	(2,073)	(2,864)
At 31st March 2018	0	800	717	1,517

Fair Value Measurement of Assets Held for Sale

Details of the Council's assets held for sale and information about the fair value hierarchy as at 31 March 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 £000
2018/19 Assets Held for Sale	0	510	603	1,113
2017/18 Assets Held for Sale	0	0	1,517	1,517

Transfers between different levels of the fair value hierarchy have occurred during the year due to the increased availability of information on comparable assets in active markets or prices for similar assets in markets which are not active.

NOTES TO THE CORE FINANCIAL STATEMENTS

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

The Council 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.

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 valuers 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 valuers, in using appropriate valuation techniques have maximised the use of relevant known inputs and minimised the use of unobservable inputs.

11. LONG TERM INVESTMENTS

Long term investments are carried in the balance sheet at amortised cost:

	2019	2018
	£000	£000
Banks / Building Society Deposits	0	0
North East Wales Homes	2,144	0
Total	<u>2,144</u>	<u>0</u>

12. LONG TERM DEBTORS

	2019	2018
	£000	£000
Renewal and improvement loans	2,139	2,134
First time buyer loans	100	100
Assisted car purchase loans	3	11
Affordable housing deposits	98	98
Private street works	45	44
Loan to NEW Homes	5,386	0
Total	<u>7,771</u>	<u>2,387</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

13. SHORT TERM DEBTORS

	2019	Restated 2018
	£000	£000
Housing Rents	2,136	1,839
Council Tax	2,748	2,700
Grants	15,008	8,276
Benefit Overpayments	2,334	2,457
Taxation	3,312	1,851
NNDR	0	5,235
Lending	92	7,112
Payments in advance	6,516	4,419
Other	11,178	10,440
NHS	3,238	2,790
	46,562	47,119
Allowance for impairment losses and expected credit losses	(2,717)	(2,444)
Total	43,845	44,675

*The 2017/18 figures have been restated in line with changes to the CIPFA Code of Practice. This has not changed the total figure in the balance sheet.

The Council adopted IFRS 9 Financial Instruments accounting standard with effect from 1st April 2018 and adopted the expected credit loss model it prescribed. This is to calculate the risk that future cash flows may not take place as the counterparty could default on their obligations. This methodology is explained within the Council's Accounting Policies. The Council's existing process for calculating impairment losses on trade debtors, lease receivables and contract assets was in line with the new method of collective assessment and therefore there has been no change in methodology in calculating impairments of financial assets.

In compliance with the Council's financial management framework, the Council continues to make an impairment allowance outside the scope of the expected credit loss model for non-exchange transactions such as Council Tax debtors, and debtors with government and NHS counterparties.

Analysis of age of Council Tax debt:

	2019	2018
	£000	£000
0-1 years	1,503	1,390
1-2 years	537	542
2-3 years	262	285
3-4 years	163	170
4-5 years	83	116
5+ years	200	197
Total	2,748	2,700

14. SHORT TERM INVESTMENTS

The balance sheet total is recorded net of those sums invested for 3 months or less (including overnight/call account monies) which are treated as cash. Totals for 2019 were nil as in 2018.

NOTES TO THE CORE FINANCIAL STATEMENTS

15. CASH AND CASH EQUIVALENTS

	2019		2018	
	£000	£000	£000	£000
Current Assets				
Temporary investments (call accounts)		0		0
Cash and cash equivalents	32,002		34,161	
Cash overdrawn	<u>(1,667)</u>		<u>(2,358)</u>	
		30,335		31,803
Total		<u>30,335</u>		<u>31,803</u>

16. BORROWING REPAYABLE ON DEMAND OR WITHIN 12 MONTHS

	2019	2018
	£000	£000
Accrued interest on long term external borrowing	5,991	5,837
Loans maturing	0	0
Annuity loan repayments	81	0
Invest to Save loan (from Welsh Government)	0	0
Energy Efficiency Loans (from Salix Finance Ltd.)	339	105
Short term external borrowing	44,000	52,100
Accrued interest on short term external borrowing	39	42
Total	<u>50,450</u>	<u>58,084</u>

17. CREDITORS

	2019	Restated 2018
	£000	£000
Short Term		
Rents received in advance	347	286
Council Tax received in advance and accounts in credit	1,189	891
Deposits	322	299
Receipts in advance	3,254	2,489
Employee Related	5,451	5,299
NNDR	1,127	0
Other	24,263	21,358
Total	<u>35,953</u>	<u>30,622</u>
Long Term		
Deposits	548	622
Receipts in advance	984	720
Total	<u>1,532</u>	<u>1,342</u>

*The 2017/18 figures have been restated in line with changes to the CIPFA Code of Practice. This has not changed the total figure in the balance sheet.

NOTES TO THE CORE FINANCIAL STATEMENTS

18. GRANT INCOME

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

	2019 £000	2018 £000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	140,030	135,345
Total Non Ringfenced Government Grants	140,030	135,345
Welsh Government (WG):		
Major Repairs Allowance	5,065	5,065
General Capital Grant	4,746	2,510
21st Century Schools	7,223	1,739
Local Transport Fund	6,466	2,001
Road Refurbishment Grant	0	1,427
Integrated Care Fund	2,096	0
School Improvement Grant	2,043	0
Other WG Grants	132	1,802
Other Capital Grants and Contributions	1,138	1,561
Total Capital Grants and Contributions	28,909	16,105
Total	168,939	151,450

	2019 £000	2018 £000
Credited to Services		
WG		
Supporting People	5,770	5,809
DELLS Post 16	4,711	4,756
Education Improvement Grant	5,814	6,474
Flying Start	2,893	2,907
Families First	1,557	1,565
Pupil Deprivation	3,716	3,660
Concessionary Fares	1,933	1,853
Single Revenue Grant*	0	2,897
Integrated Care Fund	2,295	1,857
Independent Living Fund**	0	1,591
Childcare Offer Grant***	2,844	755
Other	9,200	8,109
Department of Work and Pensions	33,082	37,052
Arts Council Wales	2,183	2,043
Other Grants and Contributions	3,041	2,908
Total	79,039	84,236

*The Single Revenue Grant was split into separate grants in 2018/19, which are included in the other WG grants figure

**Independent Living Fund transferred into the RSG in 2018/19

***Childcare Offer Grant was included in other WG grants in 2017/18

NOTES TO THE CORE FINANCIAL STATEMENTS

Grants and Contributions Received in Advance

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

	2019 £000	2018 £000
Short Term		
Revenue Grants	1,206	1,908
Capital Grants	0	0
Capital Contributions	487	319
Revenue Contributions	122	285
Total	1,815	2,512
Long Term		
Revenue Grants	0	0
Capital Grants	0	0
Revenue Contributions	451	431
Capital Contributions	551	1,201
Total	1,002	1,632

19. PROVISIONS

The amounts recognised as provisions are the best estimates of expenditure required to settle present obligations.

	2019 £000	Additions £000	Expenditure Incurred £000	Amounts Reversed £000	Unwinding Discounting £000	2018 £000
Current Liabilities						
Aftercare of former landfill sites	50	0	0	0	1	49
Employee Termination Benefits	22	44	(549)	(33)	0	560
Employee Claims	40	40	0	0	0	0
Total	112	84	(549)	(33)	1	609
Non-Current Liabilities						
Aftercare of former landfill sites	985	1	(30)	0	19	995
Remediation works at former landfill sites	5	0	0	0	0	5
Total	990	1	(30)	0	19	1,000

- The aftercare of former landfill sites provides for the environmental aftercare costs for the former waste disposal sites at Standard and Brookhill, Buckley, split across a current liability and a non-current liability. The projected costs are 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.

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 make recurring revenue savings. The Council was sufficiently committed with some proposals at the balance sheet date to warrant the creation of a provision in 2018/19 for the termination benefits of employees leaving the Council's employment in 2019/20.
- The employee claims provision will fund the estimated costs of employee claims against the Council.
- In accordance with the requirements of Part 2A of the Environmental Protection Act 1990 and the Council's Contaminated Land Inspection Strategy, sites across the County will be considered with the condition of each assessed as necessary in due course. The Council has set aside a provision to fund its liabilities for any remediation works deemed necessary on a best estimate basis at the balance sheet date.

20. LONG TERM BORROWING

Analysis	Interest Rates		2019	2018
	Minimum %	Maximum %	£000	£000
By Loan Type (Fixed Rate)				
Salix Finance (Energy Efficiency)		Interest Free	4,313	3,051
Government (PWLB)	0.89	9.50	248,260	230,810
Other financial institutions	4.48	4.58	18,950	18,950
Welsh Government		Interest Free	860	860
Total			272,383	253,672
By Maturity				
Between 1 and 2 years			10,575	235
Between 2 and 5 years			9,461	16,429
Between 5 and 10 years			19,749	17,034
More than 10 years			232,598	219,974
Total			272,383	253,672

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 Council's usable reserves are detailed in the Movement in Reserves Statement and in note 7.

Council Fund

The Council fund balance of £14,020k represents the value of unearmarked reserves available to the Council (£13,697k in 2017/18).

Housing Revenue Account

The housing revenue account reserve cumulative balance of £2,221k (£1,918k in 2017/18) includes the 2018/19 HRA surplus of £303k (£276k (surplus) in 2017/18), as detailed on page 65.

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 applied to finance capital expenditure.

NOTES TO THE CORE FINANCIAL STATEMENTS

Earmarked Reserves

Total earmarked reserves of £13,314k (£14,876k in 2017/18) include:

- 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 for a specific purpose.
- 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 further one-off workforce costs along with the final phases of pay protection arising from implementation of the single status agreement.
- 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 was established to mitigate the impact of proposed reductions in grant funding by Welsh Government.
- Local Development Plan – funding for costs associated with finalising, and then implementing, the Local Development Plan.
- Waste Disposal – reserve used predominantly to fund Flintshire County Council's contribution to the North Wales Residual Waste Treatment Partnership.
- Winter Maintenance – reserve set up as a contingency in the event of severe weather conditions.
- Design Fees - reserve created to mitigate a loss of income from the Capital Programme.
- Insurance Reserves – various Insurance related reserves, including the Council's internal insurance fund, to meet the costs of self-insurance as not all risks are externally insured.
- Flintshire Trainees – reserve to fund the Flintshire Trainee programme.
- Kitchen Refurbishment – reserve to fund kitchen refurbishments at various schools.
- Rent Income Shortfall – reserve created to mitigate loss of income from industrial property rent.
- Schools Kitchen Ventilation – reserve to fund feasibility works considering the need to upgrade kitchen ventilation systems at various schools.
- Customer Service Strategy – to enable the roll out of the Customer Services Strategy. This will include improvements to Connect Centres, improving self-service facilities and investment in new software.
- Capita One – a regional IT system holding management information for schools hosted by Flintshire. Any funds held at the end of the financial year in excess of costs incurred will be spent on delivering the service in future years.
- Public Sector Broadband (PSBA) – to assist in the introduction of Learning in Digital Wales.
- Supervision Fees – this reserve is used for work carried out by the Development Control Team in supervising works on housing developments in connection with the adoption of roads and/or other related work deemed necessary.
- Transportation Review – to fund a review of the way transport services are delivered.
- LMS Curriculum – funding is used for transitional costs relating to school modernisation for schools.

NOTES TO THE CORE FINANCIAL STATEMENTS

- Restoration of Ewloe Offices – reserve to refurbish the Council owned offices in Ewloe to allow officers to relocate to this building.
- Organisational Change/ADM – to support initial set up costs and financial technical support for contingency against any financial issues arising as a result of implementing different service delivery methods.
- Employment Claims – to fund the estimated costs of employee claims against the Council.
- 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 2017	Transfers Out 2017/18	Transfers In 2017/18	Balance at 31 March 2018	Transfers Out 2018/19	Transfers In 2018/19	Balance at 31 March 2019
	£000	£000	£000	£000	£000	£000	£000
Service balances	1,611	(969)	873	1,515	(999)	339	855
School balances	1,556	(4,489)	4,218	1,285	(4,935)	4,985	1,335
Single status/equal pay	4,485	(2,970)	106	1,621	(437)	0	1,184
Investment in Organisational Change	938	(399)	900	1,439	(400)	0	1,039
Budget Strategy	2,892	(2,892)	0	0	0	0	0
Benefits equalisation	119	0	199	318	0	0	318
County elections	138	(152)	184	170	(13)	48	205
Supporting people	387	(387)	0	0	0	0	0
Local Development Plan (LDP)	480	(300)	0	180	0	0	180
Building control	122	(108)	41	55	(55)	0	0
Waste disposal	312	(208)	25	129	(46)	0	83
Enterprise Centres	67	0	41	108	(55)	0	53
Design fees	200	0	0	200	0	0	200
Winter maintenance	215	0	0	215	0	35	250
Car Parking	26	0	22	48	(10)	9	47
Insurance Reserves	1,471	(594)	928	1,805	(565)	873	2,113
Cash Receipting Review	79	0	4	83	(83)	1	1
Flintshire Trainees	398	0	78	476	0	65	541
Kitchen Refurbishment	110	(110)	0	0	0	0	0
Rent Income Shortfall	300	(150)	0	150	(80)	0	70
Schools Kitchen Ventilation	200	(200)	0	0	0	0	0
Customer Service Strategy	129	(26)	0	103	(70)	0	33
Capita One	109	(90)	0	19	0	0	19
PSBA	530	(530)	0	0	0	0	0
Supervision Fees	141	(141)	49	49	0	0	49
Transportation Review	170	0	0	170	(86)	0	84
LMS Curriculum	785	(791)	785	779	(873)	477	383
Restoration of Ewloe Offices	0	0	830	830	(830)	0	0
Organisational Change/ADM	0	(145)	300	155	(55)	0	100
Emergency Remediation	0	0	50	50	(50)	0	0
Employment Claims	0	0	0	0	0	150	150
Carbon Reduction	0	0	0	0	(253)	296	43
Property Claims	0	0	0	0	0	45	45
Grants & Contributions	2,555	(617)	986	2,924	(780)	1,790	3,934
Total	20,525	(16,268)	10,619	14,876	(10,675)	9,113	13,314

NOTES TO THE CORE FINANCIAL STATEMENTS

22. UNUSABLE RESERVES

The balances on unusable reserves are as follows :

Reserves	2019 £000	2018 £000
Revaluation reserve	105,382	103,062
Capital adjustment account	318,771	319,537
Financial instruments adjustment account	(6,091)	(6,452)
Pensions reserve	(395,042)	(348,865)
Deferred Capital Receipt	98	98
Accumulated absences account	(2,666)	(1,776)
Total Unusable Reserves	20,452	65,604

The details of movements on unusable reserves are as follows :

Revaluation Reserve

The revaluation reserve contains the gains made by the Council 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.

	2019	£000	2018	£000
Balance at 1st April		103,062		59,697
Upward revaluation of assets		14,866		57,051
Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services		(6,056)		(8,213)
Surplus or deficit on revaluation of non-current assets not posted to the surplus/deficit on the provision of services		8,810		48,838
Difference between fair value depreciation and historical cost depreciation		(6,420)		(5,133)
Accumulated gains on assets sold or scrapped		(70)		(340)
Amount written off to the capital adjustment account		(6,490)		(5,473)
Balance at 31st March		105,382		103,062

NOTES TO THE CORE FINANCIAL STATEMENTS

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 Council 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 Council 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 Council 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.

	2019 £000	2018 £000
Balance at 1st April	(348,865)	(395,050)
Return on plan assets	16,347	10,491
Actuarial gains and (losses)	(52,594)	37,912
Net charges to surplus / deficit on provision of services	(35,367)	(28,033)
Employers' contributions payable to the scheme	25,437	25,815
Balance at 31st March	(395,042)	(348,865)

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.

	2019		2018	
	£000	£000	£000	£000
Balance at 1st April		(6,452)		(6,814)
Premiums incurred in the year and charged to the comprehensive income and expenditure statement			0	
Proportion of premiums incurred in previous financial years to be charged against the Council Fund balance in accordance with statutory requirements		361		361
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		361		361
Balance at 31st March		(6,091)		(6,452)

NOTES TO THE CORE FINANCIAL STATEMENTS

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 Council as finance for the costs of acquisition, construction and enhancement.

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

Note 7 provides details of the source of all the transactions posted to the account, apart from those involving the revaluation reserve.

	2019		2018	
	£000	£000	£000	£000
Balance at 1st April		319,537		340,435
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		(48,579)		(52,983)
- Revaluation losses on PP&E		(6,831)		(3,135)
- Amortisation of intangible assets		(32)		(53)
- Revenue expenditure funded from capital under statute		(4,123)		(2,590)
- 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		(1,885)		(2,865)
- Movements in the market value of investment properties debited or credited to the Comprehensive Income & Expenditure Statement		128		152
- Soft Loan Accounting Adjustments		16		0
		(61,306)		(61,474)
Adjusting amounts written out of the revaluation reserve		6,490		5,472
Net written out amount of the cost of non-current assets consumed in the year		(54,816)		(56,002)
Capital financing applied in the year:				
- Use of the capital receipts reserve		999		0
- Capital grants and contributions credited to the Comprehensive Income & Expenditure statement that have been applied to capital financing		30,580		16,750
- Statutory provision for the financing of capital investment charged against the Council Fund and HRA balances		6,065		5,506
- Capital expenditure charged against the council fund and HRA balances		16,446		12,871
Long term debtors adjustments - Loan Repayments		(40)		(23)
		54,050		35,104
Balance at 31st March		318,771		319,537

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.

	2019	2018
	£000	£000
Affordable homes deposits	98	98
	98	98

23. CASH FLOW STATEMENT - OPERATING ACTIVITIES

The net cash flows from operating activities of £22,305k inflow (£15,822k inflow in 2017/18) include the following interest elements:

	2019	2018
	£000	£000
Interest received	375	129
Interest paid	(13,474)	(16,325)

24. CASH FLOW STATEMENT - INVESTING ACTIVITIES

	2019	2018
	£000	£000
Purchase of property, plant & equipment, investment property and intangible assets	(61,849)	(50,861)
Purchase of short term and long term investments	0	0
Other payments for investing activities	(7,536)	(212)
Proceeds from the sale of property, plant & equipment, investment property and intangible assets	2,809	3,423
Proceeds from short term and long term investments	0	0
Other receipts from investing activities	32,418	17,563
Net cash flows from investing activities	(34,158)	(30,087)

25. CASH FLOW STATEMENT - FINANCING ACTIVITIES

	2019	2018
	£000	£000
Cash receipts of short term and long term borrowing	18,946	44,824
Other receipts from financing activities	0	0
Cash payments for the reduction of the outstanding liability relating to finance leases	(541)	(564)
Repayment of short term and long term borrowing	(8,020)	(1,600)
Other payments for financing activities	0	(3,555)
Net cash flows from financing activities	10,385	39,106

NOTES TO THE CORE FINANCIAL STATEMENTS

26. OFFICERS' REMUNERATION

Senior Employee Emoluments

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. Columns for schools include all maintained schools including Voluntary Aided and Foundation Schools.

Remuneration Band	2019		2018	
	Non-Schools	Schools	Non-Schools	Schools
	No.	No.	No.	No.
£60,000 - £64,999	2	22	3	14
£65,000 - £69,999	1	9	1	9
£70,000 - £74,999	0	7	0	10
£75,000 - £79,999	0	7	0	3
£80,000 - £84,999	0	0	0	1
£85,000 - £89,999	0	0	0	1
£90,000 - £94,999	0	1	0	1
£95,000 - £99,999	0	1	0	1
£100,000 - £104,999	0	1	0	1
	3	48	4	41

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.

The Accounts and Audit (Wales) Regulations 2014 also 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. No bonuses, taxable expense allowances, compensation payments or other taxable benefits were received by Chief Officers.

NOTES TO THE CORE FINANCIAL STATEMENTS

Post Title	Note	2018/19		2017/18	
		Remuneration £	Employer's Pension Contributions £	Remuneration £	Employer's Pension Contributions £
Chief Executive	1	136,548	37,278	133,870	36,011
Chief Officer Governance	1	94,458	25,787	92,605	24,911
Chief Officer Education & Youth	2	87,028	23,759	78,011	20,985
Chief Officer Social Services		94,458	25,787	92,605	24,911
Chief Officer Community & Enterprise	3	3,859	1,053	92,605	24,911
Chief Officer Planning, Environment & Economy	4	94,458	25,787	92,605	24,911
Chief Officer Streetscene & Transportation		94,458	25,787	92,605	24,911
Chief Officer Housing & Assets	5	94,458	25,787	92,605	24,911
Chief Officer Strategic Programmes	6	37,400	10,606	92,605	24,911
Corporate Finance Manager (Section 151 Officer)		68,357	18,661	69,100	18,512
Senior Manager (HR & OD)		65,781	17,958	64,491	17,348
		871,263	238,250	993,707	267,233

On 20th March 2018 Cabinet approved a revision of the Corporate Operating Model. The Chief Officer Team has been reduced and revised as a result of this.

Note 1 : Remuneration does not include any amounts received for;

a) Returning Officer and Deputy Returning Officer roles at elections (costs for national, regional, local elections and referenda reimbursed by respective Government based on a nationally set payment formula) and;

b) Clerk and Deputy Clerk roles to the North Wales Fire and Rescue Authority (costs reimbursed).

Note 2 : New appointment to Interim Chief Officer role-start date 26th June 2017. Appointed on a permanent basis 18th July 2018.

Note 3 : Employment end date 15th April 2018. Post now removed from structure.

Note 4: Job title in 2017/18 Chief Officer Planning & Environment

Note 5: Job title in 2017/18 Chief Officer Organisational Change 2

Note 6: Employment end date 29th August 2018. Post now removed from structure. Job title in 2017/18 Chief Officer Organisational Change 1

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 (£18,672); for 18/19 this was 1:7.31 (for 2017/18 this was 1:7.53).

Exit Packages

The Council is required to disclose (in £20k bandings up to £100k with £50k bandings thereafter) the number of exit packages agreed and the cost of the packages to the Council in the financial year. Exit costs arising in 2018/19 which the Council is committed to incurring at the 31st March 2019, but paid after this date, are also included in the disclosure. Information is included for all maintained schools including Voluntary Aided and Foundation Schools.

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

Exit Package Cost Band	Compulsory Redundancies		Other Departures Agreed		Total Exit Packages by Cost Band		Total Exit Packages in Each Band	
	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18
	No.	No.	No.	No.	No.	No.	£	£
£0 - £20,000	13	65	2	4	15	69	115,881	475,116
£20,001 - £40,000	5	25	0	2	5	27	139,192	758,816
£40,001 - £60,000	4	8	0	0	4	8	209,305	355,465
£60,001 - £80,000	3	1	0	2	3	3	209,790	233,609
£80,001 - £100,000	0	3	0	1	0	4	0	357,855
£100,001 - £150,000	0	1	0	1	0	2	0	238,877
	<u>25</u>	<u>103</u>	<u>2</u>	<u>10</u>	<u>27</u>	<u>113</u>	<u>674,168</u>	<u>2,419,738</u>

27. MEMBERS' ALLOWANCES

Allowances totaling £1,458k were paid directly to members of the Council, and on their behalf in 2018/19 (£1,417k in 2017/18)

	2019 £000	2018 £000
Basic allowance	952	932
Special responsibility allowance	247	244
Employer's national insurance	84	83
Employer's superannuation	149	126
Members' expenses	26	32
	<u>1,458</u>	<u>1,417</u>

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

The allowances paid fall into the following bands :-

Allowance Band	2019 Number of Members	2018 Number of Members
£0 - £9,999	0	2
£10,000 - £14,999	27	26
£15,000 - £19,999	23	25
£20,000 - £24,999	7	5
£25,000 - £29,999	1	3
£30,000 - £34,999	7	6
£35,000 - £39,999	1	2
£40,000 - £44,999	2	1
£45,000 - £49,999	1	0
£50,000 - £54,999	0	0
£55,000 - £59,999	0	0
£60,000 - £64,999	1	1
	<u>70</u>	<u>71</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

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 Council.

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 notes 6 and 18.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of Members Allowances paid in 2018/19 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 2018/19 are as follows:

• Payments	£4,543k	(£4,586k in 2017/18)
• Receipts	£18k	(£31k in 2017/18)
• Amounts owed by the Council	£89k	(£74k in 2017/18)
• Amounts owed to the Council	£35k	(£26k in 2017/18)

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 2018/19 and amounts outstanding at 31st March are as follows:

• Payments	£264k	(£219k in 2017/18)
• Receipts	£25k	(£18k in 2017/18)
• Amounts owed by the Council	£9k	(£44k in 2017/18)
• Amounts owed to the Council	£4k	(£1k in 2017/18)

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 on the Council's website. 2017/18 figures have been restated to include figures from the register not included on the related parties transactions declaration forms completed by Members.

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 2018/19 are as follows:

• Payments	£372k	(£373k in 2017/18)
• Amounts owed to the Council	£0k	(£4k in 2017/18)

Community Asset Transfer (CAT)

A number of Members and Senior Officers have an interest in local community groups involved in the Council's CAT scheme. The scheme involves leasehold transfer (at nominal value) of specific Council assets to organisations with a social purpose who plan to use the assets for the benefit of the local community. The assets have remained on the Council's Balance Sheet and have a combined net book value of £8,821k (£9,828k in 2017/18).

NOTES TO THE CORE FINANCIAL STATEMENTS

In some circumstances the Council has, or plans to, issue capital grants for any necessary capital works. Transactions with these groups during 2018/19 are:

• Grants awarded	£212k	(£352k in 2017/18)
• Grants paid in advance	£0k	(£33k in 2017/18)
• Payments	£37k	(£48k in 2017/18)
• Amounts owed by the Council	£1k	(£7k in 2017/18)
• Receipts	£0k	(£2k in 2017/18)
• Amounts owed to the Council	£12k	(0k in 2017/18)

Associated Companies

The Council has three wholly owned subsidiaries, North East Wales Homes Ltd, Newydd Catering and Cleaning Ltd, and Theatr Clwyd Productions Ltd. These are companies limited by shares and are included in the Council's group accounting boundary. North East Wales Homes has a loan facility with the Council, and as at 31st March 2019 this amounted to £7,530k.

Other transaction with associated companies during 2018/19 are:

• Payments	£9,080k	(£8,241k in 2017/18)
• Receipts	£1,677k	(£432k in 2017/18)
• Amounts owed by the Council	£273k	(£332k in 2017/18)
• Amounts owed to the Council	£394k	(£2,111k in 2017/18)

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 can be found within the Clwyd Pension Fund accounts which are available at www.clwydpensionfund.org.uk

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 Office of the North Wales Police and Crime Commissioner and the North Wales Fire and Rescue Authority amounted to £23,886k (£23,176k in 2017/18).

Other transactions with North Wales Police and Crime Commissioner and North Wales Fire Authority during 2018/19 are:

• Payments	£25k	(£39k in 2017/18)
• Receipts	£138k	(£98k in 2017/18)
• Amounts owed by the Council	£0k	(£5k in 2017/18)
• Amounts owed to the Council	£52k	(£26k in 2017/18)

Community / Town Councils

Total precepts including cemetery precepts paid to the 34 Community/Town councils amounted to £2,856k (£2,719k in 2017/18). Other transactions with Community Councils during 2018/19 are:

• Payments	£266k	(£114k in 2017/18)
• Receipts	£364k	(£360k in 2017/18)
• Amounts owed by the Council	£10k	(£15k in 2017/18)
• Amounts owed to the Council	£81k	(£63k in 2017/18)

NOTES TO THE CORE FINANCIAL STATEMENTS

Transactions with the following bodies during 2018/19 were as follows:

Betsi Cadwaladr University Local Health Board (related healthcare activities):

• Payments	£1,210k	(£1,926k in 2017/18)
• Receipts	£4,862k	(£7,377k in 2017/18)
• Amounts owed by the Council	£1,045k	(£295k in 2017/18)
• Amounts owed to the Council	£5,746k	(£3,604k in 2017/18)

Welsh Joint Education Committee:

• Payments	£130k	(£206k in 2017/18)
• Amounts owed by the Council	£177k	(£437k in 2017/18)

Welsh Local Government Association:

• Payments	£103k	(£100k in 2017/18)
• Receipts	£122k	(£7k in 2017/18)

29. AUDIT FEES

Total audit and inspection fees due during the year amounted to £373k (£370k in 2017/18). External audit services were provided by Wales Audit Office.

	2019 £000	2018 £000
Fees for the Statement of Accounts	207	207
Fees for the Local Government Measure	100	100
Fees for grants	66	63
	<u>373</u>	<u>370</u>

30. 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	2019 £000	2018 £000
Gross expenditure	1,076	996
Gross income	<u>(1,168)</u>	<u>(1,128)</u>
(Surplus) / deficit for year	<u>(92)</u>	<u>(132)</u>
Contribution to Budget		
Flintshire County Council	295	291

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

	Gross £000	Net £000	%
Flintshire County Council	508	492	50.25
Wrexham County Borough Council	503	487	49.75
	<u>911</u>	<u>979</u>	<u>100.00</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

31. AGENCY SERVICES

Flintshire County Council is one of six partners within the North Wales Trunk Road Agency (NWTRA), the other partners being Anglesey, Conwy, Denbighshire, Gwynedd and Wrexham Councils. The Streetscene & Transportation Portfolio within Flintshire County Council undertakes trunk road work on behalf of NWTRA for the Welsh Government. Reimbursement for work carried out under the Trunk Road Agency Agreement amounted to £2,339k (£3,103k in 2017/18).

Welsh Government has provided funding to Welsh Councils to provide recyclable loans under the Houses into Homes Schemes for the repair of properties which have been long term vacant, with the aim of bringing them back into use. They are treated as agency arrangements in the Council's Statement of Accounts. Flintshire County Council was previously the lead/banker authority for the North Wales region and responsible for administering the first tranche of funding given in perpetuity to Council's. Funds have since been disaggregated to the other 5 North Wales Councils. The Council issued £135k of loans (£168k in 2017/18) with £214k being repaid (£125k in 2017/18). The second tranche of funding was paid directly to all Councils, it has to be returned in 12 years' time and to date no loans have been issued.

Welsh Government has also provided funding called Home Improvement Loans for works in making residential properties safe, warm and/or secure, again with the funding to be returned in 12 years' time. £118k has been granted in loans in year (£109k in 2017/18).

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 is used to support bus and community transport services in the region. The total received in 2018/19 was £6,793k, of which £602k was Flintshire's share and is included in Flintshire's accounts (£7,692k in 2017/18, £745k in Flintshire's accounts). The Childcare Offer Grant is used to provide free childcare for working parents of 3-4 year olds. Flintshire administers this grant on behalf of Wrexham and Denbighshire. The total received in 2018/19 was £4,087k, of which £2,844k is Flintshire's share and is included in Flintshire's accounts, this is the first year of this arrangement.

Flintshire County Council acts as agents on behalf of water companies collecting water and sewerage charges from tenants living in Council owned dwellings. In 2018/19 £3,527k was collected (£3,495k 2017/18). The Council also acts as agents in arranging and collecting household contents insurance for tenants' belongings on their behalf if they wish. In 2018/19 £96k was collected (£99k in 2017/18). The Council also collects heating charges from tenants living in Council owned communal buildings, and in 2018/19 £148k was collected (£139k in 2017/18).

32. OTHER FUNDS ADMINISTERED BY THE COUNCIL

The Council administers a trust fund on behalf of Optec D.D. (UK) Limited. The fund provides financial support to the youth exchange scheme between Flintshire County Council and Murata and Kuga Cho in Japan. The fund balance at 31st March 2019 was £29k (£45k in 2017/18) and is not included in the balance sheet.

Flintshire County Council was lead authority in the administration of the Welsh Church Acts Fund on behalf of Denbighshire, Flintshire and Wrexham until 29th March 2018, when the funds held by Flintshire County Council (£537k) and the administration of the Fund were transferred to the Community Foundation in Wales. During 2018/19 the final amount of £13k still held by Flintshire County Council was also transferred over.

In the Social Services portfolio the Social Services for Adults Section maintain individual bank accounts for service users living in the community who are unable to manage their own financial affairs; individual members of the Deputyship team are approved to act as corporate appointee with the Department for Work and Pensions for each service user. The total amount held by the Council at 31st March 2019 was £4,696k in 371 separate accounts (£4,417k in 423 accounts in 2017/18).

NOTES TO THE CORE FINANCIAL STATEMENT

33. CONTINGENT LIABILITIES

In accordance with the provisions of Part 2A of the Environmental Protection Act 1990 and the Council's Contaminated Land Inspection Strategy, 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.

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.

Flintshire is the legislative successor body in respect of all abuse claims relating to the former Clwyd County Council. A number of claims continue to be brought by former children in care. In some cases the Council's insurers were not on cover and so the Council may need to fund any such claim that is successful.

A small number of employees and former 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.

The Council has set up various alternative service delivery models which has involved the transfer of Council employees to the new service providers. The Council has given pension guarantees to Newydd Catering and Cleaning Ltd, Aura Leisure and Libraries Ltd and Holywell Leisure Centre. These guarantees mean that if these bodies are unable to meet their pension obligations at a future point in time then the Council will assume responsibility for them.

A small number of Council tenants are claiming against the Council for housing disrepair. Based on the outcome of the cases the Council could have to pay all, some or none of the claims.

A claim is being brought by the owner of a property where the Council was a former tenant. The case will be heard by an independent arbitrator in the next financial year and as a result the Council may have to pay all, some or none of the claim.

34. 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 is 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.

35. 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 STATEMENT

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.
- 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 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 judgments 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.
- Accounting for arrangements containing a lease (embedded leases) – During 2016/17 the Council entered into an arrangement where supply and maintenance of all vehicles, along with fleet management, would be undertaken by Essential Fleet Services (EFS). The Council has reviewed the appropriate accounting guidance, sought professional advice, and concluded that this arrangement contains embedded operating leases.
 - Community Asset Transfers (CATs) - involve leasehold transfer (at nominal value) of specific Council assets to organisations with a social purpose who plan to use the assets for the benefit of the local community. The lease agreements have been considered; whilst operational risk and reward transfers to the community group, the Council's view is that the risk and reward of ownership remains with the Council and therefore the value of the assets have remained on the Council's Balance Sheet.

NOTES TO THE CORE FINANCIAL STATEMENTS

- Leisure and Libraries Property Leases - involve leasehold transfer of specific Council assets to a charitable, not-for-profit, organisation which is responsible for managing the majority of leisure centres and libraries previously operated directly by the Council. The lease agreements have been considered; whilst operational risk and reward transfers to the charitable organisation, the Council's view is that the risk and reward of ownership remains with the Council and therefore the value of the assets have remained on the Council's Balance Sheet. The classification of the assets have also remained consistent with prior years' treatment. They are recognised as operational Property, Plant and Equipment, which aligns with the classification most suitable to the use of the assets when compared to other definitions of assets such as surplus or investment assets.

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.
- 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 and expected credit losses 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.
- Britain leaving the European Union – there is a high level of uncertainty regarding how Britain will leave the European Union and the resulting implications. A range of possible scenarios are being considered by Parliament which have the potential to affect asset valuations and the pension liability on the Council's Balance Sheet. Currently there is not sufficient information to indicate that the assets of the Council might be impaired or that the discount rate used to calculate the pension liability might need amending.

36. PROVISION FOR REPAYMENT OF EXTERNAL LOANS

Section 22 of the Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2008 requires the Council 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 2018/19 were as follows:-

	2019	2018
	£000	£000
Total minimum revenue provision	6,066	5,505
Recharge to housing revenue account	<u>(2,544)</u>	<u>(2,337)</u>
	<u>3,522</u>	<u>3,168</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

37. 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 Council, the expenditure results in an increase in the capital financing requirement, a measure of the capital expenditure incurred historically by the Council that has yet to be financed.

	2019 £000	2018 £000
Capital Investment		
Property, plant and equipment	62,367	50,860
Intangible assets	0	0
REFCUS	4,262	6,521
	66,629	57,381
Sources of Finance		
Capital receipts	(999)	0
Capital grants and contributions	(30,579)	(16,750)
Capital reserves / CERA	(16,446)	(12,871)
	(48,024)	(29,621)
Increase/(decrease) in capital financing requirement	18,605	27,760
Increase in supported borrowing	4,051	4,124
Increase in other (unsupported) borrowing	14,554	23,636
	18,605	27,760

38. FUTURE CAPITAL COMMITMENTS

As at 31st March 2019, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2019/20 and future years. The major commitments, in excess of £1m, are shown below:

Contract Details	Contract Sum £000	Payments to 31/03/19 £000	Balance Outstanding £000
Council Fund			
Deeside Industrial Park Transport Improvements	3,058	1,138	1,920
Connah's Quay High School	16,546	13,044	3,502
Penyffordd CP School	6,910	4,812	2,098
	26,514	18,994	7,520
Housing Revenue Account			
SHARP			
- The Walks, Flint	3,931	3,662	269
- The Dairy Site, Connahs Quay	1,099	1,082	17
- Ysgol Glanarafon, Mold	2,239	2,205	34
- Melrose Centre, Shotton	1,364	1,320	44
- Llys Dewi, Penyffordd	3,465	2,028	1,437
- Dobshill, Hawarden	2,092	145	1,947
WHQS			
- High Level Envelope Works	13,973	6,519	7,454
- High / Level Envelope Works	10,180	1,442	8,738
	38,343	18,403	19,940
Total	64,856	37,397	27,461

NOTES TO THE CORE FINANCIAL STATEMENTS

39. LEASING

Lessee Rentals

Finance Leases

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

Asset Classification	2019 £000	2018 £000
Vehicles, plant and equipment	4,260	4,614

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 £555k is due to be paid during the next 12 months (£541k equivalent for the previous financial year).

	2019 £000	Repaid £000	New £000	2018 £000
Finance lease liabilities (net present value of the minimum lease payments):				
Current	555	24	38	541
Non-current	4,479	517	150	4,846
	5,034	541	188	5,387
Finance costs payable in future years	1,920	465	20	2,365
Minimum lease payments	6,954	1,006	208	7,752

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	
	2019 £000	2018 £000	2019 £000	2018 £000
Not later than one year	978	1,006	555	541
Later than one year and not later than five years	4,362	4,313	3,005	2,718
Later than five years	1,614	2,433	1,474	2,128
	6,954	7,752	5,034	5,387

NOTES TO THE CORE FINANCIAL STATEMENTS

Operating Leases

In 2018/19, operating lease rentals paid amounted to £3,291k (£3,282k in 2017/18).

Asset Classification	2019 £000	2018 £000
Land	79	45
Buildings	162	144
EFS Fleet Contract	2,842	2,764
Vehicles, plant and equipment	208	329
	3,291	3,282

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

	Land £000	Buildings £000	EFS Fleet Contract £000	Vehicles, Plant & Equipment £000	Total £000
Not later than one year	42	167	3,036	5	3,250
Later than one year and not later than five years	168	361	10,627	0	11,156
Later than five years *	1,319	1,090	0	0	2,409
	1,529	1,618	13,663	5	16,815

* Any open ended agreements are calculated to 2031/32 in line with the general average life of the longest leases

During 2016/17 the Council entered into an arrangement where supply and maintenance of all vehicles, along with fleet management, would be undertaken by Essential Fleet Services (EFS). This arrangement is considered to contain embedded leases, therefore payments to EFS are included in the figures above. It is not considered practical to split the payments into lease elements and non-lease elements, therefore the total payments are shown. The figures are adjusted to reflect the fact under this arrangement EFS are reimbursing the Council for existing vehicle leases until their expiry.

Lessor Rentals

Operating Leases

The Council leases out property under operating leases largely for economic development purposes. In 2018/19, lease rentals receivable amounted to £2,016k (£2,829k in 2017/18).

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

	Land £000	Buildings £000	Total £000
Not later than one year	89	1,898	1,987
Later than one year and not later than five years	225	5,847	6,072
Later than five years *	543	8,021	8,564
	857	15,766	16,623

* Any open ended agreements are calculated to 2031/32 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

40. ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

The Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 has introduced the following changes, amendments and interpretations to existing standards. They are mandatory for the Council's accounting periods beginning on or after 1st April 2019 or later periods and will require changes to accounting policies in next year's accounts, but the Council has chosen not to adopt them early.

- Amendments to IAS 40 Investment Property - provides further explanation of the instances in which a property can be reclassified as investment property.
- IFRIC 22 Foreign Currency Transactions and Advance Consideration - clarifies the treatment of payments in a foreign currency made in advance of obtaining or delivering goods or services.
- IFRIC 23 Uncertainty over Income Tax Treatments - provides additional guidance on income tax treatment where there is uncertainty.
- Amendments to IFRS 9 Financial Instruments - Prepayment Features with Negative Compensation - amends IFRS9 to make clear that amortised cost should be used where prepayments are substantially lower than the unpaid principal and interest.
- IFRS 16 Leases - will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2020.

These changes are not expected to have a material impact on the Council's financial statements.

41. FINANCIAL INSTRUMENTS

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

Short term Creditors (note 17) includes a further £11,690k (2017/18 £9,264k) that does not meet the definition required for inclusion as a Financial Instrument. No long term Creditors meet the definition required for inclusion as a Financial Instrument.

Short term Debtors (note 13) includes a further £29,544k (2017/18 £23,304k) that does not meet the definition required for inclusion as a Financial Instrument.

NOTES TO THE CORE FINANCIAL STATEMENTS

	Long-Term		Current	
	2019	2018	2019	2018
	£000	£000	£000	£000
Financial liabilities at amortised cost				
Principal	272,383	253,672	44,420	52,205
Accrued Interest	0	0	6,030	5,879
Borrowing	<u>272,383</u>	<u>253,672</u>	<u>50,450</u>	<u>58,084</u>
Cash overdrawn	0	0	1,667	2,358
Cash & Cash Equivalents	<u>0</u>	<u>0</u>	<u>1,667</u>	<u>2,358</u>
Finance Leases	4,479	4,846	555	541
Deferred Liabilities	<u>4,479</u>	<u>4,846</u>	<u>555</u>	<u>541</u>
Landfill Aftercare costs	990	1,000	50	49
Employee Related	0	0	62	560
Provisions	<u>990</u>	<u>1,000</u>	<u>112</u>	<u>609</u>
Trade Payables*	0	0	24,263	21,358
Within Creditors	<u>0</u>	<u>0</u>	<u>24,263</u>	<u>21,358</u>
Total financial liabilities	<u>277,852</u>	<u>259,518</u>	<u>77,047</u>	<u>82,950</u>
Financial assets at amortised cost				
Principal	2,144	0	0	0
Accrued Interest	0	0	0	0
Investments	<u>2,144</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash & Cash Equivalents	0	0	31,906	34,154
Accrued Interest	0	0	96	7
Cash & Cash Equivalents	<u>0</u>	<u>0</u>	<u>32,002</u>	<u>34,161</u>
Trade Receivables*	45	44	14,301	21,371
Loans	7,726	2,343	0	0
Within Debtors	<u>7,771</u>	<u>2,387</u>	<u>14,301</u>	<u>21,371</u>
Total financial assets	<u>9,915</u>	<u>2,387</u>	<u>46,303</u>	<u>55,532</u>

* Creditors and Debtors notes have been reviewed during the year in accordance with the Code of Practice, 2017/18 figures restated as a result.

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

	2019	2018
	Net	Net
	Total	Total
	£000	£000
Financial Assets - Bank Accounts in Credit	32,002	34,161
Financial Liabilities - Cash Overdraft	(1,667)	(2,358)
Net Position reported on Balance Sheet	<u>30,335</u>	<u>31,803</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

Material Soft Loans

Soft loans are those advanced at below market rates in support of the Council's service priorities. The 45 year annuity loan to NEW Homes to build affordable homes for rent in Flint is deemed to be a material soft loan. Movements in material soft loan balances during the year are:

	2019	2018
	£000	£000
Opening carrying amount of soft loans	0	0
New loans made in year	7,530	0
Fair value adjustment on initial recognition	(2,144)	0
Interest Accrued	75	0
Amounts Repaid	0	0
Movement in discounted amount	16	0
	5,477	0

Soft loans have been valued by discounting the contractual payments at the estimated market rate of interest for a similar loan. The market interest rate has been derived using the European Commission's State Aid guidance.

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

	2019			2018		
	Financial Liabilities	Financial Assets	Total	Financial Liabilities	Financial Assets	Total
	Measured at Amortised Cost			Measured at Amortised Cost		
	£000	£000	£000	£000	£000	£000
Interest expense	(13,475)	0	(13,475)	(13,189)	0	(13,189)
Interest payable and similar charges	(13,475)	0	(13,475)	(13,189)	0	(13,189)
Interest income	0	375	375	0	129	129
Interest and investment income	0	375	375	0	129	129
Net gain/(loss)for the year	(13,475)	375		(13,189)	129	

Fair Value of Assets and Liabilities Carried at Amortised Cost

Financial assets and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Fair values of financial liabilities in the table below have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2019, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The value of "Lender's Option Borrower's Option" (LOBO) loans have been increased by the value of the embedded options. Lenders' options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps. Borrower's contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.

NOTES TO THE CORE FINANCIAL STATEMENTS

- The fair values of finance lease liabilities have been calculated by discounting the contractual cash flows at the appropriate AA-rated corporate bond yield.
- No early repayment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

The fair values are calculated as follows, the fair value hierarchy is explained within the Council's Accounting Policies

	Fair Value Level	2019		2018	
		Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial Liabilities					
PWLB	2	248,341	356,556	230,810	337,993
LOBOs	2	18,950	27,350	18,950	27,383
Lease payables	3	5,034	4,683	5,387	4,873
		272,325	388,589	255,147	370,249

There has been no change in the valuation techniques used during the year for the financial instruments.

The PWLB fair value is higher than the carrying amount because the Council'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 Council 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.

The Council is in receipt of Loans from the Salix Energy Efficiency scheme delivered by the Welsh Government in partnership with Salix Finance and The Carbon Trust to provide interest free loans. The Council does not account for these loans as soft loans because the fair value adjustment is not material. This approach has also been taken for loans for Vibrant and Viable Places loans.

Disclosure of Nature and Extent of Risks Arising from Financial Instruments

The Council complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities, both revised in December 2017.

In line with the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with financial instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Investment Strategy in compliance with the Welsh Government Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Management Strategy and its Treasury Management Practices seek to achieve a suitable balance between risk and return or cost. These practices include financial risks such as Credit Risk, Liquidity Risk and Market Risk.

NOTES TO THE CORE FINANCIAL STATEMENTS

The Council'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 Council
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The Council'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 Statement and Strategy. Flintshire provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Risk - Liabilities

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

- PWLB – The majority of this debt is fixed rate, hence there is interest rate risk. If rates fall in the future, the Council will be paying higher than the current market rate, however, it is considered more beneficial to have budget certainty on future payments of interest in a low interest rate environment; as at 31st March 2019, 4.02% 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 £100m 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 £100m 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.

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 £5m 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

Minimum	Banks Unsecured	Banks Secured	Government	Corporates	Registered Providers
Credit Rating					
UK Government			£ Unlimited		
			50 years		
AAA	£2m	£3m	£2m	£2m	
AA+	5 years	5 years	25 years	5 years	
AA	£2m	£3m	£2m	£2m	£2m
	4 years	4 years	15 years	4 years	10 years
AA-	£2m	£3m	£2m	£2m	
	3 years	3 years	10 years	3 years	
A+	£2m	£3m		£2m	
	2 years	2 years		2 years	
A	£2m	£3m	£2m	£2m	£2m
	1 year	1 year	5 years	1 year	5 years
A-	£2m	£3m		£2m	
	6 months	6 months		6 months	
Pooled Funds	£3m per fund				
BBB-	The Council is restricted to overnight deposits in its' own current account bank with a limit of £2m where the banks lowest credit rating is BBB+, BBB or BBB- (or equivalent)				
Unrated Local Authorities	£3m 2 Years				

Analysis shows that if interest rates rose by 1% the financial effect would be an increase in investment income of £312k. If rates fell by 1%, there would be a loss of income for the same amount.

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.

Loans to Subsidiaries -

The Council has committed to provide new affordable homes throughout the County to address the identified housing shortage. A loan has been granted to NEW Homes to build affordable homes for rent in Flint at below market rates of interest. The loan will be repaid from rents. The Council wholly owns NEW Homes and exerts a high level of control over its activities with Cabinet required to approve its 30 year business plan each year. All property assets owned by NEW Homes are provided as security against the loan, at the balance sheet date the value of assets was higher than the value of the loan. All of which serves to mitigate the credit risk posed by NEW Homes failing to meet its obligations to repay the loan.

NOTES TO THE CORE FINANCIAL STATEMENTS

Transition to IFRS 9

The Council adopted IFRS 9 Financial Instruments accounting standard with effect from 1st April 2018. The main impact of adopting the new standard is to reclassify financial assets to a category called amortised cost which were previously called loans and receivables. The values included on the Balance Sheet and within the Comprehensive Income and Expenditure Note have not changed as a result.

The Council has adopted the expected credit loss model prescribed by IFRS 9. This is to calculate the risk that future cash flows may not take place as the counterparty could default on their obligations. This methodology is explained within the Council's Accounting Policies. The Council's existing process for calculating impairment losses on trade debtors, lease receivables and contract assets was in line with the new method of collective assessment and therefore there has been no change in methodology of calculating impairments of financial assets.

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 2018/19 the Council paid £8,356k (£8,337k in 2017/18), which represents 16.48% (average) of teachers' pensionable pay (16.48% in 2017/18). The contributions due in 2019/20 are estimated to be £8,145k, 16.54% 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. These 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 Committee. 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 and the Clwyd Pension Fund Annual Report are available from www.clwydpensionfund.org.uk.

NOTES TO THE CORE FINANCIAL STATEMENTS

Transactions Relating to Retirement Benefits

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2019 £000	2018 £000	2019 £000	2018 £000
Comprehensive Income and Expenditure Statement				
Service Expenditure Analysis -				
Current service cost	25,330	26,602	0	0
Past service cost/(gain)	1	1	0	0
Curtailments/settlements	510	(8,712)	0	0
Other Operating Expenditure -				
Administration expenses	917	894	0	0
Financing and Investment Income and Expenditure				
Net interest expense	7,384	7,999	1,225	1,249
Net charge to surplus / deficit on the provision of services -	<u>34,142</u>	<u>26,784</u>	<u>1,225</u>	<u>1,249</u>
Other Comprehensive Income and Expenditure				
Remeasurement of the net defined benefit liability -				
Return on plan assets	16,347	10,491	0	0
Actuarial gains and (losses) - financial assumptions	(50,849)	36,849	(1,745)	1,063
Net charge to other comprehensive income and expenditure -	<u>(34,502)</u>	<u>47,340</u>	<u>(1,745)</u>	<u>1,063</u>
Net charge to Comprehensive Income and Expenditure -	<u>(360)</u>	<u>74,124</u>	<u>(520)</u>	<u>2,312</u>
Movement in Reserves Statement				
Reversal of net charges made to surplus / deficit on the provision of services for retirement benefits in accordance with IAS 19	(34,142)	(26,784)	(1,225)	(1,249)
Actual amount charged against the Council fund balance for pensions in the year				
Employers' contributions payable to scheme	22,346	22,673	3,091	3,142
Net debit/(credit) to the movement in reserves statement	<u>(11,796)</u>	<u>(4,111)</u>	<u>1,866</u>	<u>1,893</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	
	2019	2018	2019	2018
	£000	£000	£000	£000
Present value of liabilities	(967,456)	(891,294)	(48,499)	(48,620)
Fair value of assets	620,916	591,049	0	0
Surplus/deficit in the scheme	<u>(346,540)</u>	<u>(300,245)</u>	<u>(48,499)</u>	<u>(48,620)</u>

The liabilities total reflects the underlying long-term commitments that the Council has in respect of retirement benefits due. The net liability of £395,042k 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	
	2019	2018	2019	2018
	£000	£000	£000	£000
1st April	891,294	930,122	48,620	51,576
Current service cost	25,330	26,602	0	0
Interest cost	22,867	22,435	1,225	1,249
Contributions by scheme participants	4,897	4,806	0	0
Actuarial (gains) and losses - Financial assumptions	50,849	(36,849)	1,745	(1,063)
Benefits paid	(28,289)	(27,106)	(3,091)	(3,142)
Past service costs	1	1	0	0
Curtailments/settlements	510	(28,717)	0	0
31st March	<u>967,459</u>	<u>891,294</u>	<u>48,499</u>	<u>48,620</u>

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

	2019	2018
	£000	£000
1st April	591,049	586,648
Interest income	15,483	14,436
Administration Expenses	(917)	(894)
Return on plan assets	16,347	10,491
Employer contributions	22,346	22,673
Contributions by scheme participants	4,897	4,806
Benefits paid	(28,289)	(27,106)
Settlements	0	(20,005)
31st March	<u>620,916</u>	<u>591,049</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

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

	2019		2018	
	£000	£000	£000	£000
Equity investments:				
Global Quoted*	49,673		48,466	
Emerging Markets*	<u>38,497</u>		41,373	
		88,170		89,839
Bonds:				
Overseas Other	68,922		67,380	
LDI*	<u>141,568</u>		<u>133,577</u>	
		210,490		200,957
Property:				
UK*	34,150		30,143	
Overseas	<u>6,830</u>		<u>7,684</u>	
		40,980		37,827
Cash:				
Cash Accounts*	<u>1,242</u>		<u>7,093</u>	
		1,242		7,093
Alternatives:				
Hedge Funds	46,569		49,648	
Private Equity	71,405		60,878	
Infrastructure	22,353		13,594	
Timber & Agriculture	7,451		8,275	
Private Credit	10,556		4,728	
DGF	<u>121,700</u>		<u>118,210</u>	
		280,034		255,333
		<u>620,916</u>		<u>591,049</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 minimise these risks. The current policy is to lower risk by diversifying investments across asset classes, investment regions and fund managers.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels, etc. The liabilities have been assessed by Mercer Human Resource Consulting Limited, an independent firm of actuaries; estimates for the County Council are based on the latest full valuation of the scheme as at 31st March 2016. The significant assumptions used by the actuary are:

NOTES TO THE CORE FINANCIAL STATEMENTS

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2019	2018	2019	2018
Mortality Assumptions				
Longevity at 65 for current pensioners -				
Men	23.2yrs	23.1yrs	23.2yrs	23.1yrs
Women	25.7yrs	25.6yrs	25.7yrs	25.6yrs
Longevity at 65 for future pensioners -				
Men	25.9yrs	25.7yrs	n/a	n/a
Women	28.4yrs	28.3yrs	n/a	n/a
Rate of inflation (Consumer Prices Index)	2.2%	2.1%	2.3%	2.1%
Rate of increase in salaries	3.5%	3.4%	n/a	n/a
Rate of increase in pensions	2.3%	2.2%	2.4%	2.2%
Rate for discounting scheme liabilities	2.4%	2.6%	2.4%	2.6%

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)	(20,232)	20,232
Rate of inflation (increase / decrease by 0.1%)	(18,264)	18,264
Rate of increase in salaries (increase / decrease by 0.1%)	(2,715)	2,715
Discount Rate (increase / decrease by 0.1%)	17,940	(17,940)

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

Impact on Cash Flows

Regulations governing the scheme require actuarial valuation to be carried out every three years. Contributions for each employer are set having regard to their individual circumstances. The Regulations require the contributions to be set with a view to targeting the scheme's solvency, and the detailed provisions are set out in the Clwyd Pension Fund Funding Strategy Statement. The most recent valuation was carried out as at 31st March 2016, which showed a shortfall of assets against liabilities of £437 million as at that date; equivalent to a funding level of 76%. The scheme's employers are paying additional contributions over a period of up to 15 years in order to meet the shortfall.

The total contributions expected to be made to the LGPS by the Council in the year to 31st March 2020 is £23.75m.

The duration of the defined benefit obligation for LGPS members is 18 years, 2018/19 (18 years 2017/18).

HOUSING REVENUE ACCOUNT - INCOME AND EXPENDITURE AND MOVEMENT ON RESERVES STATEMENTS

for the year ended 31st March 2019

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.

	2019		2018	
	£000	£000	£000	£000
Expenditure				
Repairs and maintenance		7,239		7,354
Management and supervision		3,962		4,239
Specialist Services		1,556		1,551
Rents, rates, taxes and other charges		65		6
Depreciation and impairment of non-current assets		30,415		35,317
Debt management costs		44		42
Increase in bad debt provision		548		450
Total expenditure		43,829		48,959
Income				
Dwelling rents (gross)	33,395		31,645	
Non-dwelling rents (gross)	403		364	
		33,798		32,009
Charges for services and facilities		1,190		1,058
Reimbursement of Costs		0		48
Contribution towards expenditure		160		0
Total income		35,148		33,115
Net cost of HRA services as included in the whole authority Comprehensive Income and Expenditure Statement		8,681		15,844
Other Operating Expenditure				
Net (gain) / loss on the disposal of non-current assets		(76)		70
Admin. expenses on the net defined benefit liability		54		53
Financing and Investment Income and Expenditure				
Interest payable and similar charges		4,985		4,655
Net interest on the net defined benefit liability (see note 42)		481		521
Total (surplus) / deficit for the year on HRA services		14,125		21,143

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

	Note	2019	2018
	(from core notes)	£000	£000
At 1st April		1,918	1,642
Surplus/(deficit) on the HRA income and expenditure statement		(14,125)	(21,143)
Total comprehensive income and expenditure		(14,125)	(21,143)
Adjustments between accounting and funding basis under regulations	7	14,428	21,419
Increase/(decrease) in year on the HRA		303	276
At 31st March		2,221	1,918

NOTES TO THE HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

1. LEGISLATION

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

2. HOUSING STOCK

The type and number of dwellings at 31st March 2019 were:-

Type	2019 No.	2018 No.
Houses	4,076	4,048
Flats	1,378	1,373
Maisonettes	10	10
Bungalows	1,798	1,794
	<u>7,262</u>	<u>7,225</u>

3. RENT ARREARS

The rents total of £1,783k (£1,539k in 2017/18) 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	2019 £000	2018 £000
Rents		
Current tenants	1,630	1,378
Former tenants	153	161
	<u>1,783</u>	<u>1,539</u>
Provision for impairment losses (bad debts)		
	£000	£000
Opening provision	578	422
Written off in year	(476)	(287)
Increase in provision	543	443
	<u>645</u>	<u>578</u>

NOTES TO THE HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

4. NON-CURRENT ASSET ACCOUNTING

Capital Expenditure and Financing

HRA capital expenditure of £27,033k was incurred as follows; £0k - Land, £23,134k - Council Dwellings, £3,899k - Assets Under Construction £0k – equipment, (£29,772k in 2017/18). Financed as follows:-

	Capital Receipts £000	Capital Grants & Contributions £000	Revenue Contributions £000	Borrowing £000	Total £000
Capital financing	834	5,183	14,137	6,879	27,033
	<u>834</u>	<u>5,183</u>	<u>14,137</u>	<u>6,879</u>	<u>27,033</u>

Major Repairs Allowance (MRA)

Included within the capital grants and contributions total (£5,183k) is the 2018/19 MRA allocation figure of £5,065k (£5,065k in 2017/18). 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 2018/19 in financing qualifying capital expenditure.

Capital Receipts

Gross capital receipts of £147k (£355k in 2017/18) were realised by way of the disposal of dwellings, land sales, and shared ownership sales:-

	2019 £000	2018 £000
Council dwellings	61	277
Shared Ownership Sales	86	78
Land sales	0	0
	<u>147</u>	<u>355</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 £5,308k (£5,162k in 2017/18) is based on the 2018/19 opening net balance sheet valuations (valuation list less cumulative depreciation), with assumed nil residual values.

	2019 £000	2018 £000
Dwellings	5,045	5,056
Garages	20	20
Other Land & buildings	53	0
Plant and equipment	190	86
	<u>5,308</u>	<u>5,162</u>

Impairment Losses and Revenue Expenditure Funded from Capital Under Statute

A HRA impairment adjustment total of £25,264k was accounted for in 2018/19 (£30,155k in 2017/18). No revenue expenditure funded from capital under statute was accounted for in 2018/19 (£0k in 2017/18).

NOTES TO THE HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

5. HRA SHARE OF CONTRIBUTIONS TO / FROM PENSIONS RESERVE

The cost of retirement benefits is recognised in the net cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to the HRA is based on the employers' contributions made in year, so the real cost of retirement benefits is reversed out in the movement in reserves statement.

The HRA transactions in the comprehensive income and expenditure statement and the movement in reserves statement during the year are:-

	2019		2018	
	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement				
Service Expenditure Analysis -				
Current service cost	1,382		1,411	
Curtailments/settlements	<u>0</u>		<u>0</u>	
Other Operating Expenditure -		1,382		1,411
Administration expenses	<u>54</u>		<u>53</u>	
Financing and Investment Income and Expenditure		54		53
Net interest expense	<u>481</u>		<u>521</u>	
		<u>481</u>		<u>521</u>
Total HRA Charge		<u>1,917</u>		<u>1,985</u>
Movement in Reserves Statement				
Reversal of net charges made to surplus / deficit on the provision of services for retirement benefits in accordance with IAS 19		(1,917)		(1,985)
Actual amount charged against the HRA balance for pensions in the year:				
Employers' contributions payable to scheme		1,305		1,288

STATEMENT OF ACCOUNTING POLICIES

General Principles

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year end of 31st March 2019. 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 2018/19 (the Code) 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.

Accruals of Income and Expenditure

The revenue and capital accounts of the Council are prepared on an accruals basis. Sums are included in the final accounts to cover income or expenditure attributable to the year of account for goods received or work done, but for which payment has not been received/made by 31st March 2019. Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. 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.

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 in its final year.

The Council is required to purchase and surrender allowances 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 on the Balance Sheet and an expense within the cost of services line of the Comprehensive Income and Expenditure Statement 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.

STATEMENT OF ACCOUNTING POLICIES

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

Service Portfolios 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 2016/17 MRP Policy Statement agreed by Council in February 2016, subsequently amended in June 2016, February 2017 and March 2018, set in accordance with Welsh Government Guidance on MRP. The Council's Policy is to charge minimum revenue provision of:

- 2% of debt outstanding for the Housing Revenue Account.
- 2% of council fund debt outstanding fixed at 31st March 2017, on capital expenditure incurred before 1st April 2008 and capital expenditure funded by supported borrowing between 1st April 2008 and 31st March 2016 using the annuity method.
- Capital expenditure incurred on or after 1st April 2008 funded by prudential borrowing, capital expenditure incurred on or after 1st April 2016 funded by supported borrowing, and all future debt funded capital expenditure will be repaid based on the expected useful life of the asset using the annuity method.

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.

STATEMENT OF ACCOUNTING POLICIES

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 Council 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 Youth's Portfolio Service 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.

STATEMENT OF ACCOUNTING POLICIES

- 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 Corporate and Central Finance Service Portfolio.
 - 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 Corporate and Central Finance Service Portfolio.
 - 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.

STATEMENT OF ACCOUNTING POLICIES

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, benefits and government grants, do not give rise to financial instruments.

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.

STATEMENT OF ACCOUNTING POLICIES

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 categorised based on a classification and measurement approach that reflects the Council's business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost.

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost 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 (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

STATEMENT OF ACCOUNTING POLICIES

The Council has granted loans to a wholly owned subsidiary, North East Wales Homes (NEW Homes) at less than market rates (soft loans). When soft loans are made to subsidiaries, the difference is recorded as an additional Long Term Investment in the Council's single entity Balance Sheet for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a higher effective rate of interest than the rate receivable from NEW Homes, with the difference serving to increase the amortised cost of the loan in the Council's single entity Balance Sheet. Statutory provisions require the impact of soft loans on the Council Fund Balance be the interest receivable for the financial year. The reconciliation of amounts credited to the CIES (at the higher effective interest rate) to the contractual rate of interest receivable required against the Council Fund Balance is managed by a transfer through the Capital Adjustment Account in the Movement in Reserves Statement.

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.

Financial assets held at amortised cost are shown net of a loss allowance reflecting the statistical likelihood that the borrower or debtor will be unable to meet their contractual commitments to the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. The Council applies the expected credit losses model on all of its financial assets held at amortised cost. The expected credit loss model also applies to lease receivables. The Council's financial assets have shared risk characteristics. The basis for the collective assessment of expected credit losses for the portfolio of financial assets is based on a matrix that uses historical default data for the portfolio, adjusted with relevant local information to adjust loss rates and any further intelligence for specific classes of financial asset where credit risk could increase. The loss allowance is calculated as a cumulative product of this matrix.

Government Grants and Contributions

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

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

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

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

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

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

STATEMENT OF ACCOUNTING POLICIES

Heritage Assets

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

Historical Buildings

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

Operational

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

Non-Operational

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

Collections:-

County Archives

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

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

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

County Museum

The County's museum collection consists of about 6,800 items or groups of items. Of these approximately 260 are displayed at Mold Museum, 200 at Buckley Museum and a group of about 580 items are on loan to Greenfield Valley Trust. The remainder are 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.

STATEMENT OF ACCOUNTING POLICIES

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 £20k below which the requirements of capital accounting will not be applied is in place.

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

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

	Years
Software licences	5
Development expenditure	7

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

Interest Charges

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

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:-

- Alltami Depot (grounds & vehicle maintenance and rock salt) Weighted average
- Alltami Depot (fleet fuel) FIFO (first in first out)

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.

STATEMENT OF ACCOUNTING POLICIES

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.

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.

STATEMENT OF ACCOUNTING POLICIES

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.

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

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

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

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

Property, Plant and Equipment

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

Recognition

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

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

STATEMENT OF ACCOUNTING POLICIES

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.

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 as at 1st April each year; in 2018/19 approximately 25% of operational non-dwelling assets were revalued. Valuations are undertaken in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards Global and UK Edition (January 2014). Valuations are carried out by the Council's in-house RICS valuers wherever possible, but in some cases external valuers are used.

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.

STATEMENT OF ACCOUNTING POLICIES

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

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

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

Impairment

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

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

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

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

Depreciation

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

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

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

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

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

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

STATEMENT OF ACCOUNTING POLICIES

Componentisation

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

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

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

Derecognition of Property, Plant and Equipment

An item of Property, Plant or Equipment is derecognised by disposal or when no future economic benefit or service potential is expected from its use.

Disposals and Non-Current Assets Held for Sale

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

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

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

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

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

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

STATEMENT OF ACCOUNTING POLICIES

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.

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.

STATEMENT OF ACCOUNTING POLICIES

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

Schools

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

Non-current Assets - Schools

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

Voluntary Aided and Voluntary Controlled school buildings are owned by religious bodies and therefore are not recognised on the Balance Sheet. Any land and/or playing fields that are owned by the Council at Voluntary Aided / Controlled schools is included on the Balance Sheet. The Council's single Foundation school is owned by the governors of the school and is therefore included in the Balance Sheet.

Subsidiaries

The Council wholly owns three companies called, North East Wales Homes and Property Management (NEW Homes), Newydd Catering & Cleaning Ltd, and Theatr Clwyd Productions Ltd.

As the Council controls these entities the Code requires that their accounts are consolidated into the Council's 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.

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.

A subsidiary is an entity including an unincorporated entity such as a partnership that is controlled by another entity (the Council), known as the parent.

For Group Accounts purposes the Council has consolidated the accounts of three wholly owned subsidiaries of the Council;

- North East Wales Homes Limited (NEW Homes),
- Newydd Catering & Cleaning Ltd, and;
- Theatr Clwyd Productions Ltd

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

The Group Accounts include:

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

NEW Homes

NEW Homes was established on 3rd April 2014 to own, lease and manage properties with the aim of increasing the quantity and quality of affordable housing across the county, whilst providing a professional service to landlords and tenants.

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

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

Further information on NEW Homes is available on its website www.northeastwaleshomes.co.uk,

NEW Homes currently owns and manages 102 units across Flintshire. These are made up of a combination of newly built properties developed through the Council's Strategic Housing And Regeneration Programme (SHARP) and properties negotiated with developers through Section 106 agreements. 40 properties have been 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 £5,985k. The remaining 62 properties are new build affordable homes for rent in Flint. The total value of these properties in the NEW Homes Balance Sheet is £7,619k.

GROUP ACCOUNTS

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 on the Flintshire affordable housing register.

NEW Homes Board approved a revised Development Strategy in March 2019 which proposes to expand the company over the next three years. This will bring the total number of properties managed by NEW Homes to 309 by 2021/22.

Newydd Catering & Cleaning Ltd

Newydd Catering & Cleaning Ltd a new Local Authority Trading Company incorporated on 28th February 2017 as a Company limited by shares with the Council owning all of the shares, 100 at £1 par value. The Catering and Cleaning service has been created with the objective to be more responsive to the demands of the market and be free to attract new customers outside of the Council.

The Council has a high level of control over Newydd as the single shareholder approving;

- any strategic objectives and decisions
- any transfer or transmission of shares in the Company
- the retention or distribution of any financial surplus
- the issue by the Company of any shares in the capital of the Company, and the rights and/or restrictions of any shares.
- any borrowing against assets

Further information on Newydd Ltd is available on its website www.newydd.wales

Theatr Clwyd Productions Ltd

Theatr Clwyd Productions was incorporated on 22nd Dec 2015 as a Company limited by shares with the Council owning all of the shares, 1 at £1 par value. The company was established for the theatre to produce its own productions operating under the advantages available to Theatrical Production Companies.

The Council has a high level of control over Theatr Clwyd Productions as the single shareholder approving;

- the Business Plan and any decision that the Company should undertake on any business other than in accordance with the Business Plan.
- any changes to the memorandum and/or articles of association
- the issue of any shares
- any borrowing (unsecured or secured by a legal charge against land or buildings owned by the company)

Accounting Policies

The accounting policies for the Group follow those adopted by Flintshire County Council in the single entity statements, as detailed on pages 69 to 84. Where the subsidiaries accounting policies are different, adjustments have been made on consolidation to align any differences in accounting treatment.

GROUP MOVEMENT IN RESERVES STATEMENT

for the year ended 31st March 2019

	Council Fund Reserves £000	Other Useable Reserves £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves of the Authority £000	Subsidiary Reserves £000	Total Group Reserves £000
At 31st March 2018	28,575	20,837	49,412	65,606	115,016	2,037	117,053
Total comprehensive income and expenditure	(7,795)	(14,125)	(21,920)	(27,438)	(49,358)	6,884	(42,474)
Adjustments between group accounts and authority accounts	6,957	472	7,429	0	7,429	(6,559)	870
Net increase/(decrease) before transfers	(838)	(13,653)	(14,491)	(27,438)	(41,929)	325	(41,604)
Adjustments between accounting and funding basis under regulations	(403)	18,117	17,714	(17,714)	0	0	0
Increase/(decrease) in year	(1,241)	4,464	3,223	(45,152)	(41,929)	325	(41,604)
At 31st March 2019	27,334	25,301	52,635	20,454	73,087	2,362	75,449

GROUP MOVEMENT IN RESERVES STATEMENT

for the year ended 31st March 2018

	Council Fund Reserves £000	Other Useable Reserves £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves of the Authority £000	Subsidiary Reserves £000	Total Group Reserves £000
At 31st March 2017	31,478	16,325	47,803	(4,283)	43,518	3,586	47,104
Total comprehensive income and expenditure	1,355	(21,143)	(19,788)	97,243	77,455	(4,587)	72,867
Adjustments between group accounts and authority accounts	(5,957)	0	(5,957)	0	(5,957)	3,038	(2,919)
Net increase/(decrease) before transfers	(4,602)	(21,143)	(25,745)	97,243	71,498	(1,549)	69,948
Adjustments between accounting and funding basis under regulations	1,697	25,655	27,352	(27,352)	0	0	0
Increase/(decrease) in year	(2,905)	4,512	1,607	69,889	71,498	(1,549)	69,949
At 31st March 2018	28,573	20,837	49,410	65,606	115,014	2,037	117,051

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

for the year ended 31st March 2019

	2019		Net Expenditure	2018		Net Expenditure
	Gross Expenditure	Gross Income		Gross Expenditure	Gross Income	
	£000	£000	£000	£000	£000	£000
Service Expenditure Analysis						
Chief Executive's	2,707	(147)	2,559	3,014	(121)	2,893
Education & Youth	127,529	(27,514)	100,015	131,555	(29,203)	102,352
Governance	11,871	(2,146)	9,725	12,731	(2,480)	10,251
Housing & Assets	59,718	(41,429)	18,289	58,011	(44,249)	13,762
People & Resources	4,757	(365)	4,392	5,033	(384)	4,649
Planning, Environment & Economy	10,858	(4,790)	6,068	11,538	(4,658)	6,880
Social Services	89,942	(21,064)	68,878	84,301	(20,822)	63,479
Strategic Programmes	10,842	(517)	10,325	8,418	(2,052)	6,366
Streetscene	48,555	(10,778)	37,777	47,334	(11,871)	35,463
Central & Corporate Finance	7,367	(3,224)	4,143	(900)	(1,303)	(2,203)
Housing Revenue Account	43,829	(35,148)	8,681	48,838	(33,115)	15,723
Clwyd Theatr Cymru	5,721	(5,553)	167	4,660	(4,539)	121
Cost of services	423,695	(152,675)	271,019	414,533	(154,797)	259,736
Other Operating Expenditure			26,765			26,221
Financing and Investment Income and Expenditure			20,516			20,890
Taxation and Non-Specific Grant Income			(302,797)			(280,488)
(Surplus)/deficit on the provision of services			15,503			26,359
Tax expenses of subsidiary			(165)			(219)
Group (Surplus)/deficit			15,338			26,140
(Surplus)/deficit arising on revaluation of non-current assets			(9,632)			(50,199)
(Surplus)/deficit arising on revaluation of available-for-sale financial assets			0			0
Tax relating to other comprehensive income			(107)			357
Actuarial (gains) or losses on pension assets and liabilities			36,875			(49,165)
Total comprehensive income and expenditure			42,474			(72,867)

GROUP BALANCE SHEET

as at 31st March 2019

		2019		2018	
	Note	£000	£000	£000	£000
NON-CURRENT ASSETS					
Property, Plant & Equipment					
Council dwellings		203,171		207,735	
Other land and buildings		329,116		323,217	
Vehicles, plant, furniture and equipment		14,038		14,622	
Surplus assets		7,867		8,934	
Infrastructure assets		156,782		153,463	
Community assets		4,721		4,721	
Assets under construction		25,064		10,364	
Total Property, Plant & Equipment	1	740,759		723,056	
Investment properties and Agricultural Estate		27,035		29,064	
Intangible assets		25		57	
Long term investments		0		0	
Long term debtors		3,196		2,387	
NON-CURRENT ASSETS TOTAL		771,015		754,564	
CURRENT ASSETS					
Inventories		1,151		940	
Short term debtors (net of impairment provision)		42,368		36,116	
Short term investments		100		0	
Cash and cash equivalents		32,009		32,361	
Assets held for sale		1,113		1,517	
Current tax asset		0		213	
CURRENT ASSETS TOTAL		76,741		71,147	
CURRENT LIABILITIES					
Borrowing repayable on demand or within 12 months		(50,450)		(58,084)	
Short term creditors		(35,488)		(29,513)	
Provision for accumulated absences		(2,666)		(1,776)	
Deferred liabilities		(555)		(541)	
Grants receipts in advance		(1,815)		(2,512)	
Provisions		(1,407)		(609)	
Current Tax Liability		0		213	
CURRENT LIABILITIES TOTAL		(92,381)		(92,822)	
NON-CURRENT LIABILITIES					
Long term creditors		(1,532)		(1,342)	
Long term borrowing		(272,383)		(253,672)	
Deferred liabilities		(4,491)		(4,846)	
Provisions		(990)		(2,131)	
Other long term liabilities		(399,528)		(352,215)	
Grants receipts in advance		(1,002)		(1,632)	
Deferred Tax Liability		0		0	
NON-CURRENT LIABILITIES TOTAL		(679,926)		(615,838)	
NET ASSETS		75,449		117,051	

GROUP BALANCE SHEET

as at 31st March 2019

	Note	2019		2018	
		£000	£000	£000	£000
USABLE RESERVES					
Capital receipts reserve		15,945		14,094	
Capital grants unapplied		7,135		4,825	
Council fund		14,020		13,486	
Earmarked reserves		(2,743)		-2,320	
Housing revenue account		13,314		14,876	
Profit and Loss Reserve		2,221		1,918	
USABLE RESERVES TOTAL			49,892		46,879
UNUSABLE RESERVES					
Revaluation reserve		110,487		107,630	
Capital adjustment account		318,771		319,537	
Financial instruments adjustment account		(6,091)		(6,452)	
Pensions reserve		(395,042)		(348,865)	
Deferred capital receipts		98		98	
Accumulated absences account		(2,666)		(1,776)	
UNUSABLE RESERVES TOTAL			25,557		70,172
TOTAL RESERVES			<u>75,449</u>		<u>117,051</u>

GROUP CASH FLOW STATEMENT
for the year ended 31st March 2019

	2019		2018	
	£000	£000	£000	£000
Net surplus or (deficit) on the provision of services	(15,053)		(25,977)	
Adjustment to surplus or deficit on the provision of services for non-cash movements	66,106		62,764	
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	<u>(34,124)</u>		<u>(20,886)</u>	
Net cash flows from operating activities		16,929		15,901
Net cash flows from investing activities	(35,196)		(33,353)	
Net cash flows from financing activities	<u>17,915</u>		<u>42,640</u>	
Net increase or decrease in cash and cash equivalents		<u>(17,281)</u>		<u>9,287</u>
		(352)		25,188
Cash and cash equivalents at the beginning of the reporting period		32,361		7,173
Cash and cash equivalents at the end of the reporting period		32,009		32,361

NOTES TO THE GROUP ACCOUNTS

1. PROPERTY, PLANT AND EQUIPMENT

	Flintshire County Council £000	NEW Homes £000	NEWYDD £000	Theatr Clwyd Productions Ltd £000	Group £000
Net Book Value at 31st March 2019					
Council Dwellings	203,171	0	0	0	203,171
Other land and buildings	315,512	13,604	0	0	329,116
Vehicles, plant, furniture and equipment	13,956	0	82	0	14,038
Surplus assets	7,867	0	0	0	7,867
Infrastructure assets	156,782	0	0	0	156,782
Community assets	4,721	0	0	0	4,721
Assets under construction	24,282	782	0	0	25,064
	726,291	14,386	82	0	740,759

	Flintshire County Council £000	NEW Homes £000	NEWYDD £000	Theatr Clwyd Productions Ltd £000	Group £000
Net Book Value at 31st March 2018					
Council Dwellings	207,735	0	0	0	207,735
Other land and buildings	313,234	9,983	0	0	323,217
Vehicles, plant, furniture and equipment	14,577	0	45	0	14,622
Surplus assets	8,934	0	0	0	8,934
Infrastructure assets	153,463	0	0	0	153,463
Community assets	4,721	0	0	0	4,721
Assets under construction	7,512	2,852	0	0	10,364
	710,176	12,835	45	0	723,056

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

To be inserted following financial audit by external auditors.

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

To be inserted following financial audit by external auditors.

2018/19

Flintshire County Council – Annual Governance Statement

What is Governance?

“Governance is at the heart of public services. It underpins how resources are managed, how decisions are made, how services are delivered and the impact they have, now and in the future. It also infuses how organisations are led and how they interact with the public. Governance needs to be robust but it must also be proportionate. Well-governed organisations are dynamic and take well-managed risks; they are not stagnant and bureaucratic.”¹

The governance framework comprises the culture, values, systems and processes by which an organisation is directed and controlled. The framework brings together an underlying set of legislative requirements, good practice principles and management processes.

Flintshire County Council acknowledges its responsibility for ensuring that there is a sound system of governance. The Council has developed a Local Code of Corporate Governance that defines the principles that underpin the governance of the organisation. The Local Code forms part of the Council Constitution and can be accessed on the Council’s website. A summary of the principles upon which it is based can be found later in this document.

The Council’s governance framework supports its aim as a modern public body which has the **philosophy** of operating as a social business which refers to it:

- being lean, modern, efficient and effective
- being designed, organised and operated to meet the needs of communities and the customer; and
- working 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.

¹ Wales Audit Office: “Discussion Paper: The governance challenges posed by indirectly provided, publicly funded services in Wales” 2017

ANNUAL GOVERNANCE STATEMENT

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.

The Council is committed to specific values and principles in working with its key partners and partnerships. These cover strategic partnerships such as the Public Services Board and with the third sector such as agreeing a set of Voluntary Sector Funding principles.

In previous years the Council's Annual Governance Statement has covered the Clwyd Pension Fund. From 2018/19 the Clwyd Pension Fund will produce their own Annual Governance Statement which will be presented to the Clwyd Pension Fund Board for consideration and approval.

Dashboard : Effectiveness of the Council’s Governance Framework



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Annual Internal Audit Opinion 2018/19:

“For the year ending 31 March 2019, based on the work we have undertaken, my opinion is that Flintshire County Council has an adequate and effective framework of governance, risk management and control”.

Internal Audit Manager, Flintshire County Council

Ares of Very Best Practice:

- Effective engagement external partners and board
- Corporate Governance and Regulatory Inspections
- Medium Term Financial Strategy Performance Management

What is the Annual Governance Statement?

The Council is required by the Accounts and Audit (Wales) Regulations 2018 to prepare a statement on internal control. Alongside many authorities in Wales, Flintshire refers to this as the 'Annual Governance Statement'. This is a public document that reports on the extent to which the Council complies with its own code of governance.

In this document the Council:

- acknowledges its responsibility for ensuring that there is a sound system of governance;
- summarises the key elements of the governance framework and the roles of those responsible for the development and maintenance of the governance environment;
- describes how the Council has monitored and evaluated the effectiveness of its governance arrangements in year, and on any planned changes in the coming period;
- provides details of how the Council has responded to any issue(s) identified in last year's governance statement; and
- reports on any significant governance issues identified from this review and provides a commitment to addressing them.

The annual governance statement reports on the governance framework that has been in place at Flintshire County Council for the financial year 2018/19 and up to the date of approval of the statement of accounts.

How has the Annual Governance Statement been prepared?

The initial review of the Council's governance framework was carried out by the Corporate Governance Working Group. This group prepared assessment questionnaires for each corporate Chief Officer and also for some specific governance functions such as finance, human resources and legal. The questionnaires were based on the seven principles that follow in the main part of this document and were assessed to identify any areas for improvement. Questionnaires were also completed by the Chairs of Overview and Scrutiny committees. In addition the Audit Committee undertakes a self-assessment of its own effectiveness which has also informed this work.

The preparation and content of this year's governance framework has been considered by the Chief Officer Team, with assurance support from Internal Audit, Audit Committee and External Audit (Wales Audit Office). The governance framework cannot eliminate all risk of failure to meet the targets in our policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

Page 117 In preparing the Annual Governance Statement the Council has:

- reviewed the Council's existing governance arrangements against the local Code of Corporate Governance.
- updated the local Code of Corporate Governance where necessary, to reflect changes in the Council's governance arrangements and the requirements of the new CIPFA/Solace 2016 – Guidance Notes for Welsh Authorities.
- assessed the effectiveness of the Council's governance arrangements and highlighted any planned changes in the coming period.

The Chief Officer Team, which is led by the Chief Executive, have also considered the significant governance issues and principles facing the Council. These are evidenced in pages 6-12 of the document. Principles **highlighted in Green** reflect those which the Chief Officers assessed as being applied consistently well across the Council. Principles assessed as needing further improvement are detailed on pages 18-20.

The Council's Audit Committee, provides assurance to the Council on the effectiveness of its governance arrangements, risk management framework and internal control environment. As part of this role the Committee reviews and approves the Annual Governance Statement.

The six Overview & Scrutiny chairs have also considered and commented on issues within their respective committees' remit. They expressed general satisfaction with the Annual Governance Statement.

What are the key principles of the Corporate Governance Framework?

The Council aims to achieve good standard of governance by adhering the seven key principles of the new CIPFA/Solace 2016 – Guidance Notes for Welsh Authorities, which form the basis of the Local Code of Corporate Governance. The seven key principles are:

- | | |
|-------------|--|
| Principle A | Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law |
| Principle B | Ensuring openness and comprehensive stakeholder engagement |
| Principle C | Defining outcomes in terms of sustainable economic, social, and environmental benefits |
| Principle D | Determining the interventions necessary to optimise the achievement of the intended outcomes |
| Principle E | Developing the entity's capacity, including the capability of its leadership and the individuals within it |
| Principle F | Managing risks and performance through robust internal control and strong public financial management |
| Principle G | Implementing good practices in transparency, reporting, and audit to deliver effective accountability |

Principle A

Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of the law

Sub Principles:

Behaving with Integrity

Demonstrating strong commitment to ethical values

Respecting the rule of law

How we do this:

- The behaviour and expectations of Officers and Members are set out in the Council's Codes of Conduct, Constitution, and a suite of policies and procedures relating to Officers and Member induction, supervision, training and appraisals and leadership competencies.
- Case management both for Members and Officers.
- Codes of Conduct for Members and Officers specify the requirements around declarations of interests formally and at the beginning of meetings, gifts and hospitality etc.
- **The Council takes fraud seriously. Key policies are in place to prevent, minimise and manage such occurrences. Polices include:**
 - Whistleblowing Policy
 - Anti-Fraud and Corruption Strategy
 - Fraud Response Plan
 - Financial and Contract Procedure Rules
- Compliance with policies and protocols e.g. Contract Procedure Rules
- Enhanced profile of Internal Audit

- A set of leadership competencies are deployed in each Portfolio and led by each Chief Officer.
- The Council's recruitment policy, training and competencies based appraisal processes underpin personal behaviours with ethical values.
- **Robust policies and procedures are in place, subject to formal approval prior to adoption by formal committees.**
- **All contracts and external service providers, including partnerships are engaged through the robust procurement process and follow the Contract Procedure rules regulations.**
- **Application of the corporate operating model; our way of being organised, working internally to promote high standards of professional performance and ethical behaviour to achieve organisational priorities and objectives.**

- The Council ensures that statutory officers and other key officers and members fulfil legislative and regulatory requirements through a robust framework which includes: Scheme of delegation; induction, development and training of existing and new requirements; application of standing operating procedures; and engagement of early / external advice where applicable.
- **The full use of the Council powers are optimised by regular challenge and keeping abreast of new legislation to achieve corporate priorities and to benefit citizens, communities and other stakeholders e.g. alternative service models (ADM's)**
- Effective Anti-Fraud and Corruption framework supported by a suite of policies; any breaches are handled in accordance with key legislative provision and guidance from appropriate bodies.
- **The Council's Monitoring Officer is responsible for ensuring the Council complies with the law and avoids maladministration. The Council's Constitution promotes high standards of conduct which is monitored by the Standards Committee.**
- Consistent application of risk assessments for both strategic, operational and partnership plans.

Principle B

Ensuring openness and comprehensive stakeholder engagement

Sub Principles:

Openness

Engaging comprehensively with institutional stakeholders

Engaging stakeholders effectively, including individual citizens and service users

How we do this:

- **The Council is committed to having an open culture. This is demonstrated by:**
 - Complaints and Compliments Procedure
 - Meetings are conducted in an open environment
 - Council’s website
- **The most appropriate and effective interventions / courses of action are determined using formal and informal consultation and engagement supported by:**
 - Public consultation around the Medium Term Financial Strategy (MTFS)
 - Consultation principles, e.g. School Modernisation Programme
 - Formal and informal engagement models with employee and communities e.g. alternative delivery models Member workshops
 - County Forum (Town and Community Councils)
 - Positive engagement with Trade Unions both formally and informally

- **The Council effectively engages with stakeholders to ensure successful and sustainable outcomes by:**
 - Effective application and delivery of communication strategies to support delivery
 - Targeting communications and effective use of Social Media
 - Formal and Informal meetings with key stakeholder groups
 - Effective stakeholder engagement on strategic issues
 - Service led feedback questionnaires and events
- **Effective use of resources and achievement of outcomes is undertaken by the Council both through informal and formal partnerships:**
 - Extensive range of partnerships to support the delivery of the Council’s strategic priorities, including the Public Services Board
 - Open and productive partnership arrangements supported by an effective governance framework
 - Trust and good relations lead to delivery of intended outcomes e.g. community asset transfers
 - Partner representation at Scrutiny committees

- **The achievement of intended outcomes by services is supported by a range of meaningful guidance on consultation engagement and feedback techniques with individual citizens, service users and other stakeholders. This includes:**
 - Range of customer channels
 - Undertaking Impact assessments
 - Results from satisfaction surveys to enhance service delivery where applicable
 - Complaints reviewed to assess organisational learning and change
 - Sharing soft intelligence and good practice
 - Committee reports portray all relevant feedback
 - **Services are assessed for value for money and opportunities for efficiencies**
 - **Taking account of the interests of future generations of tax payers and service users**
- **The Council has appropriate structures in place to encourage public participation governed through the Communication and Social Media Policies. These include:**
 - E-newsletters
 - The Council’s website
 - Tenants Forums
 - Service user groups
 - Quality circles
 - Use of infographics

Green = Chief Officer assessed as being consistently well across the Council

Principle C

Defining outcomes in terms of sustainable economic, social, and environmental benefits

Sub Principles:

Defining outcomes

Sustainable economic, social and environmental benefits

How we do this

- **The Council has a clear vision describing the organisation’s purpose and intended outcomes which is achieved through:**
 - **Linking of vision and intent to the MTFS which links to the Council Plan, Portfolio Business Plans and other plans and strategies with a focus on priorities for change and improvement**
 - **Organisational objectives are delivered through Programme Boards and political decision making processes**
 - Service Planning consideration including sustainability of service delivery
- Risk Management is applied consistently at project, partnership and business plan levels using the corporate performance system (CAMMS) which adheres to the Risk Management Policy and Strategy and ensures consistent application of risk registers and terminology.
- **Risk appetite is also considered whilst developing future scenarios and options with key staff.**
- The development of the County’s Well-being Plan and delivery of the Public Services Board’s priorities ensure that public services work effectively together to add value.

- The Council takes a longer term view and balances the economic, social and environmental impact of policies, plans etc. along with the wider public interest when taking decisions about service provision. This is supported by a range of governance approaches:
 - **Budget setting of the Capital Programme and MTFS and longer term business planning through the use of effective forecasting models**
 - **Setting longer term objectives regardless of political term**
 - **Delivering defined outcomes**
 - **Multi-disciplinary approach to policy development and wider public interest of economic, social and environment issues e.g. Welfare Reform, Corporate Safeguarding**
 - **Ensuring fair access to services**
 - Procurement strategy defines expectations around economic, social and environment benefits which inform service specifications, tenders and contracts.
 - Communication plans for public and community engagement
 - Clear documented record of route to change

Principle D

Determining the interventions necessary to optimise the achievement of the intended outcomes

Sub Principles:

Determining interventions

Planning interventions

Optimising achievement of intended outcomes

How we do this

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- Good judgement in making decisions is achieved by ensuring decision makers receive objective and rigorous analysis of information and options to achieve intended outcomes including the related risks. This is achieved by:
 - **Full engagement with members on a longer term basis e.g. MTFS and Business Plans**
 - **Delivery of the MTFS and revenue and capital budget setting process providing options for the public, stakeholders and members to be engaged to consider modifications**
 - Development of forecasting models
 - Active engagement of key decision making in the development of initial ideas, options and potential outcomes and risks e.g. ADM Programme, Gateways
 - **Clear option appraisals detailing impacts, savings and risks to ensure best value is achieved**
 - Budget monitoring for each Portfolio and corporate considerations
 - **Managing expectation for key stakeholders**
 - Other key workforce strategies e.g. digital and procurement
 - Application of Impact Assessments

- The Council has established and implemented robust planning and control cycles covering strategic and business plans, priorities, targets, capacity and impact. This is achieved through:
 - Co-design of service solutions with key stakeholders
 - **Application of risk management principles when working in partnership and collaboratively and the active use of risk registers**
 - **Regular monitoring of business planning, efficiency and reliability including feedback on business planning model**
- **Service performance is measured through national performance indicators and establishing a range of local indicators, which are regularly monitored, reported and used for benchmarking purposes**
- **Robust and inclusive methodologies are in place to formulate the MTFS which is an integral part of the Council’s governance framework and Portfolio Business plans are linked to the Council Plan**

- Resource requirements for the services are identified through the business planning process and detailed within the MTFPs highlighting any shortfall in resources and spending requirements.
- **To ensure the budget process is all-inclusive, taking into account the full cost of the operations over the medium and longer term, regular engagement and ownership of the budget through the Chief Officer Team and consultation with members through workshops and robust scrutiny process is undertaken.**
- Social values are achieved through the effective commissioning of services and compliance with Council procedures.
- Consultation and engagement around the content of the MTFS through public and employee events sets the context for residents and employees. In particular relating to ongoing decisions on significant delivery issues or responses to changes in the external environment

Principle E

Developing the entity’s capacity, including the capability of its leadership and the individuals within it

Sub Principles:

Developing the entity’s capacity

Developing the capability of the entity’s leadership and other individuals

How we do this:

- We review our operations, performance, and use of assets on a regular basis to ensure their continuing effectiveness by:
 - Review of service delivery, performance and risks through team meetings and quarterly formal reporting,
 - Programme boards’ development and monitoring
- The Council reviews the sufficiency and appropriateness of resource allocation through techniques such as:
 - Benchmarking both internal and external review undertaken to identify improvements in resource allocation, including the use of national and local PIs
 - Internal challenge
- **Benefits of collaborative and partnership working both regionally and nationally to ensure added value is achieved by linking services and organisation priorities to partnership working**
- Develop and maintain the workforce plan to enhance the strategic allocation of resources through the publication of regular workforce data reports and drawing intelligence from supervision and appraisal meetings.
- Future workforce and succession planning is undertaken in each portfolio to identify future workforce capability and progression.

- **Effective shared leadership which enables the Council to respond successfully to changing external demands and risks is supported by:**
 - a range of management and leadership development programme, run in partnership with Coleg Cambria
 - ‘Development workforce’ and ‘leadership capacity’ and ‘managing performance’ are three of the five priorities within the People Strategy 2016-2019
 - **The Leader and the Chief Executive have clearly defined and distinct leadership roles**
- Individual and organisational requirements are supported through:
 - Corporate induction for new employees to the Council
 - Inductions for employees in new jobs
 - Continued learning and development for employees identified through the competency based appraisal system and one to one meetings
 - **A comprehensive range of training and development opportunities available, in partnership with Coleg Cambria and professional bodies.**
 - **Feedback and shared learning to the organisations both through reports and interactive sessions such as the ‘Academi’**
- **To support and maintain the physical and mental wellbeing of the workforce a range of interventions is provided including: Occupational Health Service, Signposting employees and Members to Care First (independent Counselling support), Management Awareness and Support, internal training and awareness sessions to support stress related absences**

Principle F

Managing risks and performance through robust internal control and strong public financial management

Sub Principles:



How we do this:

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- Risk Management is an integral part of all activities and decision making through:
 - **Application of risk management policy and strategy**
 - Identification of all risks and appropriate mitigations and transitional plans reported to Committees
 - **Clear allocation of management for risk responsibility with oversight by senior management and chief officers**
 - **Assurance by Internal Audit and Audit Committee**
 - Established the Chair and Vice Chair Liaison Group

- **Members and senior management are provided with regular reports on service performance against key performance indicators and milestones against intended outcomes**
- **Members are clearly and regularly informed of the financial position and implications including environmental and resource impacts**

- **Internal Audit provide the Council, through the Audit Committee, with an annual independent and objective opinion on the adequacy and effectiveness of the Council’s internal control, risk management, governance arrangements and associated policies.**
- The Council is dedicated to tackling fraud as detailed within the Anti-Fraud and Corruption Strategy, Fraud Response Plan, and Whistleblowing Policy

- **The Council has effective strategic direction, advice and monitoring of information management with clear policies and procedures on personal data and provides regular training to ensure compliance with these.**
- The Council requires Information Sharing Protocols to be in place in respect of all information shared with other bodies.
- **The quality and accuracy of data used for decision making and performance monitoring is supported by a guidance from a range of professional bodies.**
- **Internal Audit review and audit regularly the quality and accuracy of data used in decision making and performance monitoring.**

- **The Council’s financial management arrangements support both the long term achievement of outcome and short term financial performance through the delivery of the MTFS**
- Setting a prudent Minimum Revenue Provision for the repayment of debt
- The integration of all financial management and control is currently being reviewed as part of the finance modernisation project.

Principle G

Implementing good practices in transparency, reporting, and audit to deliver effective accountability

Sub Principles:

Implementing good practice in transparency

Implementing good practices in reporting

Assurance and effective accountability

How we do this:

- The Council has recently improved the layout and presentation of its reports in order to improve the presentation of key information to decision-makers.
- The Council is mindful of providing the right amount of information to ensure transparency.
- A review of information sharing protocols has been undertaken and new principles adopted.

- **The Council reports at least annually on the achievement and progress of its intended outcomes and financial position. This is delivered through the:**
 - Annual Performance report assessing performance against the Council Plan
 - Annual Statement of Accounts demonstrate how the Council has achieved performance, value for money and the stewardship of its resources
 - Progress against the Well-being Plan
- The Annual Governance Statement is published following robust and rigorous challenge to assess and demonstrate good governance.

- Through robust assurance mechanisms the Council can demonstrate effective accountability. These mechanisms include:
 - **Internal Audit undertakes independent reviews to provide an annual assurance opinion of the Council's control, risk management, and governance framework. To allow this Internal Audit has direct access to Chief Officer and members of the Council.**
 - **All agreed actions from Internal Audit reviews are monitored regularly with reports to Chief Officers monthly and each Audit Committee.**
 - **Any 'limited/red' assurance opinion are reported to Audit Committee in full and progress monitored closely**
 - **Peer challenge and inspection from regulatory bodies and external compliance reviews. The outcomes from these inspections are used to inform and improve service delivery**
 - Through effective commissioning and monitoring arrangements and compliance with Council's procedures, the Council gains assurance on risk associated with delivering services through third parties and any transitional risks.
 - Reports are presented to Cabinet and an annual report to Audit Committee of external feedback from regulatory work, peer reviews along with the Council's responses.

Contributors to an effective Governance Framework

Council	<ul style="list-style-type: none"> - Approves the Council Plan - Endorses the Constitution - Approves the policy and financial frameworks
Cabinet	<ul style="list-style-type: none"> - Primary decision making body of the Council - Comprises of the Leader of the Council and Cabinet members who have responsibility for specific portfolios
Audit Committee	<ul style="list-style-type: none"> - Help raise the profile of internal control, risk management and financial reporting issues within the Council, as well as providing a forum for the discussion of issues raised by internal and external auditors
Standards & Constitution & Democratic Services Committee	<ul style="list-style-type: none"> - Standards Committee promotes high standards of conduct by elected and co-opted members and monitors the operation of the Members' Code of conduct. - Constitution & Democratic Services Committee considers and proposes changes to the Constitution and the Code of Corporate Governance.
Portfolio Programme Boards	<ul style="list-style-type: none"> - Track efficiencies, highlighting risk and mitigating actions to achievement - Consider the robustness of efficiency planning and forecasting and consider resourcing of planned delivery - Plan communication and engagement activity
Overview & Scrutiny Committees	<ul style="list-style-type: none"> - Review and scrutinise the decisions and performance of Council, Cabinet, and Committees - Review and scrutinise the decisions and performance of other public bodies including partnerships - Assists the Council and Cabinet in the development of the Budget and Policy framework by in-depth analysis of policy issues. - Established the Chair/Vice Chair Liaison Group
Chief Officers Team & Service Managers	<ul style="list-style-type: none"> - Set governance standards - Lead and apply governance standards across portfolios - Undertake annual self-assessment
Internal Audit	<ul style="list-style-type: none"> - Provide an annual independent and objective opinion on the adequacy and effectiveness of internal control, risk management and governance arrangements - Investigates fraud and irregularity

How does Flintshire Council monitor and evaluate the effectiveness of its governance arrangements?

The Council annually reviews the effectiveness of its governance framework including the system of internal control. The key elements of assurance that inform this governance review are detailed below:

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<p>Chief Officers Team</p>	<p>Monitoring Officer</p>	<p>Section 151 Officer</p>	<p>Information Governance</p>	<p>Internal Audit</p>
<ul style="list-style-type: none"> • Corporate oversight and strategic planning • Annual Corporate Governance Assessment • Implement and monitor regulatory and other governance protocols 	<ul style="list-style-type: none"> • Legal and regulatory assurance • Monitors the operation of the Constitution • Ombudsman investigations 	<ul style="list-style-type: none"> • Proper administration of the Council's financial affairs 	<ul style="list-style-type: none"> • Designated Senior Information Risk Owner (SIRO) • Data Protection procedures including GDPR • Information Security & Records Management procedures 	<ul style="list-style-type: none"> • Annual opinion report on adequacy of internal controls, risk management and governance arrangements • Internal Audit plan and report tracking / performance by Audit Committee • Provision of advice & consultancy • Undertake Investigation and proactive Fraud work
<p>Overview & Scrutiny</p>	<p>Audit Committee</p>	<p>Risk Management</p>	<p>External Audit / Inspections</p>	<p>Counter Fraud</p>
<ul style="list-style-type: none"> • Policy review and challenge • Overview & scrutiny of topics • Corporate & Portfolio Performance & Risk monitoring 	<ul style="list-style-type: none"> • Self-assessment of Audit Committee • Review effectiveness of internal and external audit • Consider the adequacy of the internal control, risk management and Governance arrangements 	<ul style="list-style-type: none"> • Risk Management Policy and Strategy • Quarterly monitoring and reporting of Strategic Risks 	<ul style="list-style-type: none"> • Financial statements audit • Thematic & national reviews • Other external inspections 	<ul style="list-style-type: none"> • Anti-Fraud and Corruption & Whistleblowing arrangements • Codes of Conduct for Officers and Members • Financial and Contract Procedure Rules

How has the Council addressed the governance and strategic issues from 2017/18?

The 2017/18 Annual Governance Statement contained 14 key improvement areas as i) Internal Council Governance issues – those derived from the portfolio, Overview and Scrutiny and Audit Committee annual self-assessments that affect the internal governance arrangements of the Council; and, ii) Strategic Council Plan issues – those that were identified as part of the Council Plan for 2017/18 which remained unmitigated i.e. a 'Red' risk status.

The issues and how they were addressed are below:

(i) Internal Council Governance issues	Risk	Mitigation	Management Comment	Current Status
Views and experiences of citizens, service users and organisations of different backgrounds including reference to future needs are taken into account.	<ul style="list-style-type: none"> • Service planning does not take into account service user's needs in the future. • Legal and or judicial challenges. • Lack of effective feedback mechanisms to inform stakeholders how their views have been taken into account: stakeholders remain uninformed and less likely to support service change. • Lack of structures to encourage public participation 	<ul style="list-style-type: none"> • Development of an integrated impact assessment approach to inform budget decisions and longer term sustainability of services. • Communication strategies developed and actioned for all major decisions affecting the public. • Ensure that effective feedback mechanisms are built into communication strategies, taking into account the diversity of communication methods. 	<p>Integrated Impact Assessments (IIA) now developed and used to inform 2018/19 business planning. CAMMS system been updated with IAA for all relevant efficiency projects and policies; process to be fully operational from May 2019.</p> <p>Although the Council has policies and procedures to ensure the lawfulness of its decisions the potential for legal and judicial challenges remain an ongoing risk to the Council.</p> <p>Communication strategies have been developed for policy change and other major decisions affecting the public, including feedback mechanisms.</p>	<p>Open</p> <p>Integrated Impact Assessment needs to be consistently embedded within business planning.</p> <p>Integrated Impact Assessment process has been developed and has been used manually. Full conversion to digital system tested.</p> <p>New refined reporting process to better capture 'Impact' risks to be trialled from June.</p> <p>Communication strategies have been developed, but need to be consistently applied.</p>

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(i) Internal Council Governance issues	Risk	Mitigation	Management Comment	Current Status
Identifying and managing risks to the achievement of outcomes.	<ul style="list-style-type: none"> Risks are not mitigated during transitional or implementation phases. Outcomes are under-achieved. 	<ul style="list-style-type: none"> Consistent application of the Council's risk management approach across all strategic, operational and partnership working. 	<p>Risks are well managed during transitional and implementation phases. An implementation template has been developed to track implementations and associated risks.</p> <p>Early indications identify that risks are well managed throughout all phases of strategic delivery. Outcomes have been achieved as demonstrated by regular performance monitoring.</p> <p>The Council's Risk Management Policy and Strategy has been reviewed to reflect consistency of approach across all strategic, operational and partnership working.</p>	<p>Open</p> <p>Risks managed well in practice and Policy and Strategy been updated including escalation protocol; however, not yet consistently embedded.</p> <p>New risk register approach for management oversight been developed for regular monitoring.</p>
Ensuring capacity exists to generate the information required to review service quality regularly.	<ul style="list-style-type: none"> Reduction in service quality. Inability to benchmark and compare service quality. 	<ul style="list-style-type: none"> Ensure that service reform, succession and workforce planning takes into account information requirements. 	<p>Services review where benchmarking is going to improve information to inform service quality.</p> <p>The Council has corporate membership of APSE Performance Networks and other benchmarking bodies providing the opportunity for a high number of services to benchmark.</p>	<p>Open</p> <p>Improvements made during 2018/19. However, risk to be kept open for further improvement.</p>
Developing and maintaining an effective	<ul style="list-style-type: none"> Sustainability of service provision. 	<ul style="list-style-type: none"> Workforce planning for senior levels within each 	<p>Comprehensive workforce planning continues to be carried out across</p>	<p>Open</p>

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(i) Internal Council Governance issues	Risk	Mitigation	Management Comment	Current Status
workforce plan to enhance strategic allocation of resources.	<ul style="list-style-type: none"> Ineffective allocation of resources. Reputational damage following reduction in quality of service. 	<p>portfolio assessing workforce demographics, changing requirements and market demand.</p> <ul style="list-style-type: none"> Development of a succession plan, identifying areas of talent and additional support for growth and continued service delivery. 	the Council. The risk to the sustainability of service provision remains moderate.	Improvements made during 2018/19. However, risk to be kept open for further improvement.
Effective arrangements for safe collection, storage, use and sharing data.	<ul style="list-style-type: none"> Legal challenge and fines. Personal confidentiality breached. 	<ul style="list-style-type: none"> Provision of clear guidelines, awareness and appropriate training. Oversight supervision arrangements and of by managers. 	Policies and procedures remain in place covering all aspects of data protection. These have been reviewed as part of the implementation of the General Data Protection Regulation (GDPR) From May 2019 the financial penalties increased to 20 million Euros and data subjects can seek compensation. Despite mitigation the risk of legal challenges and fines relating to a breach of data protection remains a risk for the Council.	Open Significant progress has been made in developing protocols etc and in monitoring arrangements. Needs to remain open as insufficient evidence that all is embedded consistently across all portfolios.
Performance management: (Identified by Overview and Scrutiny Committee chair).	<ul style="list-style-type: none"> Council's approach to performance management and monitoring is not fully understood; 	<ul style="list-style-type: none"> Member workshop: understanding the Council's performance management approach 	A workshop explaining the Council Plan and it's measures in relation to performance management was held in 2018.	Open Additional workshops focussing on the Council

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(i) Internal Council Governance issues	Risk	Mitigation	Management Comment	Current Status
	leading to ineffective challenge and scrutiny.	and supporting systems.		Plan 2019/20 and performance management to be held during 2019.
Agreed actions within the Red / limited (4) assurance Internal Audit reports are implemented.	<ul style="list-style-type: none"> Failure to address control and governance issues identified as part of the audit work undertaken. 	<ul style="list-style-type: none"> Detailed action plans in place to address the findings, including the establishment of a joint audit and scrutiny liaison group. 	Joint Audit and Scrutiny Liaison Group established.	Open Liaison group in early stages; further development needed to secure outcomes.

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(ii) Strategic Issues from the 2017/18 Council Plan	Risk	Mitigation	Management Comment	Current Status
<p>Supportive Council: Availability of sufficient funding to resource key priorities – with particular reference to Disabled Facilities Grants (DFGs).</p>	<ul style="list-style-type: none"> • Demand for DFGs and adaptations are not met due to budget availability. • DFGs are not delivered in a timely manner; under-performance nationally. 	<ul style="list-style-type: none"> • Response to Internal Audit recommendations to improve processes. 	<p>Oversight Board established to review and monitor progress. Improvements in process and timeliness evidenced in last half of the year.</p>	<p>Open</p> <p>Ensure improvements continue during 2019/20.</p>
<p>Supportive Council: Demand outstrips supply for residential and nursing home care bed availability.</p>	<ul style="list-style-type: none"> • Lack of residential and nursing home care bed availability leading to more hospital stays. • Increased stress on carers. • Primary care resources stretched further. 	<ul style="list-style-type: none"> • Expansion of Marleyfield to support the medium term development of the nursing sector is ongoing. • Re-phasing of Integrated Care Fund capital to fit in with the Council's capital programme has been agreed by Welsh Government. • Other active workstreams, including the development of resources to support the sector, diagnostic reviews for providers and Care Conferences. 	<p>The expansion of Marleyfield to support the medium term development of the nursing sector continues under the direction of the Programme Board.</p> <p>A review for Programme Board of demand and supply in light of the new capital developments has been undertaken.</p>	<p>Open</p> <p>Risk rating continued to be high throughout the year.</p>
<p>Supportive Council:</p> <ul style="list-style-type: none"> • Knowledge and awareness of safeguarding not sufficiently developed in 	<ul style="list-style-type: none"> • Lack of optimisation of using the Council's resources and workforce to support safeguarding. 	<ul style="list-style-type: none"> • Inclusion of safeguarding in Corporate Induction. • Employee training opportunities provided on 	<p>Safeguarding e-learning model is to be implemented during 2019. Additional training has been made available to the Safeguarding Panel.</p>	<p>Closed</p> <p>Risk rating has reduced following the</p>

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(ii) Strategic Issues from the 2017/18 Council Plan	Risk	Mitigation	Management Comment	Current Status
<p>all portfolios.</p> <ul style="list-style-type: none"> Failure to implement safeguarding training may impact on cases not being recognised at an early stage. 		<p>a regular basis.</p> <ul style="list-style-type: none"> Mentor support provided by senior managers and link officers. 	<p>Periodic Safeguarding bulletins are published alongside regular workforce news items.</p>	<p>implementation of the mitigating actions.</p>
<p>Learning Council: Numbers of school places not matching the changing demographics.</p>	<ul style="list-style-type: none"> Unfilled school places do not meet national targets. Increased repair and maintenance burden. 	<ul style="list-style-type: none"> School modernisation programme. Council and schools work to consider innovative ways for reduction in capacity. 	<p>Reducing unfilled school places via school organisation change is an ongoing process. School change projects can take between three and five years from inception to delivery before reductions of unfilled places can be realised. This continues to be an ongoing process linked to the school modernisation programme.</p>	<p>Closed</p> <p>Risk level reduced from 'red' due to progression of the school modernisation programme.</p>
<p>Learning Council: Limited funding to address the backlog of known repair and maintenance work in Education and Youth assets.</p>	<p>Fabric of Education and Youth buildings will continue to decline leading to an increase in health and safety issues and imbalance between surplus and unfilled places.</p>	<ul style="list-style-type: none"> Condition surveys continue to identify priorities for investment. Implement County Policy for School re-organisation and modernisation. 	<p>The School Modernisation Programme is one of the strategic options to address the repairs and maintenance backlog.</p> <p>Capital business cases for improvement and repair and maintenance projects in schools are considered through the Council's business case process.</p>	<p>Open</p> <p>This continues to be a financial risk to support the school infrastructure.</p>
<p>Learning Council:</p>	<p>Reductions to Education Improvement Grant and</p>	<ul style="list-style-type: none"> Collective working with Head Federations to 	<p>Was a live and significant risk to grant funding for education at</p>	<p>Closed</p>

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(ii) Strategic Issues from the 2017/18 Council Plan	Risk	Mitigation	Management Comment	Current Status
Sustainability of funding streams.	other grants at short notice lead to reduced service delivery, when demand for pupil support is increasing.	consider options and opportunities. • Internal and external campaigning for a reversal of WG policy.	the start of the year. Some of the areas of concern included: • Clarity of Teachers' Pay Award for 19/20. • Teachers' employers' pensions cost. • MEAG (Minority Ethnic Achievement Grant).	Confirmation of funding streams during the year has reduced this risk.
Green Council: Funding will not be secured for priority flood alleviation schemes.	Flood alleviation schemes will not be delivered leading to increased risks of damage to infrastructure and community disturbance.	Review our approach to funding capital projects.	Flintshire's local risk management strategy contains an action to 'identify projects and programmes that are affordable, maximising capital funding from internal and external sources'. A service review is intended to create a more effective approach / structure that balances the ability to secure funding for flood alleviation works with the delivery of statutory duties under the Flood and Water Management Act.	Open New Strategic Urban Drainage Scheme (SUDS) legislation needs to be implemented. Due to increase pressure of statutory duties the status of risks still lie within the red RAG rating.
Green Council: Adverse weather conditions on the highway network.	• Road conditions across the Council are adversely affected.	• Resurfacing and permanent patching schemes prioritised for summer	The previous year's increase in risk has been mitigated by a number of schemes of works	Closed Planned maintenance

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(ii) Strategic Issues from the 2017/18 Council Plan	Risk	Mitigation	Management Comment	Current Status
		period. • Timely responses to repair network as defects identified.	that have been undertaken to improve the condition of the carriageway overall. Repairing the Council's roads is a priority for the service and resources were provided to identify and then prioritise the roads in need of repair.	works during the year have reduced the significance of this risk.
Serving Council: The scale of the financial challenge.	The Council has insufficient funding to meet its priorities and obligations.	<ul style="list-style-type: none"> • The Council's Medium Term Financial Strategy and efficiency programme. • National negotiations on local government funding. 	The Council's budget setting process and management of the Medium Term Financial Strategy enabled the Council to set a balanced budget for 2019/20. The future of Council funding however, remains uncertain.	Open The initial forecast for 2019/20 was considered by Cabinet in April 2019 and will continue to be closely monitored.

Those risks closed are shown in blue text

What are the significant governance and strategic issues identified during 2018/19?

The review of the effectiveness of the Council’s governance framework has identified the following significant issues that will need to be addressed during 2019/20. These are categorised as:

- i) Internal Council Governance issues – those derived from the portfolio, Overview and Scrutiny and Audit Committee annual self-assessments that affect the internal governance arrangements of the Council.

NOTE: Issues marked * have been retained as high profile for further work, even though the risk score was 3 or above.

Issues marked # show risk issues which have increased in risk significance, even though they still retained a score of 3 or above

- ii) Strategic Council Plan issues – those that have been identified as part of the Council Plan for 2018/19 which remain un-mitigated i.e. a ‘Red’ risk status.

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i) Internal Council Governance issues for 2018/19	Risk	Mitigation
(A1,A2,A3) Behaving with integrity. # (E54) Developing the capability of the entity’s leadership and other individuals – developing protocols to ensure that elected and appointed leaders negotiate their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained. #	<ul style="list-style-type: none"> • Protecting the reputation of the Council. • Members not leading by example on the values for the organisation. 	<ul style="list-style-type: none"> • Refresh training and advice. • Sustained work with Group Leaders and the Chair of the Council. • The Council has approved the Flintshire Standard which sets expectations about behaviour. • The Council regularly sends members on the WLGA Leadership Programme which will explain the roles of elected members and officers. • There is a process of induction for councillors who are new to positions of responsibility within the Council (e.g. committee chair or cabinet member). This explains the remits of

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i) Internal Council Governance issues for 2018/19	Risk	Mitigation
		<p>elected councillors and officers.</p> <ul style="list-style-type: none"> • Council procedures further reinforce the respective roles.
(A8) Demonstrating strong commitment to ethical values. #	<ul style="list-style-type: none"> • Under realisation of external service providers to provide social value benefits that communities can gain from. 	<ul style="list-style-type: none"> • Review of expectations of external providers, both voluntary and contractual, as part of the implementation of a new Social Value Strategy (endorsed Cabinet March 2019). • Initial focus is to generate social value through procurement.
<p>(B23,24,25) Engaging stakeholder effectively, including individuals citizens and service users. *</p> <p>(E61) Developing the capability of the entity's leadership and other individuals – ensure that there are structures in place to encourage public participation. *</p> <p>(F69) Managing performance – making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook. *</p>	<ul style="list-style-type: none"> • Ensuring that impacts, both negative and positive are fully understood when making Council decisions. • Public participation is not built into consultation and communication strategies, leading to mis-communication and difficulties in implementing change. 	<ul style="list-style-type: none"> • Template and guidance for all committee reports to ensure that both communications and risk are comprehensively considered and reported on as part of the Integrated Impact Assessment. Captures specific issues which may be of consequence for protected groups and other issues of impact need to be considered and captured. • New format for reporting to be introduced Summer 2019. • Increased use of tools such as Gov. Delivery and Customer Accounts.
(C27,29) Defining outcomes in terms of sustainable economic, social and	<ul style="list-style-type: none"> • Expectations of delivery in accordance with the Future Generations and Wellbeing Act 	<ul style="list-style-type: none"> • Part of the review of the Council Plan 2019/20 and the review of the current set of Well-Being Objectives (both due to be reported in

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i) Internal Council Governance issues for 2018/19	Risk	Mitigation
environmental benefits. #	<p>have been raised.</p> <ul style="list-style-type: none"> • Service planning does not take into account service user's needs in the future. • Legal and or judicial challenges. 	<p>June/July 2019).</p> <ul style="list-style-type: none"> • Reflect within provisions made in the Medium Term Financial Strategy.
(C30,31) Defining outcomes – identifying and managing risks to the achievement of outcomes and making best use of the resources available. *	<ul style="list-style-type: none"> • Risk management not fully related to the achievements of all that we do. • Inconsistent application of the risk management strategy across all portfolios. • Risks are not mitigated during transitional or implementation phases. • Outcomes are under-achieved. 	<ul style="list-style-type: none"> • Improvement still needed in this area to ensure that risk management is related fully and comprehensively to the achievement of outcomes in all that we do. • Ensure that within the new risk register that arrangements are in place to risk assess the achievement of outcomes.
<p>(D38,39) Planning interventions - establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets. *</p> <p>Planning interventions – Engaging with internal and external stakeholders in determining how services and other interventions can best be delivered. *</p>	<ul style="list-style-type: none"> • Inconsistent application of planning methodologies to ensure effective delivery of outcomes. • Ensuring that impacts, both negative and positive are fully understood when making Council decisions. • Lack of effective feedback mechanisms to inform stakeholders how their views have been taken into account: stakeholders remain uninformed and less likely to support service change. • Lack of structures to encourage public participation. 	<ul style="list-style-type: none"> • Provide and apply a comprehensive set of tools and guidance to ensure that strategic and operational plans are maintained to inform other strategies such as the MTFs.
(D43) Planning interventions –	<ul style="list-style-type: none"> • Lack of appropriate information to inform 	<ul style="list-style-type: none"> • Review of the information available to inform

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i) Internal Council Governance issues for 2018/19	Risk	Mitigation
Ensuring capacity exists to generate the information required to review service quality regularly. *	service quality and policy decisions.	service quality, as part of the Members' Workshop on Performance Management.
(E53) Developing the entity's capacity – Developing and maintaining an effective workforce plan to enhance strategic allocation of resources. *	<ul style="list-style-type: none"> • Sustainability of service provision. • Ineffective allocation of resources. • Reputational damage following reduction in quality of service. 	<ul style="list-style-type: none"> • Whilst the Council already has individual Portfolio workforce plans, these need to be consolidated into one Council workforce plan in accordance with the People Strategy.
(E58) Developing the capability of the entity's leadership and other individuals – Ensuring employees have access to appropriate induction, with ongoing training and development matching individual and organisational requirements is available and encouraged. *	<ul style="list-style-type: none"> • Employees unable to carry out their roles effectively following recruitment. • Employees not provided with the values and objectives of the organisation. • Changes to policies, technologies, practices, legislation not understood; leading to inefficiency and under productivity. 	<ul style="list-style-type: none"> • Ensure that Induction sessions are carried out in a timely fashion and that all new employees attend. • Introduce monitoring of the corporate induction process as a quarterly report to CRO&SC and Cabinet to monitor effectiveness and ensure compliance.
(E64) Developing the capability of the entity's leadership and other individuals – Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing. *	<ul style="list-style-type: none"> • Resilience of workforce is impacted by capacity and changing demands. 	<ul style="list-style-type: none"> • Next stage of development of the Mental Health and Wellbeing Plan for the workforce as one of the commitments within the People Strategy.
(F68,F69) Managing performance – Monitoring service delivery effectively including planning, specification,	<ul style="list-style-type: none"> • Outcomes following implementation may not have been delivered. • Lessons not learned nor shared. 	<ul style="list-style-type: none"> • Inclusion of post implementation reviews in Scrutiny Forward Work Programmes. • Work with Scrutiny Chairs and vice-chairs and

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i) Internal Council Governance issues for 2018/19	Risk	Mitigation
<p>execution and independent post implementation review. *</p>		<p>the Liaison Group to ensure that risks and performance are 'cornerstone' items of O&S FWPs.</p> <ul style="list-style-type: none"> • Ensure risks are adequately covered in committee reports. • Brief committees on risk issues using half hour slots before meetings where necessary.
<p>(F71) Managing performance – Providing members and senior management with regular reports on service delivery and on progress towards outcome achievement. *</p>	<ul style="list-style-type: none"> • Lack of timeliness of reporting leading to out of date information upon which to make decisions / assess risks. 	<ul style="list-style-type: none"> • Continue with Council Plan reporting on historical factual information within 2 months of the quarterly period, but with current updates contained within the report. • Use of the most up to date data to inform reports for decision making. • Members to be involved in what is valuable to be measured within portfolios (Performance Management workshop).
<p>(F78) Managing Data – Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to ensure the security of personal data used. *</p>	<ul style="list-style-type: none"> • Legal challenge and fines. • Personal confidentiality breached. 	<ul style="list-style-type: none"> • Continue with monitoring processes and procedures set out for compliance with GDPR, until evidence that consistent approaches are being undertaken in each portfolio.
<p>Agreed actions within the Red / limited (2) assurance Internal Audit reports are implemented.</p>	<ul style="list-style-type: none"> • Failure to address control and governance issues identified as part of the audit work undertaken. 	<ul style="list-style-type: none"> • Detailed actions plan in place to address the finding.

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ii) Strategic Issues from the 2018/19 Council Plan	Risk	Mitigation
<p>Supportive Council Debt levels will rise if tenants are unable to afford to pay their rent or council tax.</p>	<ul style="list-style-type: none"> • Council will not recover income to offset costs. • Tenants will fall into more categories of debt. • Potential rise in homelessness presentations. 	<ul style="list-style-type: none"> • Early intervention for tenants claiming Universal Credit to tackle rent arrears and encourage payment of rent. • Avoid new or escalating arrears to ensure that homelessness is prevented where possible.
<p>Supportive Council Demand outstrips supply for residential and nursing home care bed availability.</p>	<ul style="list-style-type: none"> • Lack of residential and nursing home care bed availability leading to more hospital stays. • Increased stress on carers. • Primary care resources stretched further . 	<ul style="list-style-type: none"> • Expansion of Marleyfield to support the medium term development of the nursing sector is ongoing. • Re-phasing of Integrated Care Fund capital to fit in with the Council’s capital programme has been agreed by Welsh Government. • Other active workstreams, including the development of resources to support the sector, diagnostic reviews for providers and Care Conferences.
<p>Learning Council Limited funding to address the backlog of known repair and maintenance works in Education & Youth assets.</p>	<ul style="list-style-type: none"> • The fabric of Education and Youth buildings will continue to decline. 	<ul style="list-style-type: none"> • Condition surveys identify priorities for investment. County policy for school re-organisation.
<p>Green Council Funding will not be secured for</p>	<ul style="list-style-type: none"> • Inability to secure the WG grant funding and/or FCC capital funding necessary to 	<ul style="list-style-type: none"> • Review our approach to funding capital projects.

ANNUAL GOVERNANCE STATEMENT

ii) Strategic Issues from the 2018/19 Council Plan	Risk	Mitigation
priority flood alleviation schemes.	deliver priority flood alleviation schemes.	
<p>Serving Council The scale of the financial challenge.</p>	<ul style="list-style-type: none"> Reduction in funding of Revenue Support Grant leading to challenging financial position for the Council in its ability to set a balanced budget. 	<ul style="list-style-type: none"> The Medium Term Financial Strategy (MTFS) continues to be reviewed to forecast the financial resources to be available to the Council during the period based on the best available intelligence and identification of solutions available. National and local solutions for addressing the budget gap continue to be explored.

Certification

The review provides good overall assurance that Flintshire County Council's arrangements continue to be regarded as fit for purpose in accordance with the governance framework requirements for Local Authorities within Wales.

Opportunities to maintain and develop the Council's governance arrangements have been identified through this review. We pledge our commitment to addressing these issues over the coming year and we will monitor their implementation and operation as part of our next annual review.

Signed on behalf of Flintshire County Council

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Colin Everett – Chief Executive

Cllr. Ian B Roberts – Leader of the Council

**Flintshire County Council Corporate Governance Framework
Principal Statutory Obligations and Organisational Objectives**

Behaving with integrity, demonstrating strong commitment to ethical values & respecting the rule of the Law

Ensuring Openness & Comprehensive Stakeholder Engagement

Defining Outcomes in terms of Sustainable Economic, Social & Environmental Benefits

Determining the Interventions to optimise the achievements of the intended outcomes

Developing the Council's capacity, including capability of its leadership & individuals within it

Managing risks & performance through robust internal control & strong financial management

Implementing good practices in transparency, reporting & audit to deliver effective accountability

Assurance Statement

Corporate Governance comprises the systems and processes, cultures and values, by which Flintshire County Council are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities

Public Key Documents: Annual Review / Production

Key Documents: Ad-hoc Review / Production

Contributing Processes Regulatory Monitoring

- Annual Governance Statement
- Annual Outturn Finance Report
- Annual Performance Report
- Annual Information Governance Statement
- Capital Strategy and Asset Management Plan
- Code of Corporate Governance
- Code of Ethical Practice on Procurement
- Contract Procedure Rules
- Digital Strategy
- Financial Regulations
- Council Plan
- Medium Term Financial Strategy
- Members' Allowance Scheme
- Overview and Scrutiny Annual Report
- People Strategy
- Portfolio Business Plans
- Public Services Board Wellbeing Plan
- Statement of Accounts
- Strategic Equality Plan
- Strategic Risk Register
- Treasury Management Strategy
- Annual Audit Report

- Anti-Fraud Work plan
- Business Continuity Plans
- Communications Principles
- Constitution
- Data Protection Policy
- Equality and Diversity Policies
- HR Policies
- Health & Safety Policies
- Internal/External Audit Protocol
- IT Policies
- Members Code of Conduct
- Officers Code of Conduct
- Procurement Strategy
- Social Media Policy
- Welsh Language Standards
- Whistle Blowing Policy

- Appraisal and Supervision
- Attendance management
- Audit Committee
- Budget Monitoring Reports
- Comments, Complaints and Compliments
- Corporate Governance
- Corporate Health & Safety
- Council (Plan) Governance Framework
- Council Meetings
- Engagement and Consultation
- External Audit
- FCC Web site
- Induction
- Inspectorate Reports
- Internal Audit
- Job Descriptions
- Manager Toolkits
- Member Training
- Monitoring Officer
- Partnership Self Assessments
- Performance Management
- Risk Management
- Scrutiny Framework
- Staff induction
- Your Council newsletter



AUDIT COMMITTEE

Date of Meeting	Wednesday 10 th July 2019
Report Subject	Supplementary Financial Information to Draft Statement of Accounts 2018/19
Report Author	Corporate Finance Manager

EXECUTIVE SUMMARY

Flintshire County Council approved the following notice of motion on 29th January 2013:

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

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

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

This report contains the information requested above in respect of financial year 2018/19.

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 3 categories described in paragraphs below:</p> <ul style="list-style-type: none"> • Table 1 – Council Employees • Table 2 – Posts covered by interim or temporary arrangements • Table 3 – Payments to Consultants and Non-Permanent Posts
1.02	<p>Table 1 contains costs (including termination benefits where applicable) for Council employees only. For the purpose of this report Council employees have been defined as permanent members of staff paid via Flintshire County Council's payroll system.</p> <p>As the notice of motion requests, the detail of any Council employee already included in the 'Senior Employee Emoluments' note in the Draft Statement of Accounts 2018/19 has not been included.</p>
1.03	<p>Table 2 shows the number of interim or temporary arrangements in place to cover posts during 2018/19. Where such arrangements are in place, the Council has procured the services of individuals to fulfil the requirements of the post through a contract with another organisation. The Council paid the organisation, and that organisation employed and paid a salary to the individual. Table 2 shows the amounts paid to those organisations for such arrangements in 2018/19. Please note these amounts DO NOT reflect the individuals' salaries.</p>
1.04	<p>Table 3 contains payments made for consultants and non-permanent posts.</p> <p>It is important that Members note that actual costs incurred by the Council in 2018/19 are in bold in the third column in table 3.</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>
1.05	<p>The Council has adopted the following definition to describe a 'consultant'.</p> <p>Corporate Resources Overview and Scrutiny Report extract – March 2016</p> <p><i>A consultant is an organisation or an individual contracted to provide specific services to the Council for a limited period of time. These are services where the Council does not have the expertise 'in-house' to be self-sufficient or where the Council has some expertise but insufficient capacity. It is not possible for the Council to be wholly self-sufficient and it would be a poor use of resources to employ specialist individuals to maintain an internal expertise which is only required occasionally or indeed once.</i></p>

	<p>Consultants are classified into 2 groups:</p> <ul style="list-style-type: none"> • <i>Retained consultant: with a contract in place for the periodic provision of advice; and</i> • <i>Project consultant: to work on defined and time limited projects on 'strategy, structure or management.'</i>
1.06	<p>The notice of motion specifically requests information on salaries of consultants and non-permanent posts.</p> <p>Figures have been taken from the general ledger on codes used for consultancy that are categorised on the basis of the 'Retained Consultant' and 'Project Consultant' definitions 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>
1.07	<p>Flintshire County Council leads on a number of collaborative projects with partner Local Authorities, examples include; the North Wales Regional Waste Treatment Project, and Regional Emergency Planning service. Members are advised that the information supplied in appendix 1 does not include the costs of any individual working for joint arrangements, given that the expenditure has been incurred by the partnership and not Flintshire County Council. Joint arrangements that are set up as Joint committees publish their own separate accounts.</p>

2.00	RESOURCE IMPLICATIONS
2.01	As set out within the report.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	None required.

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

5.00	APPENDICES
5.01	Appendix 1 – Supplementary financial information to draft Statement of Accounts 2018/19

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

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

SUPPLEMENTARY FINANCIAL INFORMATION TO DRAFT STATEMENT OF ACCOUNTS 2018/19**TABLE 1 - COUNCIL EMPLOYEES**

Post Title	Note	Remuneration (excluding Employers Pension Contributions) £	Employers Pension Contributions £	Annualised Pay (where applicable) £
Senior Manager - Inclusion and Progression		64,295	16,736	
Theatr Clwyd - Executive Director		66,597	16,641	
Theatr Clwyd - Artistic Director		63,499	17,508	
Total		194,391		

TABLE 2 - POSTS COVERED BY INTERIM / TEMPORARY ARRANGEMENTS / CONTRACT

Post Title	Note	Cost £	Theoretical Annual Costs £
Children's Services Social Worker		7,617	60,935
Solicitor		3,837	98,764
Contract & Planning Team Leader - HRA		68,722	62,928
Strategic & Planning Team Leader - HRA		27,361	62,640
Strategic & Planning Team Leader - HRA		19,437	62,764
Development Lead and Delivery Manager for SHARP		27,306	72,016
Trading Standards Officer		2,173	75,658
Environmental Health Officer - Pollution Control		24,272	95,740
Environmental Health Officer - Pollution Control		12,341	77,931
Regeneration Officer		3,672	69,015
Total		196,738	

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.

SUPPLEMENTARY FINANCIAL INFORMATION TO DRAFT STATEMENT OF ACCOUNTS 2018/19

TABLE 3 - PAYMENTS TO CONSULTANTS AND NON-PERMANENT POSTS 2018/19

Portfolio	Description	Actual Cost Incurred £	Theoretical Annual Costs £
H&A	IT systems related to develop an interface between the Technology Forge system and the P2P Procurement System	9,000	108,000
SS	Care Homes Review - Business diagnostic interviews at care homes, analysis and reports.	1,365	115,400
Total		10,365	

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.



AUDIT COMMITTEE

Date of Meeting	Wednesday, 10 July 2019
Report Subject	Draft Clwyd Pension Fund Accounts 2018/19
Report Author	Corporate Finance Manager

EXECUTIVE SUMMARY

With effect from the financial year 2017/18, changes to the statutory financial framework removed the requirement to report the Pension Fund accounts with the Flintshire County Council statement of accounts. Instead the pension fund accounts must be reported solely via the Pension Fund Annual Report.

The draft Pension Fund accounts for 2018/19 were considered by the Clwyd Pension Fund Committee on June 12th 2019, and are attached as Appendix 1. They are scheduled to be audited by Wales Audit Office in July/August 2019.

The changes in the reporting route mean that the Clwyd Pension Fund requires a separate Annual Governance Statement (AGS). A draft AGS was considered by the Clwyd Pension Fund Committee on June 12th 2019 and is attached as Appendix 2.

The audited Pension Fund accounts will be submitted to the Clwyd Pension Fund Committee for approval on 4th September 2019 as part of the Pension Fund Annual Report, as will the AGS.

RECOMMENDATIONS

1	That Audit Committee Members consider the report.
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REPORT DETAILS

1.00	Annual Accounts
1.01	<p>Governance</p> <p>The Accounts and Audit (Wales) 2018 Regulations removed the requirement to report the pension fund accounts along with the Flintshire County Council statement of accounts. Instead the pension fund accounts must be reported solely via the Pension Fund Annual Report. The LGPS Regulations 2013, as amended, require the Fund to publish an Annual</p>

	<p>Report before 1st December. This is a later deadline to the County Council statement of accounts which is 15th June for submission to external audit with a 15th September publication deadline. However, in practice, it is intended that the timetable for the completion of the Pension Fund accounts will be broadly similar to the Council's accounts.</p> <p>The separation of the Pension Fund accounts from the main County Council statement of accounts means that the Pension Fund accounts are subject to separate approval by Members. The 6th June 2018 meeting of the Audit Committee delegated approval of the Pension Fund accounts to the Clwyd Pension Fund Committee. The same meeting agreed that the Audit Committee would still receive the draft accounts for consideration.</p> <p>The draft Pension Fund accounts for 2018/19 were considered by the Clwyd Pension Fund Committee on June 12th 2019, having been signed off by the Corporate Finance Manager on June 6th 2019. These are attached as Appendix 1.</p> <p>The accounts are scheduled to be audited by Wales Audit Office in July/August.</p> <p>The audited Pension Fund accounts will be submitted to the Clwyd Pension Fund Committee for approval on 4th September 2019 as part of the Pension Fund Annual Report, as will the AGS. The accounts and AGS will be reported to the Audit Committee on 11th September 2019, along with the auditor's ISA 260 report.</p>
1.02	<p>Pension Fund Accounts</p> <p>The key messages from the accounts are:</p> <ul style="list-style-type: none"> - Deficit contributions decreased by around £34m as a result of employers paying three year deficit contributions in 2017/18 - Transaction costs increased by around £1.3m which reflects the cost of the transparency initiative. - Growth in net assets remained broadly similar in 2018/19 to the level of 2017/18 <p>The actuary reported an increase in gross pension liabilities from £2,629m on 31st March 2018 to £2,870m on 31st March 2019 when valued in accordance with accounting standards (IAS 26). This was due to a decrease in corporate bond yield, resulting in the use of a lower discount rate at the end of the year than had been the case at the beginning of the year. In addition, the expected long term rate of CPI inflation increased during the year.</p>

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

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	None directly as a result of this report.

4.00	RISK MANAGEMENT
4.01	Note 17 of the Pension Fund accounts discloses the risks to which the Fund is exposed from using different types of financial instrument and how those risks are managed. These form part of the Pension Fund risk register (along with strategic and operational risks) which is subject regular scrutiny by the Pension Fund Committee, internal and external audit.

5.00	APPENDICES
5.01	Appendix 1 – Draft Clwyd Pension Fund Accounts 2018/19

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	None Contact Officer: Gary Ferguson, Corporate Finance Manager Telephone: 01352 702271 E-mail: gary.ferguson@flintshire.gov.uk

7.00	GLOSSARY OF TERMS
7.01	<p>(a) CPF – Clwyd Pension Fund – The Pension Fund managed by Flintshire County Council for local authority employees in the region and employees of other employers with links to local government in the region.</p> <p>(b) Administering authority or scheme manager – Flintshire County Council is the administering authority and scheme manager for the Clwyd Pension Fund, which means it is responsible for the management and stewardship of the Fund.</p> <p>(c) PFC – Clwyd Pension Fund Committee - the Flintshire County Council committee responsible for the majority of decisions relating to the management of the Clwyd Pension Fund.</p> <p>(d) LGPS – Local Government Pension Scheme – the national scheme, which Clwyd Pension Fund is part of.</p>

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CLWYD PENSION FUND ACCOUNTS

Appendix 1

CLWYD PENSION FUND ACCOUNTS

for the year ended 31st March 2019

FUND ACCOUNT

2017/18 £000		Note	2018/19 £000
	Dealings with members, employers and others directly involved in the Fund		
(105,079)	Contributions	7	(74,327)
(4,839)	Transfers in		(4,379)
(109,918)			(78,706)
	Benefits payable :		
56,739	Pensions	8	59,825
12,058	Lump sums (retirement)		11,910
1,800	Lump sums (death grants)		1,891
70,597			73,626
5,689	Payments to and on account of leavers	9	6,625
76,286			80,251
(33,632)	Net (additions)/withdrawals from dealings with members		1,545
23,538	Management expenses	10	25,208
(10,094)	Net (additions)/withdrawals including fund management expenses		26,753
	Returns on Investments		
(10,060)	Investment income	11	(13,357)
0	Tax on investment income		
(77,179)	Change in market value of investments	12	(94,672)
(87,239)	Net return on investments		(108,029)
(97,333)	Net (increase)/decrease in the net assets available for benefits during the year		(81,276)
(1,688,166)	Opening net assets of the scheme		(1,785,499)
(1,785,499)	Closing net assets of the scheme		(1,866,775)

CLWYD PENSION FUND ACCOUNTS

NET ASSETS STATEMENT

2017/18 £000s		Note	2018/19 £000s
1,781,826	Investment Assets	13	1,862,743
1,781,826	Net Investment Assets		1,862,743
29	Long-term debtors	18	29
6,225	Debtors due within 12 months	18	5,817
(2,581)	Creditors	19	(1,814)
1,785,499	Net assets of the fund available to fund benefits at the end of the reporting period		1,866,775

Note: The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed in the actuary's report at page 31.

CLWYD PENSION FUND ACCOUNTS

NOTE 1 - THE MANAGEMENT AND MEMBERSHIP OF THE CLWYD PENSION FUND

General

Clwyd Pension Fund is part of the Local Government Pension Scheme (LGPS) and is administered by Flintshire County Council. The County Council is the reporting entity for the pension fund.

The LGPS is a contributory defined scheme established by statute, which provides pensions and other benefits to employees and former employees of Flintshire County Council and the scheduled and admitted bodies in North East Wales. Teachers, police officers and firefighters are not included as they come within other national pension schemes. The fund is overseen by a Pension Committee which is a committee of Flintshire County Council.

The LGPS is governed by the Public Service Pensions Act 2013 and the following secondary legislation:

- The LGPS Regulations 2013, as amended;
- The LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014, as amended; and
- The LGPS (Management and Investment of Funds) Regulations 2016.

The Fund is financed by contributions and investment earnings from the Fund's investments. Contributions are made by active members in accordance with the LGPS Regulations 2013, as amended, and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31st March 2019. Employers also pay contributions to the Fund based on triennial funding valuations. The last valuation was at 31st March 2016, the findings of which became effective on 1st April 2017. The valuation showed that the funding level increased from the previous valuation (31st March 2013) from 68% to 76%. The employers' contribution rates are structured to achieve a gradual return to 100% funding level over a 14 year period from April 2018. Currently employer contribution rates range from 8.0% to 30.5% of pensionable pay.

Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of service, summarised below.

	Service pre 1 April 2008	Service post 31 March 2008
Pension	Each year worked is worth 1/80 x final pensionable pay	Each year worked is worth 1/60 x final pensionable pay
Lump sum	Automatic lump sum of 3 x pension. In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

From 1 April 2014, the LGPS became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is uprated annually in line with the Consumer Price Index.

There are a range of other benefits provided under the scheme including early retirement, disability pensions and death benefits.

CLWYD PENSION FUND ACCOUNTS

In addition Clwyd Pension Fund provides an additional voluntary contribution (AVC) scheme for its members, the assets of which are invested separately from the pension fund. The Fund uses Prudential and Equitable Life as its AVC providers. AVCs are paid to the AVC providers by employers and provide additional benefits for individual contributors.

Governance

Flintshire County Council, as the pension fund administering authority, has delegated management of the Fund to the Clwyd Pension Fund Committee (the "Committee"). The Committee comprises five elected Members from Flintshire County Council and four co-opted members comprising two elected Members from unitary authorities, one other scheme employer representative and one scheme member representative, each with equal voting rights, access to training and to information. The Committee is responsible for both the administration and investment policy of the Fund.

In accordance with the Public Service Pensions Act 2013, the Council has set up a Local Pension Board to oversee the governance of the Pension Fund. The Board met three times in 2018/19 and has its own Terms of Reference. Board members are independent of the Pension Fund Committee.

Investment Strategy

In accordance with the LGPS (Management and Investment of Funds) Regulations 2016, the Committee approved the Investment Strategy Statement on 21 March 2017. The Statement shows the Fund's compliance with the Myners principles of investment management.

The Committee has delegated the management of Fund's investments to nine core investment managers appointed in accordance with the 2016 Regulations, and whose activities are specified in detailed investment management agreements and are monitored on a quarterly basis.

Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangement outside the scheme. Organisations participating in the Clwyd Pension Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund.
- Admitted bodies which participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

There are 42 employer bodies within the Fund with active members (including Flintshire County Council) and over 48,000 members are detailed below.

2017/18 No.		2018/19 No.
43	Number of employers with active members	42
16,543	Active members	16,528
12,296	Pensioners receiving benefits	12,981
17,822	Deferred Pensioners	18,583
46,661		48,092

CLWYD PENSION FUND ACCOUNTS

The scheduled bodies which contributed to the Fund during 2018/19 are:

Unitary Authorities:	Flintshire, Denbighshire, Wrexham.
Educational Organisations:	Coleg Cambria, Glyndwr University.
Town and Community Councils:	Acton, Argoed, Bagillt, Buckley, Caia Park, Cefn Mawr, Coedpoeth, Connah's Quay, Denbigh, Gwernymynydd, Hawarden, Hope, Marchwiel, Mold, Offa, Penyffordd, Prestatyn, Rhosllanerchrugog, Rhyl, Shotton
Other:	North Wales Fire Service, North Wales Valuation Tribunal,

The admitted bodies contributing to the Fund are:

Aramark Ltd	Chartwells	Holywell Leisure Ltd
Aura Leisure & Libraries Ltd	Civica UK	Home Farm Trust Ltd
Bodelwyddan Castle Trust	Denbigh Youth Group	Newydd Catering & Cleaning Ltd
Careers Wales	Freedom Leisure	Wrexham Commercial Services
Cartref y Dyffryn Ceiriog	Glyndwr Students' Union	
Cartref NI		

NOTE 2 - BASIS OF PREPARATION

The Statement of Accounts summarises the Fund's transactions for the 2018/19 financial year and its position at year end as at 31st March 2019. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 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) 26 basis, is disclosed in the actuary's report at page 31 of these accounts.

The accounts have been prepared on a going concern basis.

At the balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice on Local Authority Accounting in the United Kingdom:

- Amendments to IAS 40 Investment Property - provides further explanation of the instances in which a property can be reclassified as investment property.
- IFRIC 22 Foreign Currency Transactions and Advance Consideration - clarifies the treatment of payments in a foreign currency made in advance of obtaining or delivering goods or services.
- IFRIC 23 Uncertainty over Income Tax Treatments - provides additional guidance on income tax treatment where there is uncertainty.
- Amendments to IFRS 9 Financial Instruments - Prepayment Features with Negative Compensation - amends IFRS9 to make clear that amortised cost should be used where prepayments are substantially lower than the unpaid principal and interest.
- IFRS 16 Leases - will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2020.

CLWYD PENSION FUND ACCOUNTS

These changes are unlikely to have any material impact on the Fund's financial statements.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In summary, accounting policies adopted are detailed as follows:

Fund Account – Revenue recognition

Contribution income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the fund actuary in the payroll period to which they relate. Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date. Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations 2013. Individual transfer values received and paid out have been accounted for on a cash basis.

Foreign currency transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

Investment income

Interest income is recognised in the Fund Account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs (where material) or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

CLWYD PENSION FUND ACCOUNTS

Fund Account – expense items

Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Lump sums are accounted for in the period in which the member becomes a pensioner. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities.

Taxation

The Fund is a registered public service scheme under Section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold.

As Flintshire County Council is the administering authority for the Fund, VAT input tax is recoverable from all Fund activities including expenditure on investment expenses.

Where tax can be reclaimed, investment income in the accounts is shown gross of UK tax. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

Management expenses

The Fund discloses its administration, governance and investment management expenses in accordance with the CIPFA Guidance *Accounting for Local Government Pension Scheme Management Expenses* (2016).

Administration, oversight and governance expenses are also 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.

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.

Net Assets Statement

Financial instruments

Financial assets are included in the Net Assets Statement on a fair value basis as at the reporting date. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of the asset are recognised in the Fund Account.

Financial liabilities are recognised at fair value on the date the Fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund as part of the Change in Value Investments.

The values of investments as shown in the Net Assets Statement have been determined at fair value in accordance with the requirements of the Code and IFRS13 (see Note 15). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in *Practical Guidance on Investment Disclosures* (PRAG/Investment Association, 2016). Changes in the net market value of investments are

CLWYD PENSION FUND ACCOUNTS

recognised as income and comprise all realised and unrealised profits/losses during the year.

Cash and cash equivalents

Cash comprises cash in hand and demand deposits and includes amounts held by the fund's external managers. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value. Cash held in current accounts is kept to a minimum, all other cash deposits are included as part of investment balances in the net assets statement.

Actuarial present value of promised future retirement benefits

The actuarial value of promised future retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of the Code and IAS 26. As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a report from the actuary (see page 31).

Additional Voluntary Contributions (AVCs)

The Clwyd Pension Fund provides an AVC scheme for its members, the assets of which are invested separately from those of the pension fund. AVCs are not included in the accounts in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds Regulations 2016, but are disclosed as a Note only (see Note 20).

NOTE 4 - CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Pension fund liability

The net pension fund liability is re-calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines. This estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and set out in the actuary's report at page 31. These actuarial re-valuations are used to set future contribution rates and underpin the fund's most significant investment management policies, for example in terms of the balance struck between longer term investment growth and short-term yield/return.

NOTE 5 - ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF UNCERTAINTY

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the year-end date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates. The items in the Net Assets Statement at 31 March 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows.

CLWYD PENSION FUND ACCOUNTS

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits (see page 31)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries and pensions are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance a 10% decrease in future investment returns would reduce the current funding level of 76% to 68%. A 10% increase in the current valuation of estimated future pension liabilities would reduce the funding level to 70%, and a combination of the two would reduce the funding level to 60%.
Value of investments at level 3	The Pension Fund contains investments in private equity, hedge funds and pooled funds including property, infrastructure, timber and agriculture, that are classified within the financial statements as level 3 investments in note 15 to these accounts. The fair value of these investments is estimated using a variety of techniques which involve some degree of tolerance around the values reported in the Net Assets Statement	Note 15 summarises the techniques used, the key sensitivities underpinning the valuations and the sensitivity or tolerance around the values reported.

NOTE 6 - POST BALANCE SHEET EVENTS

The accounts outlined within the statement represent the financial position of the Clwyd Pension Fund as at 31st March 2019. Performance of global financial markets since this date may have affected the financial value of pension fund investments as reported in the Net Asset Statement, but do not affect the ability of the Fund to pay its pensioners.

CLWYD PENSION FUND ACCOUNTS

NOTE 7 - ANALYSIS OF CONTRIBUTIONS RECEIVABLE

By employer

2017/18 £000s	2018/19 £000s
(27,479) Administering Authority - Flintshire County Council	(27,244)
(74,495) Scheduled bodies	(43,575)
(3,105) Admitted bodies	(3,508)
(105,079) Total	(74,327)

By type

2017/18 £000s	2018/19 £000s
(14,829) Employees contributions	(15,519)
Employers contributions:	
(36,175) Normal contributions	(38,370)
(52,570) Deficit contributions	(18,885)
(1,505) Augmentation contributions	(1,553)
(90,250) Total employers' contributions	(58,808)
(105,079)	(74,327)

The decrease in deficit contributions was a result of three employers paying three year deficit contributions in full in 2017/18.

NOTE 8 – BENEFITS PAYABLE

By employer

2017/18 £000s	2018/19 £000s
27,066 Administering Authority - Flintshire County Council	26,877
42,330 Scheduled bodies	45,611
1,201 Admitted bodies	1,138
70,597	73,626

CLWYD PENSION FUND ACCOUNTS

By type

2017/18 £000s	2018/19 £000s
56,739 Pensions	59,825
12,058 Lump sums (retirement)	11,910
1,800 Lump sums (death grants)	1,891
70,597	73,626

NOTE 9 – PAYMENTS TO AND ON ACCOUNT OF LEAVERS

2017/18 £000s	2018/19 £000s
5,316 Transfer values paid (individual)	6,257
101 Refunds of contributions	149
272 Other	219
5,689 Total	6,625

CLWYD PENSION FUND ACCOUNTS

NOTE 10 – MANAGEMENT EXPENSES

2017/18 £000s	2018/19 £000s
1,399 Oversight and Governance	2,020
20,570 Investment Management Expenses (see Note 10A)	21,249
1,569 Administration costs	1,939
23,538 Total	25,208

The Oversight and Governance costs include the fees payable to the Wales Audit Office for the external audit of the Fund of £39k for 2018/19 (£39k in 2017/18).

Note 10A – INVESTMENT MANAGEMENT EXPENSES

2017/18 £000s	2018/19 £000s
941 Transaction costs	2,265
15,761 Fund Management Fees	14,048
31 Custody Fees	31
3,837 Performance related fees	4,905
20,570 Total	21,249

The increase in transaction costs are due to the cost transparency initiative.

NOTE 11 - INVESTMENT INCOME

2017/18 £000s	2018/19 £000s
(4,593) Private equity income	(3,865)
(2,509) Pooled Investments	(7,906)
(2,540) Pooled property investments	(1,047)
(17) Interest on cash deposits	(38)
(401) Other income	(501)
(10,060) Total	(13,357)

CLWYD PENSION FUND ACCOUNTS

NOTE 12 – RECONCILIATION OF MOVEMENTS IN INVESTMENTS AND DERIVATIVES

	Market Value 1 April 2018	Purchases	Sales	Change in market value	Market Value 31 March 2019
	£000s	£000s	£000s	£000s	£000s
Bonds	204,372	0	0	(582)	203,790
Pooled investment vehicles	1,033,560	92,730	(100,334)	63,949	1,089,905
Pooled Property Funds	115,522	11,469	(12,208)	8,052	122,836
Infrastructure	42,125	23,630	(6,628)	7,476	66,604
Timber and agriculture	25,772	0	(3,874)	1,376	23,274
Private equity	188,399	39,137	(41,309)	25,356	211,584
Hedge Fund	150,885	0	(943)	(10,957)	138,985
	1,760,635	166,967	(165,296)	94,672	1,856,978
Other investment balances:					
Cash	21,191			0	5,765
Net investment assets	1,781,826			94,672	1,862,743

	Market Value 1 April 2017	Purchases	Sales	Change in market value	Market Value 31 March 2018
	£000s	£000s	£000s	£000s	£000s
Bonds	198,621	0	0	5,751	204,372
Pooled investment vehicles	980,438	470,807	(459,470)	41,785	1,033,560
Pooled Property Funds	114,714	4,701	(12,174)	8,281	115,522
Infrastructure	31,761	13,428	(2,691)	(373)	42,125
Timber and agriculture	29,103	173	(1,908)	(1,596)	25,772
Private equity	170,389	40,675	(41,418)	18,753	188,399
Hedge Fund	127,279	20,000	(972)	4,578	150,885
	1,652,305	549,784	(518,633)	77,179	1,760,635
Other investment balances:					
Cash	33,623			0	21,191
Net investment assets	1,685,928			77,179	1,781,826

CLWYD PENSION FUND ACCOUNTS

NOTE 13A – ANALYSIS OF INVESTMENTS

2017/18 £000		2018/19 £000
	Bonds - overseas	
204,372	Corporate unquoted	203,790
	Pooled investment vehicles:	
25,772	Timber and agriculture - unquoted LLP	23,274
117,023	Managed equity funds - quoted overseas	268,550
146,973	Managed equity funds - unquoted	0
	Infrastructure	
11,764	Limited liability partnerships quoted	15,133
30,361	Limited Liability Partnerships - unquoted	51,471
0	Liability driven investments - quoted UK	0
400,005	Liability driven investments - unquoted	422,854
80,751	Multi strategy investments - quoted	83,524
273,431	Multi strategy investments - unquoted	282,233
15,378	Fixed income funds - unquoted	32,744
	Pooled property investment vehicles	
42,578	Open-ended unquoted	43,748
72,944	Closed-ended unquoted	79,088
	Private equity	
	Limited liability partnerships	
30,647	Unquoted - Opportunistic funds	46,840
0	Quoted private equity funds	0
157,751	Unquoted private equity funds	164,744
	Hedge Funds	
150,885	Quoted private equity funds	138,985
1,760,635		1,856,978
21,191	Cash	5,765
1,781,826	NET INVESTMENT ASSETS	1,862,743

CLWYD PENSION FUND ACCOUNTS

NOTE 13B – ANALYSIS BY FUND MANAGER

2017/18		2018/19	
£000	%	£000	%
400,005	22.7	422,854	22.8
204,372	11.6	203,790	11.0
188,710	10.7	198,871	10.7
159,306	9.0	83,362	4.5
	0.0	78,672	4.2
150,885	8.6	138,985	7.5
122,182	6.9	118,828	6.4
80,751	4.6	83,524	4.5
67,228	3.8	77,034	4.1
15,378	0.9	26,760	1.4
157,752	9.0	164,744	8.9
115,522	6.6	122,836	6.6
42,125	2.4	66,604	3.6
30,647	1.7	46,840	2.5
25,772	1.5	23,274	1.3
1,760,635	100 Total	1,856,978	100

The UK holdings as at 31st March 2019 account for 33% of total investments at market value.

2017/18		2018/19	
£000	%	£000	%
554,152	31	616,724	33
1,206,483	69	1,240,254	67
1,760,635	100 Total	1,856,978	100

CLWYD PENSION FUND ACCOUNTS

The following investments represent more than 5% of the net assets of the scheme. All of these companies are registered in the UK.

2017/18		Manager	Holding	2018/19	
£000	%			£000	%
400,005	22.4	Insight	LDI Active 22 Fund	422,854	22.7
132,224	7.4	Stone Harbour	SHI LIBOR Multi Strategy No2 Portfolio	131,656	7.1

NOTE 14 – DERIVATIVES

No derivative instruments were held by Clwyd Pension Fund at 31 March 2019 or 31 March 2018.

NOTE 15 - FAIR VALUE OF INVESTMENTS

Fair Value – Basis of valuation

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information.

CLWYD PENSION FUND ACCOUNTS

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Quoted Pooled Investment Vehicles	Level 1	Quoted market bid price on the relevant exchange	Not required	Not required
Infrastructure	Level 1	Published bid price ruling on the final day of the accounting period	Not required	Not required
Unquoted bond funds	Level 2	Closing bid-market price for the underlying assets in each sub-fund subject to any premiums or discounts	Net Asset value (NAV)-based pricing set on a forward pricing basis	Not required
Quoted Pooled Investment Vehicles	Level 2	Closing bid price where bid and offer prices are published. Closing bid price where single price published	NAV-based pricing set on a forward pricing basis	Not required
Unquoted pooled investment vehicles	Level 3	Valued quarterly at NAV in accordance with <i>International Private Equity and Venture Capital Association Guidelines</i>	Valued net of unrealised gains/losses on hedging	Internal rate of return
Pooled property funds	Level 2	Bid market price	Existing lease terms and rentals, tenant's covenant strength, lease length, transactional activity in the sector	Not required
Hedge Fund	Level 2	Valued monthly using closing bid price where bid and offer prices are published or closing single price where single price published	NAV-based pricing set on a forward pricing basis	Not required

CLWYD PENSION FUND ACCOUNTS

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Pooled Property Funds	Level 3	Valued quarterly at NAV in accordance with <i>International Private Equity and Venture Capital Association Guidelines</i>	EBITDA multiples, revenue multiples, discount for lack of market evidence, control premium	EBITDA achieved compared with forecast
Infrastructure	Level 3	Valued using discounted cashflow techniques to generate a net present value	Discount rate and cashflows used in the models	Rates of inflation, interest, tax and currency exchange
Timber and agriculture	Level 3	NAV of underlying funds using a mixture of cost, income and sales comparison approaches depending on the maturity of the investment. Valued annually, subject to quarterly adjustments based on harvest	Productive area, current and forecast prices and costs, marketing and harvest constraints, growth rates and discount rates	Market price for timber and agricultural product, land values and discount rates
Private equity and hedge fund	Level 3	Valued quarterly at NAV using the market approach using quarterly financial statements in accordance with <i>International Private Equity and Venture Capital Association Guidelines</i>	EBITDA multiples, revenue multiples, discount for lack of market evidence, control premium	Valuations could be affected by material events between the date of the financial statements provided and the pension fund's reporting date, changes to cashflows and differences between audited and unaudited accounts

Investments have been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur.

Level 1 - where fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities.

CLWYD PENSION FUND ACCOUNTS

Level 2 - where quoted market prices are not available, valuation techniques are used to determine fair value.

Level 3 – where at least one input that could have a significant effect on the investment's valuation is not based on observable market data. Sensitivity analysis of Level 3 assets is shown below.

	Assessed Valuation Range (+/-) %	Market at 31 March 2019 £000	Value on Increase £000	Value on Decrease £000
Pooled investment vehicles (incl LDI)	10%	32,744	36,018	29,470
Pooled Property Funds	10%	56,165	61,781	50,548
Infrastructure	10%	51,471	56,618	46,324
Timber and agriculture	7%	23,274	24,904	21,645
Private equity (incl Opportunistic Fund)	10%	211,584	232,743	190,426
Hedge Fund	10%	5,656	6,222	5,090
Total		380,894	418,286	343,503

	Assessed Valuation Range (+/-) %	Market at 31 March 2018 £000	Value on Increase £000	Value on Decrease £000
Pooled investment vehicles (incl LDI)	10%	15,378	16,916	13,840
Pooled Property Funds	10%	51,529	56,682	46,376
Infrastructure	10%	30,361	33,397	27,325
Timber and agriculture	7%	25,772	27,576	23,968
Private equity (incl Opportunistic Fund)	10%	188,399	207,239	169,559
Hedge Fund	10%	6,645	7,310	5,981
Total		318,084	349,120	287,049

The following tables show the position of the Fund's assets at 31st March 2019 based on the Fair Value hierarchy:

CLWYD PENSION FUND ACCOUNTS

2018/19	Quoted Market	Using	With significant	Total
	Price	observable	unobservable	
	Level 1	Level 2	Level 3	
	£000	£000	£000	£000
Bonds	0	203,790	0	203,790
Pooled investment vehicles	198,217	858,944	32,744	1,089,905
Pooled Property Funds	0	66,671	56,165	122,836
Infrastructure	15,133	0	51,471	66,604
Timber and agriculture	0	0	23,274	23,274
Private equity	0	0	211,584	211,584
Hedge Fund	0	133,329	5,656	138,985
Total	213,350	1,262,734	380,894	1,856,978

2017/18	Quoted Market	Using	With significant	Total
	Price	observable	unobservable	
	Level 1	Level 2	Level 3	
	£000	£000	£000	£000
Bonds	0	204,372	0	204,372
Pooled investment vehicles	197,774	820,408	15,378	1,033,560
Pooled Property Funds	0	63,993	51,529	115,522
Infrastructure	11,764	0	30,361	42,125
Timber and agriculture	0	0	25,772	25,772
Private equity	0	0	188,399	188,399
Hedge Fund	0	144,240	6,645	150,885
Total	209,538	1,233,013	318,084	1,760,635

CLWYD PENSION FUND ACCOUNTS

NOTE 15A: RECONCILIATION OF FAIR VALUE MEASUREMENTS WITHIN LEVEL 3

	Market Value 1 April 2018	Purchases	Sales	Transfers into Level 3	Transfers out of Level 3	Realised gains/ (losses)	Unrealised gains/ (losses)	Market Value 31 March 2019
	£000	£000	£000	£000	£000	£000	£000	£000
Financial assets at fair value through profit and loss								
Pooled investment vehicles (incl LDI)	15,378	17,643	0			0	(277)	32,744
Pooled Property Funds	51,529	11,469	(11,662)			2,877	1,951	56,165
Infrastructure	30,361	23,341	(5,815)			3,456	128	51,471
Timber and agriculture	25,772	0	(3,291)			2,418	(1,624)	23,274
Private equity (incl Opportunistic Fun	188,399	39,137	(37,577)			8,095	13,530	211,584
Hedge Fund	6,645	0	0			0	(989)	5,656
Net investment assets	318,084	91,590	(58,345)	0	0	16,846	12,719	380,894

The Fund holds no other assets or liabilities at fair value. There were no transfers between levels during 2018/19.

CLWYD PENSION FUND ACCOUNTS

	Market Value 1 April 2017	Purchases	Sales	Transfers into Level 3	Transfers out of Level 3	Realised gains/ (losses)	Unrealised gains/ (losses)	Market Value 31 March 2018
	£000	£000	£000	£000	£000	£000	£000	£000
Financial assets at fair value through profit and loss								
Pooled investment vehicles (incl LDI)	12,768	14,914			(12,768)		464	15,378
Pooled Property Funds	74,795	4,701	(12,174)		(21,415)	734	4,888	51,529
Infrastructure	18,718	13,059	(2,691)			1,989	(714)	30,361
Timber and agriculture	29,103	173	(1,908)			164	(1,760)	25,772
Private equity (incl Opportunistic Fun	169,376	40,675	(41,418)			9,142	10,624	188,399
Hedge Fund	9,634						(2,989)	6,645
Net investment assets	314,394	73,522	(58,191)	0	(34,183)	12,029	10,513	318,084

CLWYD PENSION FUND ACCOUNTS

NOTE 16 - FINANCIAL INSTRUMENTS

NOTE 16A - CLASSIFICATION OF FINANCIAL INSTRUMENTS

The following table analyses the carrying amounts of financial instruments by category and net assets statement heading. No financial instruments were reclassified during the accounting period.

2017/18			2018/19		
Fair Value through profit and loss	Loans and receivables	Financial liabilities at amortised cost	Fair Value through profit and loss	Loans and receivables	Financial liabilities at amortised cost
£000	£000	£000	£000	£000	£000
Financial assets:					
204,372			203,790		
1,033,560			1,089,905		
115,552			122,836		
42,125			66,604		
25,772			23,274		
188,399			211,584		
150,885			138,985		
	21,191			5,765	
	314			373	
1,760,665	21,505	0	1,856,978	6,138	
Financial liabilities:					
		(760)			(513)
0	0	(760)	0	(513)	
1,760,665	21,505	(760)	1,856,978	5,625	

CLWYD PENSION FUND ACCOUNTS

NOTE 16B: NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

2017/18 £000		2018/19 £000
Financial assets:		
77,179	Designated at fair value through profit and loss	94,672
0	Loans and receivables	0
Financial liabilities:		
0	Designated at fair value through profit and loss	0
0	Financial liabilities at amortised cost	0
77,179	Total	94,672

NOTE 17 – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Procedures for Managing Risk

The Fund's primary long-term risk is that its assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the fund and to maximise the opportunity for gains across the whole portfolio. The fund achieves this through asset diversification to reduce exposure to market and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cashflows.

Responsibility for the Fund's risk management strategy rests with the Clwyd Pension Fund Committee (the Committee) and is set out in the Investment Strategy Statement (ISS), which is available on the Fund's website (www.clwydpensionfund.org.uk).

The ISS is subject to annual review and has been prepared taking into account advice from the fund's consultants. The Committee manages investment risks, including credit risk and market risk, within agreed risk limits, which are set after taking into account the fund's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the fund's investment managers and monitored by the Committee by regular review of the investment portfolio throughout the year.

The investment objective of the Committee is to achieve and maintain a portfolio of suitable assets of appropriate liquidity equal to 100% of liabilities within the 15 year average timeframe, whilst remaining within reasonable risk parameters.

The current strategy is to hold:

- 81% in return-seeking investments comprising UK and overseas equities pooled funds, investment property funds, hedge funds, private equity, venture capital and infrastructure;
- 19% in investments that move in line with the long-term liabilities of the fund. This is referred to as Liability Driven Investment (LDI) and comprises UK and overseas government and corporate bonds, and repurchase agreements which allow the fund to gain unfunded exposure to gilts.

Market Risk

Market risk is the risk of loss from general market fluctuations in equity and commodity prices, interest and foreign exchange rate and credit spreads. The fund is exposed to market risk in all its investment activities. The Committee seeks to manage this risk through diversifying investments across a range of asset classes and markets with low correlations with each other and across a selection of managers. In addition, the Committee sets a strategic benchmark in the ISS for each asset class subject to fixed tolerances which also seeks to diversify and minimise risk through a broad spread of investments across both the main and alternative asset classes and geographic regions within each asset class. The current benchmark is targeted to produce long-term returns of 6.5% with a volatility of around 12.6%.

CLWYD PENSION FUND ACCOUNTS

Market risk is also managed through manager diversification with no single manager managing more than 23% of the fund's assets. Currently the maximum holding within any one fund manager is 22.8% with Insight managing the LDI mandate, which is within this limit.

Price risk

Price risk represents the risk that the value of a financial instrument will fluctuate because 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. The following table demonstrates the change in the net assets available to pay benefits if the market price had increased or decreased by an average of 6.66%, which is the three-year price volatility as advised by the Fund's consultants for the fund's investment strategy.

Assets exposed to price risk	Value £000s	3 year volatility range %	Value on increase £000s	Value on decrease £000s
As at 31 March 2018	1,781,826	8.00%	1,902,970	1,618,300
As at 31 March 2019	1,862,743	6.66%	1,986,728	1,738,758

Interest Rate Risk

The fund invests in cash-based financial instruments for the primary purpose of obtaining a return on investments. Bonds and cash 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 table below demonstrates the change in value of these assets had interest rates varied by 1%. It should be noted that the value of bonds varies inversely to interest rates.

Assets exposed to interest rate risk	Value £000s	Value on 1% increase £000s	Value on 1% decrease £000s
As at 31 March 2018	225,563	223,731	227,395
As at 31 March 2019	209,554	207,574	211,535

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 because some of the fund's investments are held in overseas markets through pooled vehicles. The following table sets out the fund's potential currency exposure as at 31st March 2019:

CLWYD PENSION FUND ACCOUNTS

Assets exposed to currency risk	Value £000s	Percentage change %	Value on increase £000s	Value on decrease £000s
As at 31 March 2018	1,204,394	8.85%	1,310,981	1,097,808
As at 31 March 2019	1,240,254	8.20%	1,341,923	1,138,585

Credit Risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the fund to incur a financial loss.

The fund is exposed to credit risk because it invests in pooled investment vehicles and is therefore directly exposed to the credit risk in the pooled investment vehicle and indirectly exposed the credit risks arising on financial instruments held by the pooled investment vehicles.

The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the fund's financial assets and liabilities. The selection of high quality fund managers, counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

Cash is held in financial institutions which are at least investment grade credit rated.

There is a risk that some admitted bodies may not honour their pension obligations with the result that any ensuing deficit might fall upon the fund. To mitigate this risk, the fund regularly monitors the financial position of its admitted bodies.

Liquidity Risk

Liquidity risk is the risk that the fund will not be able to meet its financial obligations as they fall due. The Committee monitors cashflows regularly during the year and as part of the triennial funding review and takes steps to ensure that there are adequate cash resources to meet its commitments.

The Fund has immediate access to its cash holdings. The Fund defines liquid assets as assets that can be converted to cash within three months, subject to normal market conditions. As at 31 March 2019, liquid assets were £1,476m representing 80% of total fund assets (£1,462m at 31 March 2018 representing 82% of the Fund at that date). The majority of these investments can in fact be liquidated within a matter of days.

CLWYD PENSION FUND ACCOUNTS

NOTE 18 – DEBTORS

2017/18 £000s	2018/19 £000s
29 Long-term debtors	29
Short-term debtors	
1,172 Contributions due - Employees	1,264
4,721 Contributions due - Employers	4,140
303 Prepayments	339
29 Sundry debtors	74
6,225 Total Short-term debtors	5,817
6,254 Total	5,846

NOTE 19 – CREDITORS

2017/18 £000	2018/19 £000
(18) Contributions received in advance	(130)
(1,708) Benefits payable	(1,082)
(531) Administering authority	(98)
(324) Sundry creditors	(504)
(2,581) Total	(1,814)

NOTE 20 - ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCs)

Clwyd Pension Fund has engaged two additional voluntary contribution (AVC) providers: Prudential Assurance Company Ltd and Equitable Life Assurance Society. The value of the funds invested with both AVC providers are shown below. AVCs paid directly to the Prudential are shown below.

In accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, the contributions paid and the assets of these investments are not included in the Fund's Accounts.

2017/18 £000	2018/19 £000
922 Contributions in the year	1,270
Value of AVC funds at 31 March:	
5,213 Prudential	5,395
420 Equitable Life	408
5,633 Total	5,803

CLWYD PENSION FUND ACCOUNTS

NOTE 21 – AGENCY SERVICES

Clwyd Pension Fund pays discretionary awards to former employees of the current unitary authorities and Coleg Cambria shown below together with former local authorities, current town and community councils and other bodies listed below under Other employers.

2017/18 £000s	2018/19 £000s
534 Conwy County Borough Council	519
1,778 Denbighshire County Council	1,733
3,136 Flintshire County Council	3,088
21 Powys County Council	20
2,190 Wrexham County Borough Council	2,150
57 Coleg Cambria	55
58 Other employers	49
7,774 Total	7,614

NOTE 22 - RELATED PARTY TRANSACTIONS

Governance

Under legislation, introduced in 2004, Councillors are entitled to join the Pension Scheme. As at 31st March 2019, four Members of the Clwyd Pension Fund Committee had 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.

Flintshire County Council

During the year Flintshire County Council incurred costs of £1.8m (£1.6m in 2017/18) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The costs have been included within Oversight & Governance costs and administration expenses at Note 10.

Key Management Personnel

The key management personnel of the Fund are the Members of the Pension Fund Committee, the Flintshire Chief Executive and the Flintshire s.151 officer. Total remuneration payable to key management personnel is set out below:

2017/18 £000s	2018/19 £000s
26 Short-term benefits	26
6 Post-employment benefits	23
32 Total	49

CLWYD PENSION FUND ACCOUNTS

NOTE 23 MATERIAL ITEMS OF INCOME AND EXPENSE

For the purpose of this Note, the Council considers material items of income and expense to be those exceeding £19m. During the year the Fund incurred the following material transactions:

- Sold £20m from the Insight LDI
- Sold £74m from the Investec Global Equities Fund
- Invested £74m in the Wales Pension Partnership (Russell Investment Global Equities).

NOTE 24 - CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

As at 31 March 2019, the Fund has contractual commitments of £1,009m (£760m in 2017/18) in private equity, infrastructure, timber and agriculture, and property funds, of which £685m (£523m in 2017/18) has been deployed, leaving an outstanding commitment of £324m (£237m at 31 March 2018).

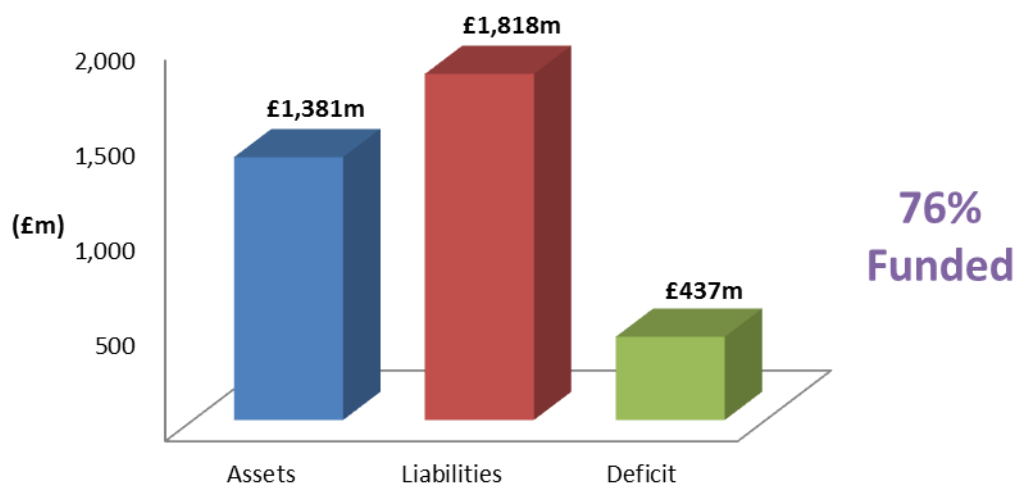
CLWYD PENSION FUND

- ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2019 - STATEMENT BY THE CONSULTING 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 2016 to determine the contribution rates with effect from 1 April 2017 to 31 March 2020.

On the basis of the assumptions adopted, the Fund's assets of £1,381 million represented 76% of the Fund's past service liabilities of £1,818 million (the "Funding Target") at the valuation date. The deficit at the valuation was therefore £437 million.



The valuation also showed that a Primary contribution rate of 15.3% of pensionable pay per annum was required from employers. The Primary rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

The funding objective as set out in the Funding Strategy Statement (FSS) is to achieve and then maintain a solvency funding level of 100% of liabilities (the solvency funding target). In line with the FSS, where a shortfall exists at the effective date of the valuation a deficit recovery plan will be put in place which requires additional contributions to correct the shortfall (or contribution reductions to refund any surplus).

The FSS sets out the process for determining the recovery plan in respect of each employer. At the most recent actuarial valuation the average deficit recovery period was 15 years, and the total initial recovery payment (the "Secondary rate") for the three years commencing 1 April 2017 is approximately £29.4 million per annum. For most employers, the Secondary rate will increase each year at the rate of 3.45%, except where phasing has been applied or where it was agreed with the employer to pay a flat contribution. With the agreement of the Administering Authority employers could also opt to pay some of their employer contributions early (after suitably agreed reductions), with either all three years' contributions being paid in April 2017 or payment being made annually in advance each April.

CLWYD PENSION FUND ACCOUNTS

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated 31 March 2017.

In practice, each individual employer's funding position is assessed separately and the resulting contributions required (Primary and Secondary rates) 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 FSS. Any different approaches adopted, e.g. with regard to the implementation of contribution increases and deficit recovery periods, are as determined and agreed 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 Primary rate of contribution were as follows:

	For past service liabilities (Funding Target)	For future service liabilities (Primary rate of contribution)
Rate of return on investments (discount rate)	4.20% per annum	4.95% per annum
Rate of pay increases (long term)*	3.45% per annum	3.45% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.2% per annum	2.2% per annum

* allowance was also made for short-term public sector pay restraint over a 4-year period.

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2019. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2020.

CLWYD PENSION FUND ACCOUNTS

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 2019 (the 31 March 2018 assumptions are included for comparison):

	31 March 2018	31 March 2019
Rate of return on investments (discount rate)	2.6% per annum	2.4% per annum
Rate of CPI Inflation / CARE revaluation	2.1% per annum	2.2% per annum
Rate of pay increases*	3.35% per annum	3.45% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension) / Deferred revaluation	2.2% per annum	2.3% per annum

* includes a corresponding allowance to that made in the latest formal 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 2017.

During the year, corporate bond yields decreased slightly, resulting in a lower discount rate being used for IAS 26 purposes at the year-end than at the beginning of the year (2.4% p.a. versus 2.6% p.a.). The expected long-term rate of CPI inflation increased during the year, from 2.1% p.a. to 2.2%. Both of these factors served to increase the liabilities over the year.

The value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31 March 2018 was estimated as £2,629 million. Interest over the year increased the liabilities by c£69 million, and net benefits accrued/paid over the period also increased the liabilities by c£21 million (after allowing for any increase in liabilities arising as a result of early retirements/augmentations). There was also an increase in liabilities of £151 million due to "actuarial losses" (i.e. the effect of changes in the assumptions used, referred to above).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2019 is therefore £2,870 million.

The McCloud Case

In December 2018 the Court of Appeal ruled against the Government in the two linked cases of Sargeant and McCloud (which for the purposes of the LGPS has generally been shortened to "McCloud"), relating to the Firefighter unfunded pension schemes and the Judicial pension arrangements. In essence, the Court held that the transitional protections, which were afforded to older members when the reformed schemes were introduced in 2015, constituted unlawful age discrimination. The Government is attempting to appeal the cases, but it is not known at this stage whether an appeal will even be possible. If the Government ultimately loses these cases then remedial action in the form of increases in benefits for some members is likely to be required. There may well also be knock-on effects

CLWYD PENSION FUND ACCOUNTS

for the other public service schemes, and the LGPS might therefore also be required to take some action. At this stage it is uncertain whether remedial action will be required, nor is it clear what the extent of any potential remedial action might be.

The LGPS Scheme Advisory Board has commissioned the Government Actuary's Department (GAD) to calculate some indicative costs on an LGPS-wide basis so that Funds can give some consideration to the overall issue and form a view on whether any more detailed work is required. Whilst GAD have not yet reported on their findings, initial indications are that the impact on liabilities could be of the order of 0.5% to 1% of liabilities. This is well within the approximations inherent in the liability calculation shown above, which is based on a "roll-forward" of the 2016 actuarial valuation results rather than being a full recalculation, and in any case is within normal acceptable tolerances for this type of work given the general approximations which need to be made. We have therefore not included a specific provision for the potential additional liabilities arising from the McCloud case.

GMP Equalisation

UK and European law requires pension schemes to provide equal benefits to men and women in respect of service after 17 May 1990 (the date of the "Barber" judgment) and this includes providing equal benefits accrued from that date to reflect the differences in GMPs. Previously, there was no consensus or legislative guidance as to how this might be achieved in practice for ongoing schemes, but the 26 October 2018 Lloyds Bank court judgement has now provided further clarity in this area. However, in response to this judgement HM Treasury stated that "public sector schemes already have a method to equalise guaranteed minimum pension benefits, which is why we will not have to change our method as a result of this judgment", clearly implying that the Government (who have the overall power to determine benefits provision) believe the judgement itself will not affect the benefits. Therefore, the natural conclusion for the main public service pension schemes including the Local Government Pension Scheme is that it is not appropriate for any provision to be included for the effect of the Lloyds Bank judgment, at least at the present time, and so we have not made any allowance for any additional liabilities within the above figures at this stage. However, in due course there may be a further cost to the LGPS in connection with equalisation/indexation, when the Government confirms the overall approach which it wishes to adopt in this area following its consultation.

- **Paul Middleman**
 - **Fellow of the Institute and Faculty of Actuaries**
 - **Mercer Limited**
- June 2019

Mark Wilson
Fellow of the Institute and Faculty of Actuaries
Mercer Limited

Appendix 2

CLWYD PENSION FUND

Draft Annual Governance Statement 2018/19

Roles and Responsibilities

Flintshire County Council (the Council) is responsible for administering the Clwyd Pension Fund (the Fund), on its own behalf and on behalf of two other local authorities (Wrexham and Denbighshire) and 40 other large and small employers in North East Wales.

The main activities involved in managing the Fund are to make and manage investments and to administer the payment of scheme benefits. This is carried out in accordance with the requirements of the Local Government Pension Scheme (LGPS) Regulations and the Public Service Pensions Act 2013.

The Council is responsible for ensuring that all its business, including that of the Fund, is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for and that there are proper arrangements to use money economically, effectively and efficiently. The Council is also required to ensure that the Fund is managed to deliver best value.

Delegation

The Council discharges its duty as administering authority by delegation to the Pension Fund Committee. The committee is made up of five of the Council's own councillors and four coopted members, representing the other two local authorities, other employers and the scheme members. There is further delegation for day to day management to the Council's Chief Executive and for proper financial administration to the Council's Section 151 Officer.

In addition under an inter-authority agreement there is delegation to the Wales Pension Partnership Joint Governance Committee to reflect the move to the pooling of pension fund assets across the eight Welsh LGPS pension funds.

Governance arrangements

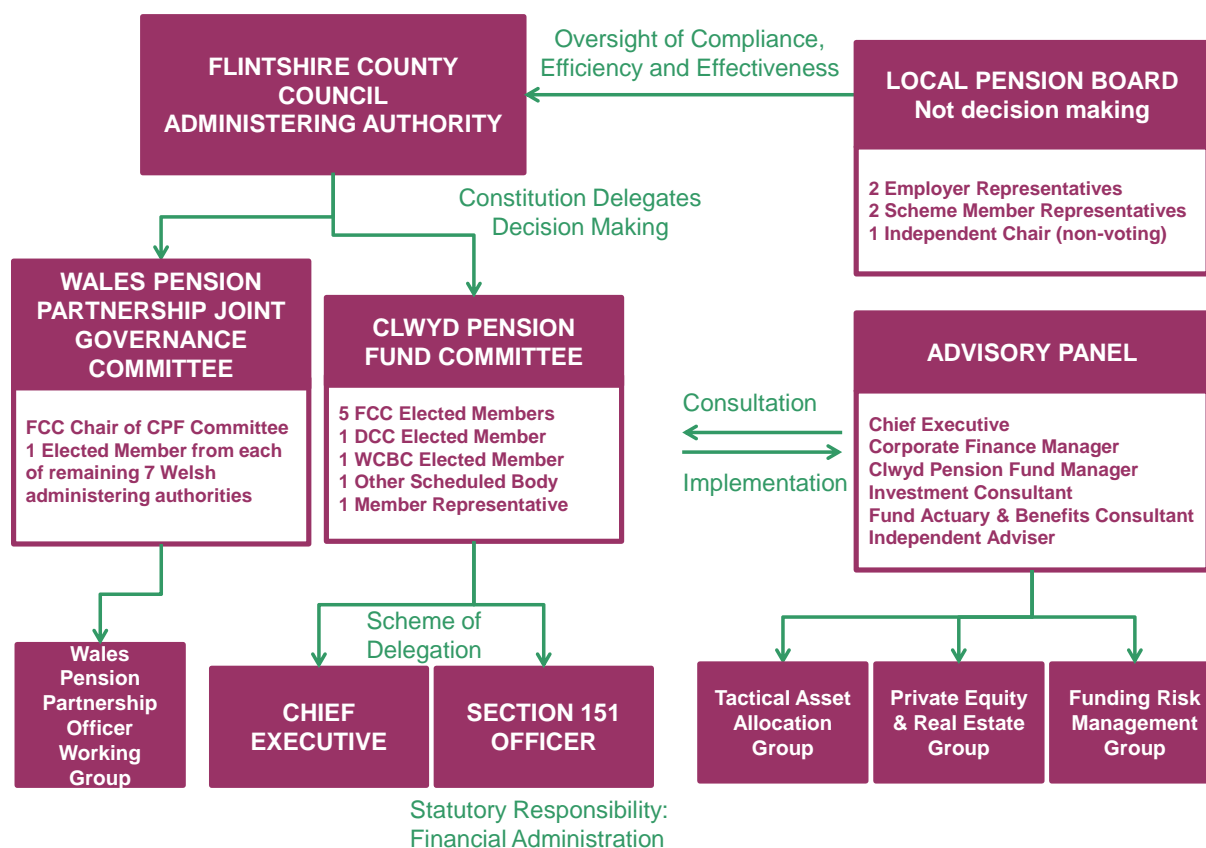
The governance framework of the Council comprises an underlying set of legislative requirements, good practice principles and management processes, which supports the philosophy of the Council's operations, the standards it sets itself, the behaviours it expects of itself and the principles it follows.

To help ensure that the governance framework is robust, the Council has developed a Local Code of Corporate Governance (the Code) which defines the principles that underpin the governance of the organisation and is consistent with the principles of the Chartered Institute of Public Finance and Accountancy and the Society of Local Authority Chief Executives Framework: Delivering Good Governance in Local

Government. The Code forms part of the Council’s constitution and is available on the Council’s website. The operation of the Fund is governed by this code. The Council produces its own Annual Governance Statement which review the effectiveness of its control environment.

In accordance with the requirements of the Public Services Pensions Act 2013, the Fund has established a pension board to act as a partner in assisting the Fund to meet its statutory and regulatory requirements and in administering the fund effectively.

The Governance Structure for the Fund is shown below. The bodies to which responsibility is formally delegated are supported by the Local Pension Board, and also an advisory panel and a number of working groups.



The Council’s Chief Executive is responsible for the day to day management of the Fund. This includes ensuring that the arrangements for the investment of assets, the receipt of contributions and the payment of benefits are properly managed. In addition the Chief Executive is responsible for establishing and chairing the Clwyd Pension Fund Advisory Panel, which includes officers of the Council and advisors to the Fund. The Panel advises the Pensions Committee and carries out matters delegated to it by the Pensions Committee from time to time.

The Council's Corporate Finance Manager as Section 151 Officer is responsible for arranging the proper administration of the financial affairs of the Fund. He is CIPFA qualified and is suitably experienced to lead the finance function.

The LGPS regulations require the Fund to maintain a number of strategy and policy documents which are available on its website. Key amongst these are the Governance Policy Statement, Funding Strategy Statement, Investment Strategy Statement and Communication Strategy Statement. These documents describe the Fund's objectives together with the main risks facing the Fund and the key controls which mitigate them.

Financial data is used and managed by the Fund in a number of different ways:

- There is a triennial actuarial valuation which determines long term cash flows, fund liabilities and contributions. In addition monthly funding projections are also produced by the actuary to help the Fund keep abreast of its funding position.
- Detailed investment records are held and maintained by external partner investment managers and the Fund's global custodian. There is quarterly performance reporting to the Fund of the position on investments.
- The Fund uses the Altair management system to manage the payment of benefits to beneficiaries. Payments to beneficiaries are made through the Council's bank account. Financial monitoring reports are prepared using the Council's Masterpiece financial ledger system.

Annual audit reports and Statements of Internal Control are obtained from the investment managers by the Fund and are reviewed by officers to provide assurance that the investments are managed in an adequate control environment. Any significant issues that these reports disclose are reported to the Pension Committee on an exception basis.

Risk Management

The Fund recognises that effective risk management is an essential element of good governance. By identifying and managing risk through an effective policy and risk management strategy the Fund

- demonstrates best practice,
- improves financial management
- minimise the effect of adverse conditions
- identify and maximize opportunities that might arise
- minimise threats

Risks relating to pension funds are often outside the Fund's control. The Fund's risk management focusses on measuring the current risk against the Fund's agreed target risk and identifying further controls and actions that can be put in place. These actions are then included in the Fund's business plan.

The risks currently identified as amber (defined as moderate consequence considered a possible occurrence) and higher are shown in Appendix 1.

Review of effectiveness

The Pensions Committee is responsible for ensuring the continued effectiveness of the governance framework and system of internal control within which the Fund operates. In discharging this responsibility it relies on the assurances of officers, financial monitoring and other reports, the work of internal audit and the work of the external auditors.

The Fund completes a governance policy and compliance statement as part of its annual report. This measures the extent to which the Fund's governance arrangements comply with best practice.

As part of his duties, the Corporate Finance Manager ensures that the Council receives an internal audit of the control environment of the Council and the Fund. The audit coverage reviews the control environment within which the Fund operates and helps to ensure that robust arrangements are in place to:

- Safeguard the contributions made by employees and employers used to fund the pension liabilities
- Ensure control is maintained over partner investment managers who are responsible for ensuring that funds are maximised in order to meet liabilities
- Ensure that accurate and timely payment is made to retired members of the fund.

Update on significant governance issues previously reported.

There were no significant governance issues in 2017/18 specific to the Fund.

Significant governance issues

The Head of Internal Audit has confirmed that there are no significant governance issues which need to be reported as a result of the work undertaken by Internal Audit on the control systems of either the Council or the Fund.

Internal Audit Opinion.

Based on the audit work undertaken for the Council and the assurances provided by the Chief Executive, the Corporate Finance Manager and the Clwyd Pension Fund Manager, it is the Head of Audit's opinion that reasonable assurance can be placed on the adequacy and effectiveness of the governance and control environment which operated during 2018/19.

Certification

It is our opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the systems of governance which operate on the Clwyd Pension Fund. Work undertaken by Internal Audit has shown that the arrangements in place are operating as planned. We consider the governance and internal control environment operating during 2018/19 to provide reasonable and objective assurance that any significant risks impacting the Fund's ability to achieve its objectives will be identified and actions taken to avoid or mitigate their impact.

Colin Everett
Chief Executive
XX September 2019

Councillor Aaron Shotton
Chair Clwyd Pension Fund Committee
XX September 2019

Appendix 1

KEY RISKS

Governance



Risk Description (if this happens)	Risk Overview (this will happen)	Current Risk Status	Target Risk Status	Further Action
Externally led influence and change such scheme change, national reorganisation and asset pooling	The Fund's objectives/legal responsibilities are not met or are compromised - external factors	Red	Orange	<ul style="list-style-type: none"> 1 - Regular ongoing monitoring by AP to consider if any action is necessary 2 - Ensure Board requests to JGC/OWG are responded to 3 - Regular consideration of impact national reorganisation at APs
Insufficient staff numbers (e.g. sickness, resignation, retirement, unable to recruit) - current issues include age profile, implementation of asset pools and local authority pay grades.	Services are not being delivered to meet legal and policy objectives	Red	Green	<ul style="list-style-type: none"> 1 - Complete and implement Finance team restructure, including fundamental review of future service requirements 2 - Ongoing consideration of succession planning 3 - Implement the agreed outcome of the admin staff structure review 4 - Recruit to vacant Pensions Administration Manager post

Funding & Investment

Risk Description (if this happens)	Risk Overview (this will happen)	Current Risk Status	Target Risk Status	Further Action
An appropriate funding strategy cannot be set	Employer contributions are unaffordable and/or unstable			1 - Finalise employer covenant monitoring and ill health captive
Movements in assets and/or liabilities (as described in 3,4,5) in combination	Funding level reduces, increasing deficit			1 - Revised Equity Protection Strategy to be put in place 2 - See also actions below that will impact this
-Markets perform below actuarial assumptions - Fund managers and/or in-house investments don't meet their targets - Market opportunities are not identified and/or implemented.	Investment targets are not achieved therefore reducing solvency / increasing contributions			1 - The impact on performance relative to assumptions will be monitored regularly (FRMG & TAAG)
Market factors impact on inflation and interest rates	Value of liabilities increase due to market yields/inflation moving out of line from actuarial assumptions			1 -The level of hedging will be monitored and reported regularly via FRMG
Legislation changes such as LGPS regulations (e.g. asset pooling), progression of Brexit and other funding and investment related requirements - ultimately this could increase employer costs	Investment and/or funding objectives and/or strategies are no longer fit for purpose			1 - Ensure proactive responses to consultations etc.

Administration & Communication

Risk Description (if this happens)	Risk Overview (this will happen)	Current Risk Status	Target Risk Status	Further Action
That there are poorly trained staff and/or we can't recruit/retain sufficient quality of staff, including potentially due to pay grades	Unable to meet legal and performance expectations (including inaccuracies and delays) due to staff issues	Red	Yellow	<ol style="list-style-type: none"> 1 - Ongoing training 2 - Ongoing bedding in of aggregation team and use of Mercers with backlogs 3 - Ongoing monitoring of ELT and Ops resource/workload for backlogs 4 - Recruitment to new posts 5 - Ongoing consideration of resource levels post recruitment of new posts
Employers: -don't understand or meet their responsibilities -don't have access to efficient data transmission -don't allocate sufficient resources to pension matters	Unable to meet legal and performance expectations (including inaccuracies and delays) due to employer issues	Red	Green	<ol style="list-style-type: none"> 1 - Ongoing roll out I-connect 2 - Ongoing monitoring of ELT resource/workload 3 - Implement further APP data checks to identify issues 4 - Develop and roll out APP training - in house and employers 5 - Update Admin Strategy to include a compliance declaration and focus on availability of payroll system/information 5 - Identify other employer data issues and engage directly with employers on these
Big changes in employer numbers or scheme members or unexpected work increases (e.g. severance schemes or regulation changes)	Unable to meet legal and performance expectations due to external factors	Red	Orange	<ol style="list-style-type: none"> 1 - Recruitment to new posts 2 - Ongoing consideration of resource levels post recruitment of new posts
Communications are inaccurate, poorly drafted or insufficient	Scheme members do not understand or appreciate their benefits	Orange	Green	<ol style="list-style-type: none"> 1 -Ongoing promotion of member self service 2 - Ongoing identification of data issues and data improvement plan 3 - Review of effectiveness of new website/iConnect planned for 2019/20 4 - Recruitment of Comms Officer

<p>Systems are not kept up to date or not utilised appropriately, or other processes inefficient</p>	<p>High administration costs and/or errors</p>			<ul style="list-style-type: none"> 1 - Ongoing roll out of iConnect 2 - Ongoing identification of data issues and data improvement plan 3- Review of effectiveness of new website/iConnect planned for 2019/20 4 - Implementation of other Altair modules in 2018/19 business plan 5 - Increased engagement with Heywood about change in their business model
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AUDIT COMMITTEE

Date of Meeting	Wednesday 10 th July 2019
Report Subject	Treasury Management Annual Report 2018/19 and Treasury Management Update Q1 2019/20
Report Author	Corporate Finance Manager

EXECUTIVE SUMMARY

The report presents the draft Treasury Management Annual Report 2018/19 for review and seeks the Committee's recommendation for approval to Cabinet.

The report provides an update on matters relating to the Council's Treasury Management Policy, Strategy and Practices 2019/20, 1st quarterly update, covering 1st April – 31st May 2019.

RECOMMENDATIONS

1	Members review the draft Treasury Management Annual Report 2018/19 and identify any matters to be drawn to the attention of Cabinet on 24 th September 2019.
2	Members note the Treasury Management 2018/19 first quarter update.

REPORT DETAILS

1.00	EXPLAINING THE ANNUAL REPORT
1.01	The Council has nominated the Audit Committee to be responsible for ensuring effective scrutiny of Treasury Management Strategy and Policies. The Audit Committee has previously agreed to include Treasury Management as a standing item on each quarterly agenda to receive an update.
1.02	On 20 th February 2018, the Council approved the Treasury Management Strategy 2018/19, following the recommendation of the Cabinet and consideration by the Audit Committee.
1.03	On 19 th February 2019, the Council approved the Treasury Management Strategy 2018/19, following the recommendation of the Cabinet and consideration by the Audit Committee.
	<u>CONSIDERATIONS</u>
1.04	<p><u>Governance</u></p> <p>A schedule of the reporting cycle for Treasury Management reports in 2019/20 is attached as Appendix 1 for information. Where Members have any specific items of interest, concern or questions on the Council's Treasury Management Policies or Strategies these can be addressed within these reports upon request.</p>
1.05	<p>Treasury Management training for all Members (hosted by the Audit Committee) delivered by the Council's London based Treasury Management advisors, Arlingclose Ltd, is being arranged for December 2019. December is considered to be the most appropriate time to schedule the training as it is before Members are requested to approve the Treasury Management Strategy for the following financial year.</p> <p>Prior to the training should any Member of the Committee require additional information or wish to learn more about a specific Treasury Management topic, officers are happy to assist.</p>
1.06	<p><u>Treasury Management Annual Report 2018/19</u></p> <p>The draft Treasury Management Annual Report for 2018/19 is attached as Appendix 2 for review. As required by the Council's Financial Procedure Rules, this Annual Report will be reported to the Cabinet and Council.</p>
1.07	<p><u>Summary of Key Points for the year</u></p> <p>The UK Bank Rate began the year at 0.50% with a rise in August to 0.75% where it has since stayed. Short term money market rates also remained at very low levels which continued to have a significant impact on investment</p>

	income. Section 2 of the report provides a full economic and interest rate review of 2018/19.
1.08	The Council's budgeted investment income for the year had been prudently estimated at £40k. The average cash balance was £27.7m during the year and interest earned was £169k, at an average interest rate of 0.58%. Section 4 provides further details of the Council's investment activity during the year.
1.09	The borrowing strategy throughout 2018/19 has been to monitor capital expenditure plans to assess the Council's long term borrowing need. This is to ensure that the Council does not commit to long term borrowing too early and borrow unnecessarily which will be costly. This is balanced against securing low interest costs and achieving cost certainty over the period for which the funds are required.
1.10	Short term borrowing continued to be available throughout the year at lower rates than long term borrowing and was utilised as far as possible without exposing the Council to excessive refinancing risk.
1.11	During the year opportunities arose to secure long term borrowing at low rates when PWLB rates fell, loans totalling £17.53m were taken out in December 2019 following discussion with our treasury management advisors, Arlingclose.
1.12	Options for debt rescheduling were explored in conjunction with Arlingclose. The premium charged for early repayment of PWLB debt remained relatively expensive for the loans in the Council's portfolio and therefore unattractive for debt rescheduling activity. No rescheduling activity was undertaken as a consequence. Section 3 provides more information on borrowing and debt management during the year.
1.13	The treasury function operated within the limits detailed in the Treasury Management Strategy 2018/19.
	Treasury Management 2019/20 – Quarter 1 update
	<u>Investments Update</u>
1.14	A statement setting out the Council's investments as at 31 st May 2019 is attached at Appendix 3. The investment balance at this time was £18.6m, spread across 7 counterparties and the average investment rate was 0.75% for the quarter.
	<u>Borrowing Update</u>
1.15	Appendix 4 shows the Council's long term borrowing as at 31 st May 2019. The total amount of loans outstanding was £282.7m with an average interest rate payable of 4.66%.
1.16	Appendix 5 shows the Council's short term borrowing as at 31 st May 2019. The total amount of loans outstanding was £33m with an average interest rate payable of 0.65%.

1.17	Towards the end of March 2019 reductions in PWLB long term rates provided opportunities to secure long term borrowing at low rates, and following discussion with Arlingclose a further £10m loan was taken out at the beginning of April 2019. A 15 year £10m Equal Instalment of Principle loan fitted with the Council's debt maturity portfolio. The loan is repaid in equal instalments over its 15 year term, with interest payable calculated on the amounts owed.
1.18	The Council has a forecast borrowing requirement over and above the additional long term borrowing already undertaken this quarter and therefore further long term borrowing is likely before the end of this financial year. Short term borrowing continues to be used to assist with managing the position, and is available at lower rates than long term. This position will be reviewed and monitored closely during the year with support from Arlingclose.

2.00	RESOURCE IMPLICATIONS
2.01	Financial implications are addressed in the report. Investment income and the costs of borrowing as set out within the report and appendices are included within the Central Loans and Investment Account within the Central and Corporate Budget reported to Corporate Resources Overview and Scrutiny Committee on a monthly basis.

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

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

5.00	APPENDICES
5.01	<ol style="list-style-type: none"> 1. Treasury Management Reporting Cycle 2019/20 2. Draft Treasury Management Annual Report 2018/19 3. Investment Portfolio as at 31 May 2019 4. Long term borrowing as at 31 May 2019 5. Short term borrowing as at 31 May 2019

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>Contact Officer: Liz Thomas – Technical Strategic Finance Manager Telephone: 01352 702219 E-mail: Liz.Thomas@Flintshire.gov.uk</p>
7.00	GLOSSARY OF TERMS
7.01	<p>Authorised Limit: A statutory limit that sets the maximum level of external debt for the Council.</p> <p>Balances and Reserves: Accumulated sums that are held, either for specific future costs or commitments (known as earmarked) or generally held to meet unforeseen or emergency expenditure.</p> <p>Bank Rate: The official interest rate set by the Bank of England’s Monetary Policy Committee and what is generally termed at the “base rate”.</p> <p>Basis Point: A unit of measure used in finance to describe the percentage change in the value or rate of a financial instrument. One basis point is equivalent to 0.01% (1/100th of a percent). In most cases, it refers to changes in interest rates and bond yields. For example, if interest rates rise by 25 basis points, it means that rates have risen by 0.25% percentage points.</p> <p>Bond: A certificate of debt issued by a company, government, or other institution. The bond holder receives interest at a rate stated at the time of issue of the bond. The price of a bond may vary during its life.</p> <p>Capital Expenditure: Expenditure on the acquisition, creation or enhancement of capital assets.</p> <p>Capital Financing Requirement (CFR): The Council’s underlying need to borrow for capital purposes representing the cumulative capital expenditure of the local authority that has not been financed.</p> <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.</p> <p>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%.</p> <p>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.</p>

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.

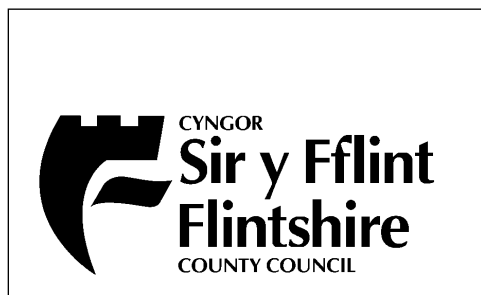
Unsupported Borrowing: Borrowing which is self-financed by the local authority. This is also sometimes referred to as Prudential Borrowing.

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

Treasury Management Reporting 2019/20

Committee Report	Purpose	Audit Committee	Cabinet	Council
2018/19 Final Outturn & Q1 2019/20 Update	Information & Policy Change	10-Jul-19	24-Sep-19	22-Oct-19
Mid Year Review 2019/20 & Q2 2019/20 Update	Information & Policy Change	20-Nov-19	17-Dec-19	28-Jan-20
2020/21 Strategy & Q3 2019/20 Update	Information & Policy Change	29-Jan-20	18-Feb-20	18-Feb-20
Q4 2019/20 Update	Information	25-Mar-20		

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FLINTSHIRE COUNTY COUNCIL

DRAFT TREASURY MANAGEMENT

ANNUAL REPORT 2018/19

1.00 INTRODUCTION

- 1.01 The Council approved the Treasury Management Strategy (Strategy) 2018/19 including key indicators, limits and an annual investment strategy on 20th February 2018.
- 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 2018/19 treasury management operations and compare these 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 2018/19

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

Economic commentary

After spiking at over \$85/barrel in October 2018, oil prices fell back sharply by the end of the year, declining to just over \$50 in late December before steadily climbing toward \$70 in April 2019. UK Consumer Price Inflation (CPI) for February 2019 was up 1.9% year/year, just above the consensus forecast but broadly in line with the Bank of England's February Inflation Report. The most recent labour market data for the three months to January 2019 showed the unemployment rate fell to a new low 3.9% while the employment rate of 76.1% was the highest on record. The 3-month average annual growth rate for pay excluding bonuses was 3.4% as wages continue to rise steadily and provide some upward pressure on general inflation. Once adjusted for inflation, real wages were up 1.4%.

After rising to 0.6% in the third calendar quarter from 0.4% in the second, fourth quarter economic growth slowed to 0.2% as weaker expansion in production, construction and services dragged on overall activity. Annual GDP growth at 1.4% continues to remain below trend. Following the Bank of England's decision to increase Bank Rate to 0.75% in August, no changes to monetary policy have been made since.

The US Federal Reserve continued its tightening bias throughout 2018, pushing rates to the 2.25%-2.50% range in December. However, a recent softening in US data caused the Fed to signal a pause in hiking interest rates at the last Federal Open Market Committee (FOMC) meeting in March.

With the 29th March 2019, the original EU 'exit day' now been and gone, having failed to pass a number of meaningful votes in Parliament, including shooting down Theresa May's deal for the third time, MPs voted by a majority of one (313 to 312) to force the prime minister to ask for an extension to the Brexit process beyond 12th April in order to avoid a no-deal scenario. Recent talks between the Conservative and Labour parties to try to reach common ground on a deal which may pass a vote by MPs have yet to yield any positive results. The EU must grant any extension and its leaders have been clear that the terms of the deal are not up for further negotiation. The ongoing uncertainty continues to weigh on sterling and UK markets.

While the domestic focus has been on Brexit's potential impact on the UK economy, globally the first quarter of 2019 has been overshadowed by a gathering level of broader based economic uncertainty. The US continues to be set on a path of protectionist trade policies and tensions with China in particular, but with the potential for this to spill over into wider trade relationships, most notably with EU. The EU itself appeared to be show signs of a rapid slowdown in economic growth with the major engines of its economy, Germany and France, both suffering misfires from downturns in manufacturing alongside continued domestic/populist unrest in France. The International Monetary Fund downgraded its forecasts for global economic growth in 2019 and beyond as a consequence.

Financial markets:

December was a month to forget in terms of performance of riskier asset classes, most notably equities. The FTSE 100 (a good indicator of global corporate sentiment) returned -8.8% assuming dividends were reinvested; in pure price terms it fell around 13%. However, since the beginning of 2019 markets have rallied, and the FTSE 100 and FTSE All share indices were both around 10% higher than at the end of 2018.

Gilt yields continued to display significant volatility over the period on the back of ongoing economic and political uncertainty in the UK and Europe. After rising in October, gilts regained their safe-haven status throughout December and into the new year - the 5-year benchmark gilt yield fell as low as 0.80% and there were similar falls in the 10-year and 20-year gilts over the same period dropping from 1.73% to 1.08% and from 1.90% to 1.55%. The increase in Bank Rate pushed up money markets rates over the year and 1-month, 3-month and 12-month LIBID (London Interbank Bid) rates averaged 0.53%, 0.67% and 0.94% respectively over the period.

Recent activity in the bond markets and PWLB interest rates highlight that weaker economic growth is not just a UK phenomenon but a global risk. During March the US yield curve inverted (10-year Treasury yields were lower than US 3 month

money market rates) and German 10-year Bund yields turned negative. The drivers are a significant shift in global economic growth prospects and subsequent official interest rate expectations given its impact on inflation expectations. Further to this is world trade growth which collapsed at the end of 2018 falling by 1.8% year-on-year. A large proportion of this downturn in trade can be ascribed to the ongoing trade tensions between the US and China which despite some moderation in January does suggest that the International Monetary Fund's (IMF) and Organisation for Economic Co-Operation & Development's (OECD) forecasts for global growth in 2019 of 3.5% might need to be revised downwards.

3.00 BORROWING REQUIREMENTS AND DEBT MANAGEMENT

3.01 PWLB (Public Works Loans Board) Certainty Rate

The Council qualified for the PWLB Certainty Rate, allowing the authority to borrow at a reduction of 20 basis points on the Standard Rate for a further 12 months from 1st November 2018.

3.02 Borrowing Activity in 2018/19.

The total long term borrowing outstanding, brought forward into 2018/19 totalled £253.8 million.

	Balance 01/04/2018 £m	Debt Maturing £m	New Debt £m	Balance 31/03/2019 £m
Capital Financing Requirement	327.6	(6.1)	18.6	340.1
Short Term Borrowing	52.1	(52.1)	44.0	44.0
Long Term Borrowing	253.8	0.0	19.0	272.8
TOTAL BORROWING	305.9	(52.1)	63.0	316.8
Other Long Term Liabilities	5.4	(0.6)	0.2	5.0
TOTAL EXTERNAL DEBT	311.3	(52.7)	63.2	321.8
Increase/(Decrease in Borrowing (£m))	-	-	10.5	

3.03 New Long Term Borrowing

The Council's Capital Programme is financed by a combination of capital receipts and grants, CERA (revenue contributions) and borrowing. The borrowing strategy in recent years in accordance with advice received from the Council's Treasury Management advisors, Arlingclose has been to use existing cash balances and short term borrowing to confirm the long term borrowing requirement. This is to ensure that the Council does not commit to long term borrowing too early and borrow unnecessarily which will be costly. This is balanced against securing low interest costs and achieving cost certainty over the period for which the funds are required so as not to compromise the long term stability of the portfolio.

Short term borrowing continued to be available throughout the year at much lower rates than long term borrowing and was utilised as far as possible without exposing the Council to excessive refinancing risk. The total short term (temporary) borrowing as at 31st March 2019 was £44m with an average rate of 0.96%.

The benefit of internal / short term borrowing was monitored closely, in conjunction with Arlingclose, throughout the year against the potential for incurring additional costs by deferring borrowing into future years when long term borrowing rates are forecast to rise modestly.

In December 2018 reductions in PWLB long term rates provided opportunities to secure long term borrowing at low rates and the following loans were taken out on 6th December 2019:

Start Date	Maturity Date	Amount	Rate	Loan Type
6 th Dec 2019	6 th Dec 2063	£7.53m	2.79%	Annuity
6 th Dec 2019	6 th Dec 2068	£10.0m	2.64%	Maturity

The £7.53m loan has been on-lent to NEW Homes, the Council's wholly owned subsidiary to fund the building of affordable homes in Flint.

3.04 At 31st March 2019, loans with the Public Works Loans Board were in the form of fixed rate (£238.34m) and variable rate (£10m), £18.95m were variable in the form of LOBO's (Lender's Option, Borrower's Option) and £5.51m were interest free loans from the Government, available for specific schemes. The Council's average rate for long term borrowing was 4.64%.

3.05 The Council's underlying need to borrow as measured by the Capital Financing Requirement (CFR) as at 31st March 2019 was £340.1m. The Council's total external debt was £321.8m.

3.06 Loans at Variable Rates

The Council has £10m of PWLB variable rate loans, at an average rate of 0.83% which mitigate the impact of changes in variable rates on the Council's overall treasury portfolio. This strategic exposure to variable interest rates will be regularly reviewed and, if appropriate, reduced by switching into fixed rate loans.

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

The Council 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 Council 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

Options for debt rescheduling were explored in conjunction with our treasury management advisors. The premium charged for early repayment of PWLB debt remained relatively expensive for the loans in the Council's portfolio and therefore unattractive for debt rescheduling activity. No rescheduling activity was undertaken as a consequence.

The Corporate Finance Manager, in conjunction with the Council's treasury advisors will continue to review any potential opportunities 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 Council's aim is to achieve a yield commensurate with these principles.

4.02 Investment Activity in 2018/19

Summary of investments as at 31st March 2019.

Country	Total	<1 month	1 –12 months	>12 months
	£m	%	£m	£m
UK BANKS				
UK BUILDING SOCIETIES				
OVERSEAS				
MMF's				
LOCAL AUTHORITIES				
DMO	31.2	31.2		
<u>TOTAL</u>	31.2	31.2	0.00	0.0

As none of these investments were greater than three months they are classified as cash in the Council's Balance Sheet.

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 2018/19. Investments during the year included:

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

4.04 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 2018/19 treasury strategy was A-/A-/A3 across rating agencies Fitch, S&P and Moody's.

4.05 Counterparty Update

Credit Background

Credit Default Swap (CDS) spreads drifted up towards the end of 2018 on the back of Brexit uncertainty before declining again in 2019 and continuing to remain low in historical terms. After hitting around 129 basis points in December 2018, the spread on non ring-fenced bank NatWest Markets plc fell back to around 96bps at

the end of March, while for the ring-fenced entity, National Westminster Bank plc, the CDS spread held relatively steady around 40bps. The other main UK banks, as yet not separated into ring-fenced and non ring-fenced from a CDS perspective, traded between 33 and 79bps at the end of the period.

The ring-fencing of the big four UK banks (Barclays, Bank of Scotland/Lloyds, HSBC and RBS/Natwest Bank plc) transferred their business lines into retail (ring-fenced) and investment banking (non ring-fenced) entities.

In February, Fitch put the UK AA sovereign long-term rating on Rating Watch Negative as a result of Brexit uncertainty, following this move with the same treatment for UK banks and a number of government-related entities.

There were minimal other credit rating changes during the period. Moody's revised the outlook on Santander UK to positive from stable to reflect the bank's expected issuance plans which will provide additional protection for the its senior unsecured debt and deposits.

4.06 Liquidity

In keeping with the WG's Guidance on Investments, the Council maintained a sufficient level of liquidity through the use of Money Market Funds and call accounts.

4.07 Yield

The UK Bank Rate began the year at 0.50% with a rise in August to 0.75% where it has since stayed. 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.

The Authority's budgeted investment income for the year had been prudently estimated at £40k. The average cash balance was £27.7m during the period and interest earned was £169k, at an average interest rate of 0.58%.

4.08 Loan to NEW Homes

The loan to NEW Homes does not meet the definition of an investment and is not therefore included in the Council's investment figures below. It is classed as capital expenditure.

5.00 COMPLIANCE

- 5.01 The Council can confirm that it has complied with its Prudential Indicators for 2018/19. These were approved by Council as part of the Treasury Management Strategy on 20th February 2018.
- 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 2018/19. 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 2018/19.

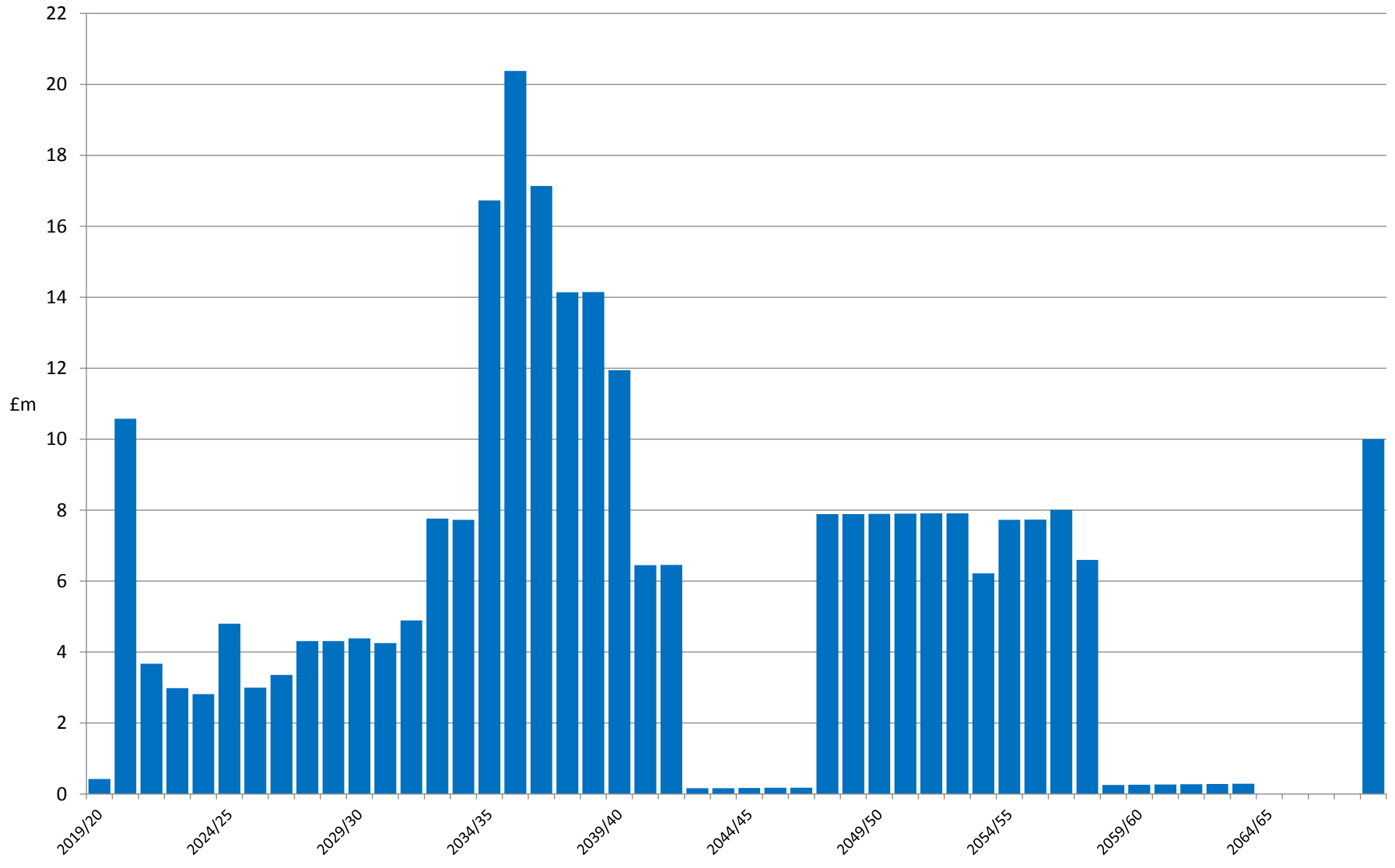
6.00 OTHER ITEMS

- 6.01 The following were the main treasury activities during 2018/19
- The Council's Audit Committee received a Mid-Year Report on 21th November 2018.
 - Quarterly update reports were presented to the Audit Committee.
 - The 2019/20 Investment Strategy Statement was approved by Council on 19th February 2019.
 - The Council continues to be member of the CIPFA Treasury Management Network.
 - The Council's cash flow was managed on a daily basis. During the year the Council 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 £54.7m and the maximum long-term borrowing at any one time was £272.8m.

7.00 CONCLUSION

- 7.01 The treasury management function has operated within the statutory and local limits detailed in the 2018/19 Treasury Management Strategy.
- 7.02 The Policy was implemented in a pro-active manner with security and liquidity as the focus.

Debt Maturity Profile - March 2019



FLINTSHIRE COUNTY COUNCIL - INVESTMENT PORTFOLIO

31st MAY 2019

APPENDIX 3

Counterparty Name	Amount Invested £m	Start Date	Maturity Date	Interest Rate	Investment Interest £	Type of Investment	Period to Maturity
ABERDEEN LIQUIDITY FUND	3.0	01/04/19	31/05/19	0.72%	3,551	MMF	1 month or less
ABERDEEN LIQUIDITY FUND	3.0						
AVIVA LIQUIDITY FUND	3.0	01/04/19	31/05/19	0.76%	3,748	MMF	1 month or less
AVIVA LIQUIDITY FUND	3.0						
CCLA PUBLIC SECTOR DEPOSIT FUND	3.0	01/04/19	31/05/19	0.77%	3,797	MMF	1 month or less
CCLA PUBLIC SECTOR DEPOSIT FUND	3.0						
FEDERATED STERLING PRIME FUND	3.0	01/04/19	31/05/19	0.73%	3,600	MMF	1 month or less
FEDERATED STERLING PRIME FUND	3.0						
INSIGHT LIQUIDITY FUND	2.7	17/04/19	31/05/19	0.74%	2,409	MMF	1 month or less
INSIGHT LIQUIDITY FUND	2.7						
INVESCO INVESTMENT CO	3.0	01/04/19	31/05/19	0.77%	3,797	MMF	1 month or less
INVESCO INVESTMENT CO	3.0						
MORGAN STANLEY STERLING LIQUIDITY FUND	0.9	17/04/19	31/05/19	0.70%	759	MMF	1 month or less
MORGAN STANLEY STERLING LIQUIDITY FUND	0.9						
TOTAL	18.6			0.75%	21,661		
PREVIOUS REPORTS TOTALS (28th FEBRUARY 2019)	17.7			0.75%			

FLINTSHIRE COUNTY COUNCIL - INVESTMENTS SUMMARISED BY TYPE & MATURITY

31st MAY 2019

APPENDIX 3

Type of Investment	Total Amount Invested £m	% of Total Portfolio	Period to Investment Maturity			
			1 month or less £m	1 - 3 months £m	3 months + £m	12 months + £m
Debt Management Office (DMO)	0.0	0%				
UK Bank	0.0	0%				
UK Building Society (UK BS)	0.0	0%				
Overseas	0.0	0%				
Local Authorities	0.0	0%				
CD's	0.0	0%				
T-Bills	0.0	0%				
Money Market Funds (MMF)	18.6	100%	18.6			
Total (£)	18.6		18.6	0.0	0.0	0.0
Total (%)		100%	100%	0%	0%	0%

FLINTSHIRE COUNTY COUNCIL - LONG TERM BORROWING ANALYSIS

31st MAY 2019

APPENDIX 4

Loan Start Date	Principal Loan Outstanding £	Interest Rate %	Annual Interest £	Loan Maturity Date
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PWL Fixed Rate Maturity Loans				
20/03/86	2,436,316	9.50	231,450	30/11/25
01/04/86	1,392,181	9.13	127,036	30/11/23
01/04/86	1,218,158	9.13	111,157	30/11/21
24/03/88	696,090	9.13	63,518	30/11/27
25/08/88	696,090	9.50	66,129	31/03/28
26/10/88	870,113	9.25	80,485	30/09/23
26/05/89	1,044,135	9.50	99,193	31/03/25
26/05/89	1,044,135	9.50	99,193	31/03/29
28/09/95	561,642	8.25	46,335	30/09/32
28/09/95	181,120	8.63	15,622	30/09/32
28/09/95	348,045	8.25	28,714	30/09/27
28/09/95	696,090	8.25	57,427	30/09/28
28/09/95	1,740,225	8.25	143,569	30/09/29
28/09/95	1,740,225	8.25	143,569	30/09/30
28/09/95	1,740,225	8.25	143,569	30/09/31
28/09/95	522,068	8.25	43,071	30/09/21
28/09/95	696,090	8.25	57,427	30/09/24
28/09/95	1,740,226	8.25	143,569	30/09/26
28/09/95	1,000,282	8.63	86,274	30/09/22
18/04/97	2,000,000	7.75	155,000	18/10/27
18/04/97	2,000,000	7.75	155,000	18/10/28
18/04/97	2,000,000	7.75	155,000	18/10/29
18/04/97	2,000,000	7.75	155,000	18/10/30
17/07/97	4,000,000	7.13	285,000	31/03/55
17/07/97	4,000,000	7.13	285,000	31/03/56
17/07/97	4,492,873	7.13	320,117	31/03/57
17/07/97	3,500,000	7.00	245,000	31/03/55
17/07/97	3,500,000	7.00	245,000	31/03/56
17/07/97	3,278,252	7.00	229,478	31/03/57
20/05/98	1,333,332	5.75	76,667	18/04/31
20/05/98	1,050,000	6.00	63,000	18/04/26
09/06/98	2,000,000	5.75	115,000	30/09/32
09/06/98	3,000,000	5.75	172,500	30/09/33
09/06/98	4,000,000	5.75	230,000	30/09/34
17/09/98	3,850,000	5.25	202,125	31/03/58
08/12/98	1,200,000	4.75	57,000	31/03/54
08/12/98	2,500,000	4.75	118,750	31/03/58
08/12/98	4,800,000	4.50	216,000	31/03/54
01/04/99	6,000,000	4.63	277,500	31/03/53
22/04/99	4,000,000	4.50	180,000	31/03/52
10/08/99	1,700,000	4.50	76,500	31/03/53
10/08/99	3,700,000	4.50	166,500	31/03/52
10/08/99	7,700,000	4.50	346,500	31/03/51
10/08/99	7,700,000	4.50	346,500	31/03/50
10/08/99	7,700,000	4.50	346,500	31/03/49
10/08/99	7,700,000	4.50	346,500	31/03/48
05/04/01	2,500,000	4.75	118,750	31/03/25
15/11/01	1,400,000	4.50	63,000	31/03/23
15/11/01	1,350,000	4.50	60,750	31/03/22
02/08/05	1,700,000	4.45	75,650	18/04/31
02/08/05	4,900,000	4.45	218,050	18/04/32
02/08/05	4,600,000	4.45	204,700	18/04/33
02/08/05	1,800,000	4.45	80,100	18/04/34
02/08/05	2,244,611	4.45	99,885	18/04/35
02/04/15	10,800,000	4.11	443,880	02/10/34
02/04/15	9,000,000	4.13	371,700	02/04/35
02/04/15	9,000,000	4.14	372,600	02/10/35
02/04/15	9,000,000	4.16	374,400	02/04/36
02/04/15	8,000,000	4.17	333,600	02/10/36
02/04/15	7,000,000	4.18	292,600	02/04/37
02/04/15	7,000,000	4.19	293,300	02/10/37
02/04/15	7,000,000	4.20	294,000	02/04/38
02/04/15	7,000,000	4.21	294,700	02/10/38
02/04/15	5,448,094	4.22	229,910	02/04/39
06/12/18	10,000,000	2.64	264,000	06/12/68
Total	230,810,621	5.13	11,840,018	

PWL Fixed Rate Annuity Loans				
06/12/18	7,530,000	2.79	225,299	06/01/63
Total	7,530,000	2.79	225,299	

PWL Fixed Rate Equal Instalment of Principle Loans				
01/04/19	10,000,000	1.65	162,250	01/04/34
Total	10,000,000	1.65	162,250	

PWL Variable Rate Maturity Loans				
05/05/10	10,000,000	0.89	89,000	05/05/20
Total	10,000,000	0.89	89,000	

Market Fixed Rate Loans (LOBOS)				
24/07/07	6,350,000	4.48	284,480	24/01/40
24/07/07	6,300,000	4.53	285,075	24/01/41
24/07/07	6,300,000	4.58	288,540	24/01/42
Total	18,950,000	4.53	858,095	

Other Government Loans				
08/06/17	543,544	0.00	0.00	01/04/21
21/09/17	350,000	0.00	0.00	01/04/22
19/12/17	350,000	0.00	0.00	01/04/23
27/03/18	1,729,128	0.00	0.00	01/10/28
21/10/15	460,000	0.00	0.00	31/03/30
20/10/16	400,000	0.00	0.00	31/03/31
04/12/18	107,625	0.00	0.00	01/10/22
27/03/19	1,478,966	0.00	0.00	01/04/19
Total	5,419,263	0	0	

Totals				
Fixed Rate	248,340,621		12,227,567	
Variable Rate	10,000,000		89,000	
LOBOs	18,950,000		858,095	
Other	5,419,263		0	
Grand Total	282,709,884	4.66	13,174,662	

HRAS Buyout Loans

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FLINTSHIRE COUNTY COUNCIL - SHORT TERM BORROWING

31st MAY 2019

APPENDIX 5

Counterparty Name	Amount Borrowed £m	Start Date	Maturity Date	Interest Rate	Interest due £	Brokerage due £	Period to Maturity
BASINGSTOKE & DEANE BOR COUNCIL	5.0	18/04/19	03/07/19	0.85%	8,849	521	1 - 3 months
BASINGSTOKE & DEANE BOR COUNCIL	5.0						
GREATER LONDON AUTHORITY	5.0	25/03/19	05/06/19	1.00%	9,863	494	1 month or less
GREATER LONDON AUTHORITY	5.0						
HARLOW DISTRICT COUNCIL	2.0	18/04/19	03/07/19	0.85%	3,540	208	1 - 3 months
HARLOW DISTRICT COUNCIL	2.0						
ISLE OF WIGHT COUNCIL	3.0	21/03/19	05/06/19	1.00%	6,247	312	1 month or less
ISLE OF WIGHT COUNCIL	3.0						
LEICESTER CITY COUNCIL	4.0	22/05/19	22/08/19	0.85%	8,570	504	1 - 3 months
LEICESTER CITY COUNCIL	5.0	28/05/19	27/08/19	0.85%	10,596	623	1 - 3 months
LEICESTER CITY COUNCIL	9.0						
NORTH YORKSHIRE COUNCIL	5.0	18/03/19	03/06/19	1.00%	10,548	527	1 month or less
NORTH YORKSHIRE COUNCIL	5.0						
TRAFFORD COUNCIL	2.0	21/03/19	05/06/19	1.00%	4,164	208	1 month or less
TRAFFORD COUNCIL	2.0						
VALE OF GLAMORGAN	2.0	15/03/19	03/06/19	1.00%	4,384	219	1 month or less
VALE OF GLAMORGAN	2.0						
TOTAL	33.0			0.65%	66,760	3,617	

SHORT TERM BORROWING SUMMARISED BY TYPE & MATURITY

31st MAY 2019

APPENDIX 5

SHORT TERM BORROWING TYPE	Total Amount Borrowed £m	% of Total Portfolio	Period to Maturity			
			1 month or less £m	1 - 3 months £m	3 months + £m	12 months + £m
UK Bank	0.0	0%				
UK Building Society (UK BS)	0.0	0%				
Local Authorities	33.0	100%	17.0	16.0		
Total (£)	33.0		17.0	16.0	0.0	0.0
Total (%)		100%	52%	48%	0%	0%



AUDIT COMMITTEE

Date of Meeting	Wednesday, 10 July 2019
Report Subject	Risk Management Update
Portfolio Holder	The Leader
Report Author	Chief Executive

EXECUTIVE SUMMARY

This risk management update provides an end of year position statement on the strategic risks contained within the Council's 2018/19 Council Plan.

Council Plan risks

The Council Plan 2018/19 was adopted by the Council in June 2018. This report provides an overview of the strategic risks contained within the Plan.

The 44 strategic risks within the Council Plan have been managed with the majority being assessed at the end of year as moderate 28 (64%) or minor/insignificant 11 (25%). Detail around the 5 (11%) red risks is provided in the body of the report; the majority relating to the financial position of the Council. Five risks have been sufficiently mitigated to be closed during the year.

RECOMMENDATIONS

1	To be assured that risks have been managed throughout the year and note the end of year status of the strategic risks of the 2018/19 priorities of the Council.
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REPORT DETAILS

1.00	STRATEGIC RISKS
1.01	<u>Council Priorities – Strategic Risks</u> The Council adopted the Council Plan for 2018-19 in June 2018. The adoption of the plan and its priorities provides the opportunity to monitor

	<p>the strategic risks aligned to those priorities and sub priorities; this is done on a quarterly basis by each of the Overview and Scrutiny Committees and reported to Audit Committee at the mid and end-year points. This report is to assure the Committee that the risk levels have been managed throughout the year.</p>																					
1.02	<p>The Audit Committee’s role is to ensure that the process and approach for managing risks is robust. As part of this process the Overview and Scrutiny Committees have received quarterly progress reports against the Council Plan for 2018/19 in November, March and July. These included a template for each risk capturing:</p> <ul style="list-style-type: none"> • the nature of each risk; • the gross, net and target RAG status for each risk; • current actions already in place to mitigate the risk; • further activity to mitigate the risk. <p>The end of year monitoring reports have been produced and the direction of risk trend identified. This is shown by a comparison with the initial assessment against the current assessment to identify any change in risk significance.</p>																					
1.03	<p>The Council Plan has a total of 44 risks which have been assessed as shown in Table 1. The initial status of risk is assessed when the risk is first identified without any mitigating controls. The current assessment shows the latest status of the risk.</p> <p>Table 1: Initial and end of year assessment</p> <table border="1" data-bbox="424 1207 1251 1512"> <thead> <tr> <th>Net risk status</th> <th>Initial Assessment</th> <th>Current Assessment</th> </tr> </thead> <tbody> <tr> <td>Insignificant: (green)</td> <td>1 (2%)</td> <td>5 (11%)</td> </tr> <tr> <td>Minor: (yellow)</td> <td>1 (2%)</td> <td>6 (14%)</td> </tr> <tr> <td>Moderate: (amber)</td> <td>30 (69%)</td> <td>28 (64%)</td> </tr> <tr> <td>Major : (red)</td> <td>12 (27%)</td> <td>5(11%)</td> </tr> <tr> <td>Severe: (black)</td> <td>0</td> <td>0</td> </tr> <tr> <td>Total</td> <td>44</td> <td>44</td> </tr> </tbody> </table> <p>During the year 5 risks were sufficiently mitigated to be “closed”. These are:</p> <ol style="list-style-type: none"> i) “Delivery of social care is insufficient to meet increasing demand” - this is a specific risk related to the development of Marleyfield which is progressing well. This risk was ‘closed’ at Quarter 3. ii) “Early Help Hub cannot deliver effective outcomes” – this has proven to be effective during its first year of operation. This risk was ‘closed’ at Quarter 3. iii) “Reduction of land supply for Council housing construction” – work is underway to identify land suitable for construction for the remaining properties. -This risk was ‘closed’ at Quarter 4. 	Net risk status	Initial Assessment	Current Assessment	Insignificant: (green)	1 (2%)	5 (11%)	Minor: (yellow)	1 (2%)	6 (14%)	Moderate: (amber)	30 (69%)	28 (64%)	Major : (red)	12 (27%)	5(11%)	Severe: (black)	0	0	Total	44	44
Net risk status	Initial Assessment	Current Assessment																				
Insignificant: (green)	1 (2%)	5 (11%)																				
Minor: (yellow)	1 (2%)	6 (14%)																				
Moderate: (amber)	30 (69%)	28 (64%)																				
Major : (red)	12 (27%)	5(11%)																				
Severe: (black)	0	0																				
Total	44	44																				

	<p>iv) “Annual allocation of the Integrated Care Fund (ICF)” – ICF Capital funding has been agreed to fit with our capital programme. - This risk was ‘closed’ at Quarter 4.</p> <p>v) “Rate of increase of adult safeguarding referrals will outstrip current resources” – Realignment of resources within Adult Safeguarding and Intake and First Contact. - This risk was ‘closed’ at Quarter 4.</p> <p>During the year, one risk increased from Amber to Red: “Debt levels will rise if tenants are unable to afford to pay their rent or council tax”. This risk is described in section 1.04 below.</p>
1.04	<p>The five areas of major (red) risk identified at the year end of the Council Plan are described below. The text contains the most current description of mitigation of the risk.</p> <p>Priority: Supportive Council Risk: Debt levels will rise if tenants are unable to afford to pay their rent or council tax.</p> <p>During 2018/19 focus has been on early identification and intervention to prevent any problems from escalating. The identification of the impacts of Universal Credit on Council Tenants and their rent accounts has been undertaken by a team that works with tenants at the earliest opportunity. Intervention at early stages allows support (if appropriate) to be identified earlier giving a more realistic chance of the rent account coming back under control and out of arrears.</p> <p>The Council now has "Trusted Partner" status with the Department for Work and Pensions which means that processes and flow of information and payments is more streamlined and automated. Notwithstanding this, there will inevitably always be an element of cash flow arrears on accounts due to Universal Credit payments (whether direct to the council or directly to the tenant) being made in arrears.</p> <p>Council Tax collection remains under pressure.</p> <p>Risk: Demand outstrips supply for residential and nursing home care bed availability.</p> <p>The expansion of Marleyfield to support the medium term development of the nursing sector continues under the direction of the Programme Board. The re-phasing of Integrated Care Fund (ICF) capital to fit in with the Council’s capital programme has been agreed by Welsh Government. Recommendations from Social & Health Care Overview and Scrutiny Committee were that the Committee support the ICF programme and the initiatives of utilising short term funding streams to deliver against strategic and operational priorities for the council and key partners. Workstreams from the Strategic Opportunity Review are continuing. A review for Programme Board of demand and supply in light of the new capital developments has been undertaken.</p> <p>Priority: Learning Council Risk: Limited funding to address the backlog of known repair and maintenance works in Education & Youth assets.</p> <p>Continuation of the School Modernisation programme is one of the strategic options available to address the repair and maintenance backlog.</p>

	<p>The programme continuation will also i) Support a reduction of unfilled places ii) Provide a more efficient school estate and concentrate resources on teaching by removal of unwanted fixed costs in infrastructure and leadership iii) Ensure that the condition and suitability of the school estate is improved. Additionally, in future years capital business cases will be submitted through the Council process to supplement the 21st Century Schools investment programme.</p> <p>Priority: Green Council Risk: Funding will not be secured for priority flood alleviation schemes.</p> <p>Since 7th January 2019, the Council has a new statutory duty as a Sustainable Drainage Approving Body (SAB). This has placed significant resource demands on the relatively small Flood and Coastal Risk Management Team to implement, resource and fund this new statutory role. In the short-term (1-2 years) the impacts of developing this new service will lessen the ability of the Team to delivery non-statutory flood alleviation schemes. Welsh Government provided the Council with £20 000 to mitigate the impacts of this new responsibility. As the Council reviews the implications of its new role as a SAB, no major schemes will be programmed to be put forward to Welsh Government's 'national pipeline of projects' for delivery in 2019/20. However, additional funding for smaller more affordable local works that can be delivered through Welsh Government's small scale scheme grant will continue to be pursued.</p> <p>Priority: Serving Council Risk: The scale of the financial challenge</p> <p>Council considered the final stage 3 of the budget in February and approved the setting of a balanced budget by utilising additional reserves of £0.321m (to bring the total amount funded from reserves to £2.221m) and an increase in Council Tax of 8.75%. The financial challenge will continue into 2020/21 and beyond with the Cabinet considering the financial forecast for 2020/21 to 2021/22 which is projecting an initial gap of £13.3m for 2020/21.</p> <p>All red risks have been captured in the Annual Governance Statement 2018/19 and will continue to be monitored.</p>
1.05	<p>Eight of the initial red risks have been mitigated to reduce in significance:</p> <ul style="list-style-type: none"> - The supply of affordable housing will continue to be insufficient to meet community needs - Annual allocation of the Integrated Care Fund (ICF) - Short term funding may undermine medium term service delivery - Rate of increase of adult safeguarding referrals will outstrip current resources - Knowledge and awareness of safeguarding not sufficiently developed in all portfolios - Failure to implement safeguarding training may impact on cases not being recognised at an early stage - Impact of Additional Learning Needs reforms - Sustainability of funding streams - Numbers of school places not matching the changing demographics

2.00	RESOURCE IMPLICATIONS
2.01	There are no direct resource implications related to this report.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	Consultations with Chief Officers, senior managers and both Internal and external audit (Wales Audit Office) have been undertaken whilst addressing various aspects of this report.

4.00	RISK MANAGEMENT
4.01	The Council's strategic Council priority risks are being effectively managed through the adopted risk management approach.

5.00	APPENDICES
5.01	Appendix 1: Council Plan Strategic Risk report Appendix 2: Council Plan risk register

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	Contact Officer: Karen Armstrong, Corporate Business and Communications Executive Officer Telephone: 01352 702740 E-mail: Karen.armstrong@flintshire.gov.uk

7.00	GLOSSARY OF TERMS
7.01	<p>(1) Council Plan: the document which sets out the annual priorities of the Council. It is a requirement of the Local Government (Wales) Measure 2009 to set Council Objectives and publish a Council Plan.</p> <p>(2) Wales Audit Office: works to support the Auditor General as the public sector watchdog for Wales. They aim to ensure that the people of Wales know whether public money is being managed wisely and that public bodies in Wales understand how to improve outcomes.</p> <p>(3) Risk Management - the process of identifying risks, evaluating their potential consequences (<u>impact</u>) and managing them. The aim is to reduce the frequency (<u>likelihood</u>) of risk events occurring (wherever this is possible) and minimise the severity of their consequences (<u>impact</u>) if they occur. Threats are managed by a process of controlling, transferring or retaining the risk. Opportunities are managed by identifying strategies to maximise the opportunity or reward for the organisation.</p>

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Integrated Risk Manager

A CAMMS SOLUTION

Risk Report

Flintshire County Council

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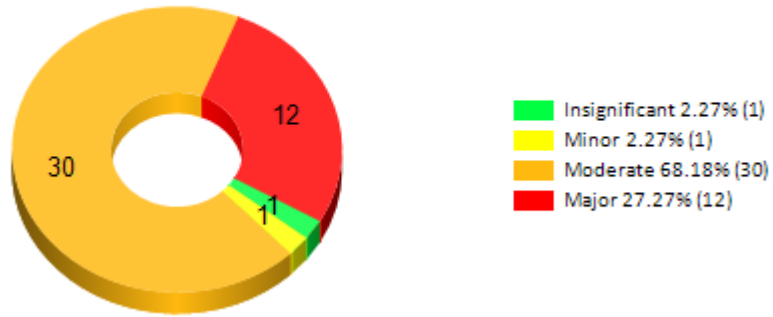


Print Date: 01-Jul-2019

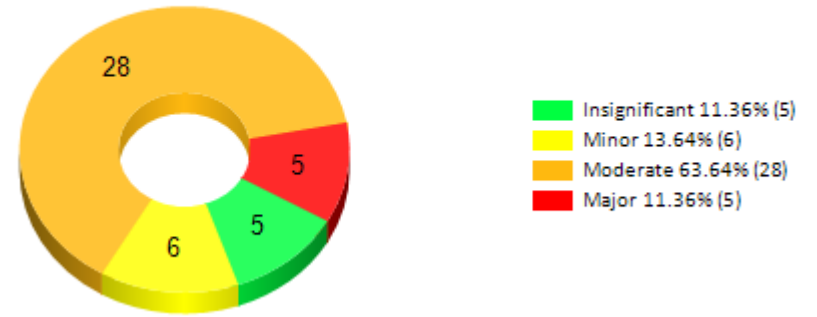
Risk Summary

Strategic Risks

Initial Risk Assessment






Current Risk Assessment



Strategic Risks

1 Supportive Council




Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST151	Homelessness will remain a growing area of demand due to the current economic climate	Strategic Risk	Jenni Griffith - Flintshire Connects Manager	Lesley Bassett - Housing Strategy Manager				Open

Potential Effects: Homelessness remains an area of risk. The lack of suitable, settled accommodation for those on welfare benefits has caused delays in being able to achieve positive outcomes for customers.

Lead Supporting Officer Comments: Homelessness remains a risk as a result of a number of factors. The introduction of welfare reforms and Universal Credit has created additional barriers to being able to successfully discharge duties to customers. The number of people presenting to the authority for help has increased during each quarter. Additional funding has been granted to develop landlord incentives within the private rented sector and also to consider alternatives to rough sleeping. The Council has been awarded in year funding to assist with additional measures to develop Landlord incentives within the private rented sector and a strategic partnership with HAWS Lettings Agency will commence in May 2019. The emergency beds provision is in place and is proving to be in demand. In addition there is an Outreach Worker in post, employed through Clwyd Alyn, who follows up on street homeless and individuals who attend the emergency bed provision.

Last Updated: 18-Jun-2019

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Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST152	The supply of affordable housing will continue to be insufficient to meet community needs	Strategic Risk	Melville Evans - Senior Manager - Housing Programmes	Denise Naylor - Housing Programmes Support Manager				Open

Potential Effects: i) Increase in homelessness ii) Increased pressure on the Housing Options Team iii) Increase in people sleeping rough

Lead Supporting Officer Comments: The position as at the end of 2018-19 is that this will always be a risk due to changes in housing demand and a lack of supply both in terms of the quantity and type of affordable homes provided. Over the past year the Welfare Reform policies have also impacted on the type of affordable housing required due to benefit restrictions. The Council aims to mitigate the risk through:

1. Informing the type and size of all of the new builds (Council and RSLs)
2. Informing the type, tenure and size of affordable housing provision through market led schemes.

Last Updated: 24-Apr-2019

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST153	Department for Works and Pension's Welfare Reform Programme, including Universal Credit full service implementation which would place increasing demand on the Council for affordable and social housing	Strategic Risk	Jenni Griffith - Flintshire Connects Manager	Denise Naylor - Housing Programmes Support Manager, Lesley Bassett - Housing Strategy Manager	Amber	Amber		Open

Potential Effects: Welfare reforms may potentially impact the Council's ability to offer affordable housing to those affected. Examples of the types of reforms that will have may impact include: LHA Cap - Residents affected by the LHA cap who are already excluded from the private rented sector due to affordability may not be able to afford social rents
 Bedroom Tax - This has been in place for some time for those residents that are under occupying properties and in receipt of housing benefit and will continue under Universal Credit role out.

Lead Supporting Officer Comments: Applicants who are affected by bedroom tax are given urgent priority for rehousing to more affordable accommodation. The proposed property for the shared housing pilot received full planning permission and work has been undertaken to establish demand. Due to Government changes and the withdrawal of plans to introduce a shared room rate for under 35s the demand in social housing for shared accommodation has lessened. Applicants contacted expressed a preference for self contained properties and we were unable to establish demand for the shared housing pilot. This will of course have an effect on the demand for affordable one bedroom properties.

Last Updated: 24-Apr-2019




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Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST154	Reduction of land supply for council housing construction	Strategic Risk	Melville Evans - Senior Manager - Housing Programmes	Denise Naylor - Housing Programmes Support Manager	Amber	Green		Closed

Potential Effects: i) Reduction in number of units delivered

Lead Supporting Officer Comments: To date the number of new council and affordable homes completed, being built or scheduled to be built has reached 305. The target of 500 by 2021 is within reach with work underway to identify land suitable for the construction of the remaining 195 new affordable and council homes.




Last Updated: 05-Apr-2019

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST155	Capital borrowing limits for council housing	Strategic Risk	Melville Evans - Senior Manager - Housing Programmes	Denise Naylor - Housing Programmes Support Manager				Open

Potential Effects: i) reduction in construction and delivery of Council houses

Lead Supporting Officer Comments: The cap on borrowing within the housing revenue account is due to end by the end of May 2019. The ending of the cap will enable Flintshire to continue to invest in building council homes.




Last Updated: 08-Apr-2019

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST156	Customer expectations for the timeliness of adaptations undertaken through Disabled Facilities Grants (DFGs) may not be met due to competing demands on resources	Strategic Risk	Neal Cockerton - Chief Officer - Housing and Assets	Jen Griffiths - Benefits Manager				Open

Potential Effects: There will be a reputational risk to the Council if adaptations fail to meet the expectations of customers. This is increased because of the national ranking of performance by Welsh Government.

Lead Supporting Officer Comments: The performance on DFG timescales has been an area of challenge over time and a management board has been established to improve and monitor progress. The budget for the programme is currently on track. Improvements in timeliness have been noted with the implementation of a new process.




Last Updated: 12-Apr-2019

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST157	Availability of sufficient funding to resource key priorities	Strategic Risk	Neal Cockerton - Chief Officer - Housing and Assets	Jen Griffiths - Benefits Manager				Open

Potential Effects: Should resources prove to be insufficient then the Council will be able to process further applications for adaptations leading to delays in the process. This in turn will lead to reputational damage to the Council.

Lead Supporting Officer Comments: Budget monitored effectively and demand has been met for 2108/19

Last Updated: 12-Apr-2019

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST158	Universal Credit Full Service roll out - negative impact upon Council services	Strategic Risk	Jen Griffiths - Benefits Manager	Dawn Barnes - Training Officer				Open




Potential Effects: The impact of Welfare Reform on Flintshire households increasing the demand for advice and support to unprecedented levels. Potential increases in rent arrears and decrease of Council Tax collection. Potential increased risk of homelessness and need for accommodation. Increased demand in existing support services

Lead Supporting Officer Comments: Work is now well underway to identify and mitigate the impacts of Universal Credit on Council Tenants and their rent accounts. Work is concentrated around early intervention which enables support to be provided to those who need it, but a harder line to be taken with those who can pay but choose not to. This provides a more realistic chance of the rent account coming back under control and out of arrears.

There will inevitably always be an element of cash flow arrears on accounts due to the Universal Credit payments (whether direct to the council or directly to the tenant) are made in arrears.

During 2018/19 focus is on early identification and intervention to prevent the problem from escalating. Council Tax Collection remains under pressure.




Last Updated: 12-Apr-2019

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST159	Demand for advice and support services will not be met	Strategic Risk	Jen Griffiths - Benefits Manager					Open

Potential Effects: The impact of Welfare Reform on Flintshire households increasing the demand for advice and support to levels beyond what resource can handle in a timely manner.

Lead Supporting Officer Comments: The development of the Welfare Response Team has assisted with the implementation of Universal Credit. Referrals to wider support services still remain high with a significant number of residents presenting with underlying debt issues. Managers across Customer Services, Neighbourhood Housing and Revenues and Benefits are continuing to work together to develop early intervention strategies.

Last Updated: 18-Jan-2019

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST160	Debt levels will rise if tenants are unable to afford to pay their rent or council tax	Strategic Risk	Jen Griffiths - Benefits Manager	Sheila Martin - Income Team Leader				Open




Potential Effects: With the introduction of Universal Credit and reduction in benefits being paid it is anticipated that tenants will struggle to maintain their payments increasing the level of debt owed to the Council for Rent and Council Tax.

Lead Supporting Officer Comments: Work has commenced on the identification of the impacts of Universal Credit on Council Tenants and their rent accounts. There is a team that works with tenants at the earliest opportunity on the basis that intervention at early stages allows support (if appropriate) to be identified earlier giving a more realistic chance of the rent account coming back under control and out of arrears.

The Council now has "Trusted Partner" status with the Department for Work and Pensions which means that processes and flow of information and payments is more streamlined and automated. Notwithstanding this, there will inevitably always be an element of cash flow arrears on accounts due to Universal Credit payments (whether direct to the council or directly to the tenant) being made in arrears.

During 2018/19 focus has been on early identification and intervention to prevent the problem from escalating. Council Tax Collection remains under pressure.




Last Updated: 29-Jan-2019

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST161	The local economy will suffer if residents have less income to spend	Strategic Risk	Jen Griffiths - Benefits Manager	Jenni Griffith - Flintshire Connects Manager				Open

Potential Effects: The local economy will see a decline if residents are not able to spend at current levels

Lead Supporting Officer Comments: Welfare Rights and Supporting People teams worked with residents during the year to explore areas of income maximisation for residents of the County.




Last Updated: 28-Jan-2019

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST162	Delivery of social care is insufficient to meet increasing demand	Strategic Risk	Jane M Davies - Senior Manager, Safeguarding & Commissioning	Jacque Slee - Team Manager Performance				Closed

Potential Effects: People would be likely to experience increased waiting times or be unable to access services, with a resulting negative impact on the reputation of the Council.

Lead Supporting Officer Comments: Recommendations have been approved to explore the extension of Marleyfield (32 beds for intermediate care and discharge to assess). This expansion will also help to support the medium term development of the nursing sector. The Single Point of Access has already extended the time the service is available from in the mornings and work is near completion to extend the closing time and introduce weekend working. The multi agency Early Help Hub for children and families is in operation. The risk has been mitigated to green and is now closed 12/07/2018.

Last Updated: 12-Jul-2018

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST163	Demand outstrips supply for residential and nursing home care bed availability	Strategic Risk	Jane M Davies - Senior Manager, Safeguarding & Commissioning	Jacque Slee - Team Manager Performance				Open



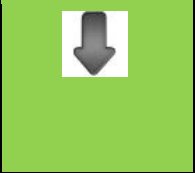
Potential Effects: Increase in hospital admissions and delayed transfers from hospital. Increased pressure on primary care services leading to deteriorating relationship with local partners.

Lead Supporting Officer Comments: The expansion of Marleyfield to support the medium term development of the nursing sector continues under the direction of the Programme Board.

The re-phasing of Integrated Care Fund (ICF) capital to fit in with the Council's capital programme has been agreed by Welsh Government. Recommendations from Social & Health Care Overview and Scrutiny Committee were that the Committee support the ICF programme and the initiatives of utilising short term funding streams to deliver against strategic and operational priorities for the council and key partners. Workstreams from the Strategic Opportunity Review are continuing. A review for Programme Board of demand and supply in light of the new capital developments has been undertaken.

Last Updated: 15-Apr-2019

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Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST164	Annual allocation of the Integrated Care Fund (ICF) - Short term funding may undermine medium term service delivery	Strategic Risk	Susie Lunt - Senior Manager, Integrated Services and Lead Adults	Jacque Slee - Team Manager Performance				Closed




Potential Effects: Insufficient funding to sustain medium term service delivery.

Lead Supporting Officer Comments: The re-phasing of agreed ICF capital funding has been agreed to fit with our capital programme.

Welsh Government have confirmed the ongoing use of ICF revenue funding for existing projects.

The Chair of the North Wales Regional Partnership Board and the Chief Executive of BCUHB have created an agreement from partners on the allocation of funds to support delivery of medium term services. Confirmation in principle has been received for allocation of capital funds for Marleyfield. Following receipt of detailed correspondence from WG, the level of risk has reduced to Green and the risk will be closed.




Last Updated: 15-Apr-2019

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST165	Early Help Hub cannot deliver effective outcomes	Strategic Risk	Craig Macleod - Senior Manager, Children's Services & Workforce	Jacque Slee - Team Manager Performance				Closed

Potential Effects: Children and families who do not meet the threshold for a statutory services will not be appropriately directed to alternative services.

Lead Supporting Officer Comments: The Early Help Hub is fully functioning, with commitment from all agencies. Enhanced consortia arrangements for support through Families First projects are ensuring responsive access to help for families. 1246 families were supported by the Hub this financial year. This risk is now closed.

Last Updated: 18-Jun-2019

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST166	Rate of increase of adult safeguarding referrals will outstrip current resources	Strategic Risk	Jane M Davies - Senior Manager, Safeguarding & Commissioning	Jacque Slee - Team Manager Performance				Closed

Potential Effects: National timescales for processing safeguarding enquiries will not be met, resulting in potential delays for people requiring safeguarding interventions and impact on reputation of the Council.

Lead Supporting Officer Comments: Responsibilities within Adult Safeguarding and First Contact and Intake have been realigned, with no additional resource. Safeguarding Managers are able to effectively delegate tasks for high priority cases; this ensures that those enquiries that do not meet timescales are of a lower priority. Quarterly data is showing an increase in Safeguarding reports, and these are being addressed within timescales. Internal Audit completed a review of the service in November; this confirmed that processes are in place for the screening and triage of safeguarding referrals. The reviewers concluded that strategy meetings are being undertaken in a timely manner. This risk has been closed.




Last Updated: 17-May-2019

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST168	Knowledge and awareness of safeguarding not sufficiently developed in all portfolios	Strategic Risk	Fiona Mocko - Strategic Policies Advisor	Jane M Davies - Senior Manager, Safeguarding & Commissioning				Open

Potential Effects: Employees will not recognise when adults and children are at risk and will not take appropriate action.

Lead Supporting Officer Comments: Safeguarding is included within the corporate induction procedures, ensuring new employees can recognise the signs and know how to make a report. A Safeguarding e-learning module is under development and is to be implemented during 2019. Additional training has been made available to the Safeguarding panel, including Child Sexual Abuse awareness delivered by Stop it Now. Periodic safeguarding bulletins are published alongside regular workforce news items reminding employees to look out for the signs and how to make a report.

Last Updated: 02-Apr-2019


Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST169	Failure to implement safeguarding training may impact on cases not being recognised at an early stage.	Strategic Risk	Fiona Mocko - Strategic Policies Advisor					Open

Potential Effects: Employees will not identify potential safeguarding issues. Referrals will not be made through the right channels which may delay investigation or result in evidence being contaminated. Adults and children will not be safeguarded

Lead Supporting Officer Comments: Safeguarding is included in the corporate induction ensuring all new employees have a basic understanding of safeguarding. Safeguarding e-learning modules are under development and will be implemented during 2019. All Portfolios contribute to the corporate safeguarding training budget which will fund a drama style workshop being developed by Theatr Clwyd. Additional awareness raising is made through the periodic safeguarding bulletins and workforce news items.

Last Updated: 02-Apr-2019


2 Ambitious Council

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST170	Infrastructure investment does not keep pace with needs and business is lost to the economy	Strategic Risk	Andrew Farrow - Chief Officer - Planning, Environment and Economy	Niall Waller - Service Manager - Enterprise and Regeneration	Amber	Amber		Open

Potential Effects: infrastructure is essential to facilitating economic growth in Flintshire. If infrastructure is not improved then investment opportunities will be jeopardised and new jobs will not be created. Overloaded infrastructure will also increase the likelihood of business investment being lost to better serviced areas.

Lead Supporting Officer Comments: The North Wales Growth Deal will include a package of strategic infrastructure investment projects. At the local level the Deeside Plan sets out a strategy for transport investment to maximise the benefit of economic growth. Welsh Government has already announced major investment in strategic road infrastructure and in public transport to help deliver this strategy.

Last Updated: 29-Apr-2019

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST171	Support for businesses in Flintshire doesn't meet their needs and fails to encourage investment	Strategic Risk	Andrew Farrow - Chief Officer - Planning, Environment and Economy	Niall Waller - Service Manager - Enterprise and Regeneration	Amber	Amber		Open

Potential Effects: Businesses feedback that they highly value the service provided by the Council to help them to navigate wider support and overcome barriers to growth. Business networking activity delivered by the Council also assist businesses to work and trade together. Reduction of this support may make the County less successful as a location for business.

Lead Supporting Officer Comments: The business development service in Flintshire remains responsive to business needs. The Council works closely alongside Welsh Government and other agencies to provide a co-ordinated service. A review process of business development across North Wales as part of the work of the Economic Ambition Board will offer opportunities for greater collaboration.

Last Updated: 29-Apr-2019

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST172	The stability of local and sub-regional economies	Strategic Risk	Andrew Farrow - Chief Officer - Planning, Environment and Economy	Niall Waller - Service Manager - Enterprise and Regeneration				Open

Potential Effects: Instability in the local and regional economies would lead to reduced business investment and significant job losses.

Lead Supporting Officer Comments: The Council continues to monitor changes and trends in the UK and regional economies that may have an impact on Flintshire's economy. The main area of uncertainty, Brexit, remains difficult to predict and quantify whilst the negotiated settlement with the European Union remains unknown.

Last Updated: 29-Apr-2019




Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST173	The region having a sufficient voice at Welsh Government and UK Government levels to protect its interests	Strategic Risk	Andrew Farrow - Chief Officer - Planning, Environment and Economy	Niall Waller - Service Manager - Enterprise and Regeneration				Open

Potential Effects: Decisions are taken on national and regional economic issues, infrastructure investment or other programmes which do not meet the needs of the Flintshire economy.

Lead Supporting Officer Comments: The Council has a lead role in developing the role and functions of the North Wales Economic Ambition Board and is closely involved in the work of the Mersey Dee Alliance. The Council also represents the region on the Rail Task Force and supports the All Party Parliamentary Group on transport. The Council is closely involved in the development of the outline projects for the regional Growth Deal and the Council has played a leading role in the development of the new Joint Committee for North Wales. Negotiations with UK and Welsh Governments are progressing to plan.

Last Updated: 18-Jun-2019

3 Learning Council




Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST174	Those schools who do not recognise their need for improvement and external support	Strategic Risk	Vicky Barlow - Senior Manager - School Improvement Systems	Jeanette Rock - Senior Manager - Inclusion and Progression				Open

Potential Effects: Downturn in school performance and under achievement . Increase in the number of schools in Estyn category of concern/need of significant improvement

Lead Supporting Officer Comments: Monitoring processes indicate that all schools have engaged appropriately with their Support Improvement Advisers during the first quarter of the year and are accessing support to implement their improvement plans. Evidence through pupil outcome data shows that improvement plans are being effective in most areas with Flintshire schools performance above national averages in nearly all key indicators across all phases. 2 targeted schools who are in category of Estyn Review have made strong progress and the LA is recommending to Estyn that they be removed from follow up - Estyn confirmation pending.

Last Updated: 16-Apr-2019




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Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST175	Leadership capacity does not match school needs	Strategic Risk	Vicky Barlow - Senior Manager - School Improvement Systems	Jeanette Rock - Senior Manager - Inclusion and Progression				Open

Potential Effects: Reduced stakeholder confidence in Education services. Downturn in school performance and under achievement . Increase in the number of schools in Estyn category of concern/need of significant improvement

Lead Supporting Officer Comments: The number of schools in statutory categories has reduced. We do not have any issues with schools failing to engage with GwE in relation to their support priorities. Flintshire has one of the highest take ups on the professional development programme around middle leadership and National Professional Qualification for Headship securing leaders for the future – whilst secondary Headteachers have reported anecdotally that staff don't want to take the roles on in schools in some subjects, there is no school where a lack of capacity, particularly in core subjects is putting the school's performance at risk.

Last Updated: 16-Apr-2019

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST176	Impact of Additional Learning Needs reforms	Strategic Risk	Jeanette Rock - Senior Manager - Inclusion and Progression	Vicky Barlow - Senior Manager - School Improvement Systems				Open

Potential Effects: The proposed legislation provides an increased level of legal protection to children and young people with additional learning needs. There is a risk that schools and the Local Authority may be unprepared ahead of the implementation of the Bill and therefore unable to meet the requirements placed on them by the Bill. This may result in schools not being able to meet needs effectively and a potential increase in the requests for centrally funded intervention and provision. This is likely to present the Local Authority with an additional financial pressure.

Lead Supporting Officer Comments: The Bill received Royal Assent in January 2018 and became the Additional Learning Needs and Education Tribunal (Wales) Act 2018. The implementation date has been revised to September 2020, with 2019 being the publication date for the draft Code of Practice. An audit tool has been generated for local authorities to complete; this will give greater insight into the risks posed by the Act across the intervening two year period prior to implementation in 2020. The audit tool has been completed and this highlighted the need for a Lead officer to be allocated within the Local Authority. This action has been completed, supported by access to Welsh Government Transformation Funding.

A Transition Action Plan for Flintshire will now be developed to ensure that a comprehensive transformation programme is developed in conjunction with the regional plan for North Wales.

The draft Code of Practice has now been published. Officers are in the process of reading the document and identifying the implications for schools and the authority. These will be collated and shared via Committee reports.

Welsh Government (WG) commenced a period of consultation following the publication of the draft Code linked to the ALN Act. Officers engaged a range of stakeholders to inform their response to ensure that WG were fully appraised of the concerns associated with the implementation of the Act. Officers have also engaged in legal briefings to broaden their understanding of the duties imposed by the Act and finance documents are being prepared to identify the financial pressures associated with implementation. This will support a better understanding of the level of risk. The final Code will however, not be published until December 2019 and projections will need to be revised at that point.

Last Updated: 12-Apr-2019




Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST177	Local employers and learning providers do not work closely enough to identify and meet the skills based needs of the future	Strategic Risk	Vicky Barlow - Senior Manager - School Improvement Systems	Niall Waller - Service Manager - Enterprise and Regeneration				Open

Potential Effects: Employers will increasingly struggle to fill vacancies and may leave the area. Young people will not be able to benefit from the growth of the local economy and may need to move away to secure employment that matches their skills. If the skills base fails to match employer needs in the future then the area will struggle to compete for investment.

Lead Supporting Officer Comments: In addition to current work to link schools, learners and employers there are a number of proposals for further work being developed as part of the North Wales Growth Deal including an enhanced careers offer and further STEM support for schools. In addition, learning provision is guided by the Regional Skills Strategy which sets out the needs of the economy.

Last Updated: 16-Apr-2019

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Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST178	Sustainability of funding streams	Strategic Risk	Vicky Barlow - Senior Manager - School Improvement Systems	Vicky Barlow - Senior Manager - School Improvement Systems				Open

Potential Effects: Reduced capacity to deliver targeted support to schools.




Lead Supporting Officer Comments:

The sustainability of grant funding for education continues to pose a significant and live risk in a number of areas:

A lack of clarity about the funding of the Teachers' Pay Award for 2019-20 remains. Through RSG and the Teachers Pay Grant from Welsh Government the schools budget is funded for 1% of the impact of the pay award implemented in September 2018. The balance of 1.2% of the pay award is a cost pressure which will have to be absorbed by schools. A further significant pressure is the Teachers' Pay Award from September 2019 which unless national funding is made available will be an additional cost pressure which will need to be absorbed by schools.

There are grants which are only short term to support Ministerial key priorities e.g. Infant Class Sizes; Small and Rural Schools etc but the grant conditions are often complex which make them difficult to administer and their short term nature does not allow for proper strategic planning to maximise impact.




Last Updated: 24-Jun-2019

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST179	Numbers of school places not matching the changing demographics	Strategic Risk	Damian Hughes - Senior Manager, School Planning & Provision	Vicky Barlow - Senior Manager - School Improvement Systems				Open

Potential Effects: Higher teacher ratios, unfilled places, backlog maintenance pressures, inefficient estate

Lead Supporting Officer Comments: Reducing unfilled school places via school organisation change is an ongoing process. School change projects can take between three and five years from inception to delivery before reductions of unfilled places can be realised. This continues to be an ongoing process linked to the school modernisation programme. To supplement this the Council will continue to work closely with schools to consider innovative ways for reduction in capacity on a school by school basis (i.e. alternative use of school facilities by other groups) with the objective of meeting national targets of circa 10% unfilled places in all school sectors.

Last Updated: 15-Apr-2019




Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST180	Limited funding to address the backlog of known repair and maintenance works in Education & Youth assets	Strategic Risk	Damian Hughes - Senior Manager, School Planning & Provision	Vicky Barlow - Senior Manager - School Improvement Systems				Open

Potential Effects: The fabric of Education and Youth buildings will continue to decline

Lead Supporting Officer Comments: Continuation of the School Modernisation programme is one of the strategic options available to address the repair and maintenance backlog. The programme continuation will also i) Support a reduction of unfilled places ii) Provide a more efficient school estate and concentrate resources on teaching by removal of unwanted fixed costs in infrastructure and leadership iii) Ensure that the condition and suitability of the school estate is improved. Additionally, in future years capital business cases will be submitted through the Council process to supplement the 21st Century Schools investment programme.

Last Updated: 15-Apr-2019

4 Green Council

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST181	Reduction of the Single Environment Grant	Strategic Risk	Tom Woodall - Access and Natural Environment Manager	Lynne Fensome - Management and Support Manager				Open

Potential Effects: Income targets not met Potential reduction could impact staffing resource to maintain service delivery


Lead Supporting Officer Comments:

For 2018/19 waste and flood allocations are to be removed from the Single Revenue Grant (SRG) . Resources will be allocated to support Local Environment Quality (LEQ) and Natural Resources Management (NRM) through the existing SRG mechanism through the funding secured for this year. However Officers attended a WG workshop that explained the competitive nature of the process moving forward as the grant is to be removed and the broad themes that were to be followed in this competitive process. By moving to this process there is a risk that Flintshire will not receive any future funding.

The new 'Enabling Natural Resources and Well-being of Wales' grant (ENRaW) has been launched by WG and Officers have submitted an application. The risk to loss of income is still ongoing as this grant is competitive and there is currently no indication from WG if the application will be successful.

The Authority was not awarded any grant funding following application to Welsh Government from the Enabling Natural Resources and Well-being of Wales grant. Officers will seek alternative funding sources for 2019/20.

Last Updated: 11-Jun-2019

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST182	Limitations on suitable Council sites with sufficient area for larger scale renewables schemes and suitable connections to the electric grid	Strategic Risk	Sadie Waterhouse - Energy Conservation Engineer	Lynne Fensome - Management and Support Manager	Amber	Amber		Open

Potential Effects: Failure to meet Welsh Government renewable energy targets and the actions set out in the Council's renewable energy action plan


Lead Supporting Officer Comments: Following a workshop with Officers in Valuation and Estates and Planning, 6 potential brownfield sites have been identified as possible renewable energy generation sites. Initial feasibility assessments have been completed for these sites, including energy generation capacity, potential grid connection costs, planning constraints, ecology, land contamination, legal constraints and indicative installation costs and potential income generation. This has enabled 3 sites to be prioritised. Detailed feasibility studies have been completed including economic/financial modelling for these 3 sites with formal grid connection applications submitted to SP Energy Networks. Key next steps will be to assess the final business case once a formal grid connection offer has been received.

A high level review of the Council's agricultural estate has been completed assessing energy generation potential, acreage available and possible planning/legal constraints. Further feasibility will be completed. Potential sites for hydro power have been assessed with Wepre Brook prioritised. A detailed design has been completed and planning permission applied for.

Work is ongoing with officers and Welsh Government to review and research methods of increasing the economic viability of renewable energy schemes. Increasing the income from energy sales or self supplying Council stock can negate possible increases in grid connection costs.

Last Updated: 11-Jun-2019


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Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST183	Funding will not be secured for priority flood alleviation schemes	Strategic Risk	Ruairi Barry - Senior Engineer	Lynne Fensome - Management and Support Manager	Red	Red		Open

Potential Effects: Flooding of homes and businesses across the county Potential homelessness

Lead Supporting Officer Comments: Since 7th January 2019, the Council has a new statutory duty as a Sustainable Drainage Approving Body (SAB). This has placed significant resource demands on the relatively small Flood and Coastal Risk Management Team to implement, resource and fund this new statutory role. In the short-term (1-2 years) the impacts of developing this new service will lessen the ability of the Team to delivery non-statutory flood alleviation schemes. Welsh Government provided the Council with £20 000 to mitigate the impacts of this new responsibility. As the Council reviews the implications of its new role as a SAB, no major schemes will be programmed to be put forward to Welsh Government's 'national pipeline of projects' for delivery in 2019/20. However, additional funding for smaller more affordable local works that can be delivered through Welsh Government's small scale scheme grant will continue to be pursued.

Last Updated: 27-Jun-2019

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST186	Insufficient funding to ensure our highways infrastructure remains safe and capable of supporting economic growth	Strategic Risk	Barry Wilkinson - Highways Networks Manager	Lynne Fensome - Management and Support Manager	Amber	Amber		Open

Potential Effects: Deterioration of the condition of highways in Flintshire


Lead Supporting Officer Comments: The monies made available for Highway infrastructure maintenance programmes have been allocated and expended by the end of the financial year. Those monies remain below the level of funding required to maintain a Steady State in the condition of the road network, which would need to be >£2.7m per annum. Streetscene & Transportation ensure that the available funding is allocated appropriately, and ensure best value for the expenditure to maintain the highway network. Highways asset management schemes have been completed as follows:

Resurfacing - 26 sites completed

Surface Dressing - Complete

Condition surveys are undertaken and reviewed annually to produce the annual resurfacing programme for financial year 2019/20. Priority is given to the areas of the network that require the investment whilst considering the local infrastructure.




Last Updated: 24-Apr-2019

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST187	Sufficient funding will not be found to continue to provide subsidised bus services.	Strategic Risk	Ceri Hansom - Integrated Transport Unit Manager	Lynne Fensome - Management and Support Manager	Amber	Amber		Open

Potential Effects: Decrease in bus services to residents, particularly in rural areas

Lead Supporting Officer Comments: Withdrawal of subsidies could affect viability of some marginal commercial bus services impacting on people with disabilities, younger people, people employed on low wages, who are unable to drive, and those who may have no alternative choice of travel. There is also a potential impact on rural communities, where no alternative transport services exist and there is heavy reliance on private cars for travel. We are currently completing a bus subsidy review where we have managed to sustain a core network of bus routes and gain funding for Local Travel arrangements to connect rural communities to the core network.




Last Updated: 29-Jan-2019

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST188	Supply chain resilience of transport providers	Strategic Risk	Ceri Hansom - Integrated Transport Unit Manager					Open

Potential Effects: Transport services cannot be provided

Lead Supporting Officer Comments: The control measures have been put in place to mitigate against another major transport services provider going into administration or not able to meet the required operating standards. New processes have been established and officers are carrying out both safety compliance checks and also finance compliance checks on contractors

Last Updated: 22-Jan-2019

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST189	Adverse weather conditions on the highway network	Strategic Risk	Barry Wilkinson - Highways Networks Manager	Lynne Fensome - Management and Support Manager				Open

Potential Effects: Increase in cost to future planned repairs as network deteriorates beyond that can be rectified by planned maintenance Increase in insurance claims

Lead Supporting Officer Comments: Pothole repairs have been undertaken throughout the County to ensure that the Highway Network is in a safe condition for the travelling public. The previous increase in risk has been mitigated by a number of schemes of works that have been undertaken to improve the condition of the carriageway overall. Repairing the Council's roads is a priority for the service and resources were provided to identify and then prioritise the roads in need of repair.

Planned Maintenance Works have been completed as follows:


26 Resurfacing completed

9 Surface Dressing sites have been completed

Reactive Work to remove defects from the carriageway continue.

This work removed the significant defects and looked to improve the condition of the roads, whilst reducing the risk on the network, in line with our statutory duty and county policy.

Last Updated: 24-Apr-2019


Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST190	Lack of community support for transport options	Strategic Risk	Ceri Hansom - Integrated Transport Unit Manager	Lynne Fensome - Management and Support Manager	Yellow	Yellow		Open

Potential Effects: i) Planned programme of community transport hubs not delivered. iii) Decreased passenger numbers on bus services. iii) Increase in individual car usage

Lead Supporting Officer Comments: Community based transport services can play an important part in an integrated passenger transport provision and transport network. Community Benefit clauses included in all new transport routes awarded (except local bus). This is a free service provided by the successful tenderer as a Community Benefit. A minimum of 1.5% of mileage per annum is required from each tenderer (capped at 150 miles per annum). Delivery is dependent on the ability and willingness of the local communities and transport operators to support and deliver sustainable transport arrangements.

Last Updated: 17-Jan-2019

5 Connected Council


Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST191	The capacity and appetite of the community and social sectors	Strategic Risk	Neil Ayling - Chief Officer - Social Services	Cher Lewney - Digital Customer & Community Resilience Programme Manager	Amber	Amber		Open

Potential Effects: Lack of capacity to and desire of the sector resulting in unsustainable community and social sector projects such as Community Asset Transfers and Alternative Delivery Models

Lead Supporting Officer Comments: Sustained progress on growth of the social sector with development of new Community Asset Transfers and Alternative Delivery Models. The emphasis will now be on sustaining this delivery and maximising its impact. Regular review meetings and partnership board meetings are in place.

Last Updated: 17-Apr-2019


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Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST193	Market conditions which the new alternative delivery models (ADM's)face	Strategic Risk	Neil Ayling - Chief Officer - Social Services	Cher Lewney - Digital Customer & Community Resilience Programme Manager	Amber	Amber		Open

Potential Effects: More competition from other agencies or decreasing use of the services means they are in the future unsustainable

Lead Supporting Officer Comments: Established reviews are planned with each of the Alternative Delivery Models. Two reviews have taken place with Aura Leisure and Libraries and concluded that the first year business plan's have been delivered. Second year business plans are currently underway.

Last Updated: 01-Jul-2019


Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST194	Limitations on public funding to subsidise alternative models (ADM's)	Strategic Risk	Neil Ayling - Chief Officer - Social Services	Cher Lewney - Digital Customer & Community Resilience Programme Manager	Amber	Amber		Open

Potential Effects: Reductions in funding to these models by the public sector resulting in the new to stop or close services and facilities

Lead Supporting Officer Comments: Review meetings are providing an update on the future financial context so organisations can plan for potential reductions when appropriate. Business Plans for 2019/20 are currently being prepared and shared with the Council and these will identify if funding for the future enables the organisations to be sustainable. These plans show funding levels for organisations moving forward into 2019/20 are sustainable.

Last Updated: 29-Jan-2019




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Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST195	Procurement regulations stifling our ability to develop local community and third sector markets	Strategic Risk	Gareth Owens - Chief Officer - Governance		Amber	Amber		Open

Potential Effects: Social and third sector organisation not able to grow through the winning of new contracts.

Lead Supporting Officer Comments: The recently approved social value policy will enable the Council to place greater importance on the third sector when awarding contracts which will help the sector to secure work. It is possible to ring fence contracts to third sector providers and the Council will identify opportunities where this is appropriate for forthcoming procurement exercises.

Last Updated: 11-Jan-2019


Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST196	Newly established Social Enterprises and Community Asset Transfers failing in their early stages of development.	Strategic Risk	Neil Ayling - Chief Officer - Social Services	Cher Lewney - Digital Customer & Community Resilience Programme Manager				Open

Potential Effects: Social enterprises cease trading and asset return to the Council.

Lead Supporting Officer Comments: Review meetings have been held with all Community Asset Transfers (CATs) that transferred 2015-17. The second year review meetings are now complete as are the first reviews for organisations that took on Community Asset Transfers after 1 April 2017.

Last Updated: 28-Jan-2019

6 Serving Council


Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST197	The scale of the financial challenge	Strategic Risk	Gary Ferguson - Corporate Finance Manager	Sara Dulson - Corporate Accounting and Systems	Red	Red		Open

Potential Effects: Reduction in funding of Revenue Support Grant leading to challenging financial position for the Council in its ability to set a balanced budget.

Lead Supporting Officer Comments: Council considered the final stage 3 of the budget in February and approved the setting of a balanced budget by utilising additional reserves of £0.321m (to bring the total amount funded from reserves to £2.221m) and an increase in Council Tax of 8.75%. The financial challenge will continue into 2020/21 and beyond with the Cabinet considering the financial forecast for 2020/21 to 2021/22 which is projecting an initial gap of £13.3m for 2020/21.

Last Updated: 28-Jun-2019

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Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST198	The capacity and capability of the organisation to implement necessary changes.	Strategic Risk	Gareth Owens - Chief Officer - Governance	Cher Lewney - Digital Customer & Community Resilience Programme Manager	Amber	Amber		Open

Potential Effects: That projects agreed as part of the DS will be hindered or delayed thereby delaying the potential benefits to residents or causing cost to be incurred in correcting mistakes

Lead Supporting Officer Comments: A detailed programme of works has been developed including all the council's aspirations. This has served to further highlight the very limited levels of resource available to achieve the aims within the current proposed timetable. Many of the projects are needed to support current service delivery and further work is being undertaken on how to find resource to support more transformational projects.

Last Updated: 11-Jan-2019



Integrated Risk Manager

A CAMMS SOLUTION

Risk Register Report

Flintshire County Council




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Print Date: 01-Jul-2019




Strategic Risks




1 Supportive Council




Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST151	Homelessness will remain a growing area of demand due to the current economic climate	Strategic Risk	Jenni Griffith - Flintshire Connects Manager	Lesley Bassett - Housing Strategy Manager				Open




Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST152	The supply of affordable housing will continue to be insufficient to meet community needs	Strategic Risk	Melville Evans - Senior Manager - Housing Programmes	Denise Naylor - Housing Programmes Support Manager				Open




Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST153	Department for Works and Pension's Welfare Reform Programme, including Universal Credit full service implementation which would place increasing demand on the Council for affordable and social housing	Strategic Risk	Jenni Griffith - Flintshire Connects Manager	Denise Naylor - Housing Programmes Support Manager, Lesley Bassett - Housing Strategy Manager				Open




Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST154	Reduction of land supply for council housing construction	Strategic Risk	Melville Evans - Senior Manager - Housing Programmes	Denise Naylor - Housing Programmes Support Manager				Closed




Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST155	Capital borrowing limits for council housing	Strategic Risk	Melville Evans - Senior Manager - Housing Programmes	Denise Naylor - Housing Programmes Support Manager				Open




Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST156	Customer expectations for the timeliness of adaptations undertaken through Disabled Facilities Grants (DFGs) may not be met due to competing demands on resources	Strategic Risk	Neal Cockerton - Chief Officer - Housing and Assets	Jen Griffiths - Benefits Manager				Open




Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST157	Availability of sufficient funding to resource key priorities	Strategic Risk	Neal Cockerton - Chief Officer - Housing and Assets	Jen Griffiths - Benefits Manager				Open




Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST158	Universal Credit Full Service roll out - negative impact upon Council services	Strategic Risk	Jen Griffiths - Benefits Manager	Dawn Barnes - Training Officer				Open




Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST159	Demand for advice and support services will not be met	Strategic Risk	Jen Griffiths - Benefits Manager					Open




Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST160	Debt levels will rise if tenants are unable to afford to pay their rent or council tax	Strategic Risk	Jen Griffiths - Benefits Manager	Sheila Martin - Income Team Leader				Open




Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST161	The local economy will suffer if residents have less income to spend	Strategic Risk	Jen Griffiths - Benefits Manager	Jenni Griffith - Flintshire Connects Manager				Open




Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST162	Delivery of social care is insufficient to meet increasing demand	Strategic Risk	Jane M Davies - Senior Manager, Safeguarding & Commissioning	Jacque Slee - Team Manager Performance				Closed




Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST163	Demand outstrips supply for residential and nursing home care bed availability	Strategic Risk	Jane M Davies - Senior Manager, Safeguarding & Commissioning	Jacque Slee - Team Manager Performance				Open

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST164	Annual allocation of the Integrated Care Fund (ICF) - Short term funding may undermine medium term service delivery	Strategic Risk	Susie Lunt - Senior Manager, Integrated Services and Lead Adults	Jacque Slee - Team Manager Performance				Closed


Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST165	Early Help Hub cannot deliver effective outcomes	Strategic Risk	Craig Macleod - Senior Manager, Children's Services & Workforce	Jacque Slee - Team Manager Performance				Closed

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST166	Rate of increase of adult safeguarding referrals will outstrip current resources	Strategic Risk	Jane M Davies - Senior Manager, Safeguarding & Commissioning	Jacque Slee - Team Manager Performance				Closed


Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST168	Knowledge and awareness of safeguarding not sufficiently developed in all portfolios	Strategic Risk	Fiona Mocko - Strategic Policies Advisor	Jane M Davies - Senior Manager, Safeguarding & Commissioning				Open

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST169	Failure to implement safeguarding training may impact on cases not being recognised at an early stage.	Strategic Risk	Fiona Mocko - Strategic Policies Advisor					Open

2 Ambitious Council




Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST170	Infrastructure investment does not keep pace with needs and business is lost to the economy	Strategic Risk	Andrew Farrow - Chief Officer - Planning, Environment and Economy	Niall Waller - Service Manager - Enterprise and Regeneration	Amber	Amber		Open




Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST171	Support for businesses in Flintshire doesn't meet their needs and fails to encourage investment	Strategic Risk	Andrew Farrow - Chief Officer - Planning, Environment and Economy	Niall Waller - Service Manager - Enterprise and Regeneration	Amber	Amber		Open




Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST172	The stability of local and sub-regional economies	Strategic Risk	Andrew Farrow - Chief Officer - Planning, Environment and Economy	Niall Waller - Service Manager - Enterprise and Regeneration	Amber	Amber		Open




Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST173	The region having a sufficient voice at Welsh Government and UK Government levels to protect its interests	Strategic Risk	Andrew Farrow - Chief Officer - Planning, Environment and Economy	Niall Waller - Service Manager - Enterprise and Regeneration	Amber	Yellow		Open




3 Learning Council




Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST174	Those schools who do not recognise their need for improvement and external support	Strategic Risk	Vicky Barlow - Senior Manager - School Improvement Systems	Jeanette Rock - Senior Manager - Inclusion and Progression				Open




Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST175	Leadership capacity does not match school needs	Strategic Risk	Vicky Barlow - Senior Manager - School Improvement Systems	Jeanette Rock - Senior Manager - Inclusion and Progression				Open

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST176	Impact of Additional Learning Needs reforms	Strategic Risk	Jeanette Rock - Senior Manager - Inclusion and Progression	Vicky Barlow - Senior Manager - School Improvement Systems				Open


Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST177	Local employers and learning providers do not work closely enough to identify and meet the skills based needs of the future	Strategic Risk	Vicky Barlow - Senior Manager - School Improvement Systems	Niall Waller - Service Manager - Enterprise and Regeneration				Open


Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST178	Sustainability of funding streams	Strategic Risk	Vicky Barlow - Senior Manager - School Improvement Systems	Vicky Barlow - Senior Manager - School Improvement Systems				Open

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST179	Numbers of school places not matching the changing demographics	Strategic Risk	Damian Hughes - Senior Manager, School Planning & Provision	Vicky Barlow - Senior Manager - School Improvement Systems				Open


Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST180	Limited funding to address the backlog of known repair and maintenance works in Education & Youth assets	Strategic Risk	Damian Hughes - Senior Manager, School Planning & Provision	Vicky Barlow - Senior Manager - School Improvement Systems				Open


4 Green Council


Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST181	Reduction of the Single Environment Grant	Strategic Risk	Tom Woodall - Access and Natural Environment Manager	Lynne Fensome - Management and Support Manager	Amber	Amber		Open




Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST182	Limitations on suitable Council sites with sufficient area for larger scale renewables schemes and suitable connections to the electric grid	Strategic Risk	Sadie Waterhouse - Energy Conservation Engineer	Lynne Fensome - Management and Support Manager	Amber	Amber		Open




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Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST183	Funding will not be secured for priority flood alleviation schemes	Strategic Risk	Ruairi Barry - Senior Engineer	Lynne Fensome - Management and Support Manager	Red	Red		Open

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST186	Insufficient funding to ensure our highways infrastructure remains safe and capable of supporting economic growth	Strategic Risk	Barry Wilkinson - Highways Networks Manager		Amber	Amber		Open


Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST187	Sufficient funding will not be found to continue to provide subsidised bus services.	Strategic Risk	Ceri Hansom - Integrated Transport Unit Manager		Amber	Amber		Open


Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST188	Supply chain resilience of transport providers	Strategic Risk	Ceri Hansom - Integrated Transport Unit Manager					Open


Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST189	Adverse weather conditions on the highway network	Strategic Risk	Barry Wilkinson - Highways Networks Manager	Lynne Fensome - Management and Support Manager				Open


Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST190	Lack of community support for transport options	Strategic Risk	Ceri Hansom - Integrated Transport Unit Manager	Lynne Fensome - Management and Support Manager				Open




5 Connected Council

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST191	The capacity and appetite of the community and social sectors	Strategic Risk	Neil Ayling - Chief Officer - Social Services	Cher Lewney - Digital Customer & Community Resilience Programme Manager	Amber	Amber		Open




Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST193	Market conditions which the new alternative delivery models (ADM's) face	Strategic Risk	Neil Ayling - Chief Officer - Social Services	Cher Lewney - Digital Customer & Community Resilience Programme Manager	Amber	Amber		Open




Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST194	Limitations on public funding to subsidise alternative models (ADM's)	Strategic Risk	Neil Ayling - Chief Officer - Social Services	Cher Lewney - Digital Customer & Community Resilience Programme Manager	Amber	Amber		Open

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST195	Procurement regulations stifling our ability to develop local community and third sector markets	Strategic Risk	Gareth Owens - Chief Officer - Governance		Amber	Amber		Open

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST196	Newly established Social Enterprises and Community Asset Transfers failing in their early stages of development.	Strategic Risk	Neil Ayling - Chief Officer - Social Services	Cher Lewney - Digital Customer & Community Resilience Programme Manager				Open

6 Serving Council

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST197	The scale of the financial challenge	Strategic Risk	Gary Ferguson - Corporate Finance Manager	Sara Dulson - Corporate Accounting and Systems				Open

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST198	The capacity and capability of the organisation to implement necessary changes.	Strategic Risk	Gareth Owens - Chief Officer - Governance	Cher Lewney - Digital Customer & Community Resilience Programme Manager				Open

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