STATEMENT OF ACCOUNTS

DATGANIAD CYFRIFON

2011-12

CYNGOR SIR Y FFLINT

FLINTSHIRE COUNTY COUNCIL

C O N T E N T S

EXPLANATORY FOREWORD

The Statement of Accounts 2011/12 provides details of the Council's financial position for the year ended 31st March 2012. The information presented on pages 6 to 74 is in accordance with the requirements of the 2011/12 Code of Practice on Local Authority Accounting in the United Kingdom (the Code) based on International Financial Reporting Standards (IFRSs), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The statements included are :-

- The core financial statements comprising of –

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

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

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

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

EXPLANATORY FOREWORD
continued

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

The pension fund accounts are presented in accordance with required guidance, on pages 75 to 102.

REVENUE BUDGET AND OVERALL FINANCIAL POSITION

Planning the budget for 2011/12 was a significant challenge with 2011/12 the first in a series of financial years when local government spending in Wales was set to reduce in real terms. The Local Government Revenue Support Grant – the main grant received from Welsh Government – decreased by 1.7% from its previous level which, combined with the impact of no provision for inflation and other funding changes, meant that the Council's overall funding reduced by £5.4m in 2011/12; this figure together with those costs required to meet growth in demand in some services (and other budget pressures), created a total budget gap of £10.5m for 2011/12. The Council's approach in addressing such was twofold; firstly, to maximise efficiencies through changing the organisation and the way it works, and secondly, to reform some of the key services that are provided for the public.

Total net expenditure for 2011/12 amounted to £238,663k against a budget of £241,372k.

	2011/12 Budget	**2011/12 Actual**	**Variance**	**2010/11 Actual**
	£000	**£000**	**£000**	**£000**
Net expenditure on services	227,398	224,851	(2,547)	227,193
Central loans and investment account	13,974	13,812	(162)	13,712
Total net expenditure	241,372	238,663	(2,709)	240,905
Financed by				
Council tax (net of community council precepts expenditure)	54,940	55,066	(126)	53,079
General grants	151,229	151,229	0	146,458
Non-domestic rates redistribution	35,203	35,203	0	42,236
Total resources	241,372	241,498	(126)	241,773
Net variance - (underspend)	0	(2,835)	(2,835)	(868)

The net underspend of £2,709k, increased to £2,835k by way of increased Council tax income (£126k). The £2,835k, has served with other agreed funding transfers of £2,815k to produce a year-end Council fund revenue reserves total of £39,761k, which incorporates a Council fund balance element of £37,103k.

EXPLANATORY FOREWORD

continued

REVENUE BUDGET AND OVERALL FINANCIAL POSITION (continued)

	2012	Net Underspend	Other	2011
	£000	**£000**	**£000**	**£000**
Unearmarked balances	6,468	2,835	(2,329)	5,962
Earmarked balances	30,635	0	4,460	26,175
Council fund balance	37,103	2,835	2,131	32,137
Locally managed schools (not available for general purposes)	2,658	0	684	1,974
Total council fund revenue reserves	39,761	2,835	2,815	34,111

ASSETS ACQUIRED AND LIABILITIES INCURRED

Significant capital programme expenditure was incurred during the year in progressing the amalgamation of Custom House Junior and Dee Road Infants School, Connah's Quay (£3,988k); related works will continue through until scheme completion in 2012/13. A substantial part of the overall funding of the scheme is to be provided by way of Welsh Government 21st Century Schools Grant.

The Phases 2 and 3 re-development works at Deeside Leisure have resulted in the inclusion of additional finance leased assets on the Council's balance sheet to the value of £5,035k. The investment has provided new facilities including a fitness suite, toning room, spa, and extreme zone within the arena, together with a refurbished reception area and cafeteria.

PENSIONS

Disclosures are in accordance with International Accounting Standard 19 (IAS 19), accounting in full for the pension liability. The liability recorded in the balance sheet (£240,834k) is the total projected deficit over the life of the fund. IAS 19 has no impact on Council tax levels or housing finance.

BORROWING FACILITIES

No new long term Public Works Loan Board (PWLB) or financial institution borrowing was undertaken during 2011/12 - the Council continues to use cash reserves to fund capital expenditure in place of new borrowing. The balance sheet (long term) borrowing total (£172,410k) includes the sum of £297k relating to two interest free loans from Salix Finance Ltd. - an independent company funded by the Carbon Trust to help improve energy efficiency in public sector buildings - repayable over the period 2012/13 to 2018/19.

SOURCES OF CAPITAL 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 programme is financed by way of supported borrowing, other borrowing, capital receipts, capital grants and contributions, reserves and revenue account funding.

EXPLANATORY FOREWORD

continued

SOURCES OF CAPITAL FINANCING (continued)

	2012	2011
	£000	£000
Supported borrowing	5,788	7,773
Other borrowing (including Salix loans)	1,812	757
Capital receipts	2,618	217
Capital grants and contributions	23,898	17,783
Capital reserves/capital expenditure funded from revenue account	3,875	3,296
Total financing	37,991	29,826

In addition to these core capital financing sources, finance lease arrangements to the value of £5,035k were entered into during 2011/12 in respect of refurbishment works at Deeside Leisure Centre (£451k in 2010/11).

REVALUATION OF ASSETS

The whole of the assets of the Authority must be revalued every five years - the Council meets this requirement by revaluing a proportion of the total asset portfolio each year; during 2011/12 (the second year of the new cycle, commencing 1st April 2010), approximately 20% of non-dwelling assets were revalued, together with the whole of the housing stock. A full impairment review of land values within the schools portfolio was also undertaken, as detailed within the Statement of Accounting Policies on page 12. The overall impact of the 2011/12 revaluation process was a net decrease in the value of non-current property assets recorded in the balance sheet (from £859,163k to £817,877k).

Date of Authorisation of Accounts

The 2011/12 Statement of Accounts was authorised for issue on xxth September 2012 by Kerry Feather (Head of Finance). This is the date up to which events after the balance sheet date have been considered.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

THE AUTHORITY'S RESPONSIBILITIES

The Authority is required to :-

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

Signed :

Ann Minshull JP
Chair to the County Council

Dated :

THE HEAD OF FINANCE'S RESPONSIBILITIES

The Head of Finance is responsible for the preparation of the Authority's statement of accounts in accordance with the proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code").

In preparing this statement of accounts, the Head of Finance has :-

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

The Head of Finance 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 following statement of accounts has been prepared in accordance with the Accounts and Audit (Wales) (Amendment) Regulations 2010. The statement of accounts presents a true and fair view of the financial position of the Authority at 31st March 2012, and its income and expenditure for the year then ended.

In addition the statement presents a true and fair view of the financial transactions of the Clwyd Pension Fund during the year ended 31st March 2012 and the amount and disposition at that date of its assets and liabilities.

Signed : K. A. Feather

Kerry Feather CPFA
Head of Finance

Dated : 30 June 2012

MOVEMENT IN RESERVES STATEMENT

for the year ended 31st March 2012

	Note	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Council Fund Balance £000	Earmarked Council Fund Reserves £000	Housing Revenue Account Balance £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves of the Authority £000
At 31st March 2011		6,227	9,144	34,111	4,690	1,614	55,786	462,231	**518,017**
Surplus/(deficit) on the provision of services		0	0	(52,140)	0	(20,349)	**(72,489)**	0	**(72,489)**
Other comprehensive income and expenditure		0	0	0	0	0	**0**	(29,143)	**(29,143)**
Total comprehensive income and expenditure		**0**	**0**	**(52,140)**	**0**	**(20,349)**	**(72,489)**	**(29,143)**	**(101,632)**
Adjustments between accounting and funding basis under regulations	**10**	(153)	(5,959)	54,975	(457)	20,625	**69,031**	(69,031)	**0**
Net increase/(decrease) before transfer to earmarked reserves		**(153)**	**(5,959)**	**2,835**	**(457)**	**276**	**(3,458)**	**(98,174)**	**(101,632)**
Transfers to/(from) earmarked reserves		0	0	2,815	438	0	**3,253**	0	**3,253**
Increase/(decrease) in year		**(153)**	**(5,959)**	**5,650**	**(19)**	**276**	**(205)**	**(98,174)**	**(98,379)**
At 31st March 2012		6,074	3,185	39,761	4,671	1,890	**55,581**	364,057	**419,638**

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.

MOVEMENT IN RESERVES STATEMENT

continued

	Note	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Council Fund Balance £000	Earmarked Council Fund Reserves £000	Housing Revenue Account Balance £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves of the Authority £000
At 31st March 2010		4,818	6,906	27,246	5,004	1,492	**45,466**	431,920	**477,386**
Surplus/(deficit) on the provision of services		0	0	21,010	0	(4,598)	**16,412**	0	**16,412**
Other comprehensive income and expenditure		0	0	0	0	0	**0**	18,095	**18,095**
Total comprehensive income and expenditure		**0**	**0**	**21,010**	**0**	**(4,598)**	**16,412**	**18,095**	**34,507**
Adjustments between accounting and funding basis under regulations	**10**	1,409	2,238	(20,142)	(441)	4,720	**(12,216)**	12,216	**0**
Net increase/(decrease) before transfer to earmarked reserves		**1,409**	**2,238**	**868**	**(441)**	**122**	**4,196**	**30,311**	**34,507**
Transfers to/(from) earmarked reserves		0	0	5,997	127	0	**6,124**	0	**6,124**
Increase/(decrease) in year		**1,409**	**2,238**	**6,865**	**(314)**	**122**	**10,320**	**30,311**	**40,631**
At 31st March 2011		6,227	9,144	34,111	4,690	1,614	**55,786**	462,231	**518,017**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

for the year ended 31st March 2012

		2012			2011		
	Note	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
Service Expenditure Analysis		**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Adult social care		53,195	10,570	42,625	58,969	16,921	42,048
Central services to the public		2,287	1,011	1,276	2,953	1,569	1,384
Education and children's services		180,147	23,883	156,264	158,369	24,768	133,601
Cultural, environmental, regulatory and planning services *		0	0	0	64,734	24,364	40,370
Cultural and related services		23,768	11,873	11,895	0	0	0
Environmental and regulatory services		22,258	4,065	18,193	0	0	0
Planning services		10,179	6,225	3,954	0	0	0
Highways and transport services		26,392	7,526	18,866	27,094	8,677	18,417
Housing services :							
Housing - Council fund		68,082	60,822	7,260	54,840	49,658	5,182
Housing revenue account (HRA)		43,625	25,212	18,413	26,079	24,058	2,021
Corporate and democratic core		2,534	0	2,534	2,350	16	2,334
Non distributed costs		8,871	0	8,871	3,697	0	3,697
Exceptional non distributed costs **		0	0	0	(34,157)	0	(34,157)
Net cost of services		**441,338**	**151,187**	**290,151**	**364,928**	**150,031**	**214,897**
Other Operating Expenditure							
Net gain on the disposal of non-current assets				(42)			(323)
Levy - North Wales Fire and Rescue Authority				7,052			7,119
Precept - North Wales Police Authority	**6**			12,705			12,186
Other preceptors - community councils	**6**			2,191			2,119
Total Other Operating Expenditure				**21,906**			**21,101**
Financing and Investment Income and Expenditure							
Interest payable and similar charges	**3**			10,231			9,970
Investment losses and investment	**3,4**			4,824			5,326
Interest and investment income	**3**			(8,345)			(6,197)
Pensions interest cost	**3,5**			30,878			32,897
Expected return on pensions assets	**3,5**			(23,172)			(22,906)
Total Financing and Investment Income and Expenditure				**14,416**			**19,090**
Net operating expenditure				**326,473**			**255,088**
Taxation and Non-Specific Grant							
Council tax income	**6**			(69,962)			(67,384)
Distribution from non-domestic rate pool	**7**			(35,203)			(42,236)
Grants - revenue (general) and capital (all)	**8**			(169,168)			(166,478)
Total Taxation and Non-Specific Grant Income				**(274,333)**			**(276,098)**
(Surplus)/deficit on the provision of services				**52,140**			**(21,010)**
(Surplus)/deficit arising on revaluation of non-current assets				9,218			(4,231)
(Surplus)/deficit arising on revaluation of available-for-sale financial assets				(114)			(14)
Actuarial (gains) or losses on pension assets and liabilities				37,181			(15,729)
Other comprehensive income and expenditure				(46)			353
Total comprehensive income or expenditure				**98,379**			**(40,631)**

* The 2011/12 Service Reporting Code of Practice (SeRCOP) replaces the previous service heading of Cultural, Environmental, Regulatory and Planning Services with three new headings - Cultural and Related Services; Environmental and Regulatory Services; and Planning Services.

** Gains due to the change in scheme benefits - applying CPI to pensions which were previously calculated on RPI.

The Comprehensive Income and Expenditure Statement discloses the accounting cost of providing services in accordance with generally accepted accounting practices rather than the amount to be funded from local taxation.

BALANCE SHEET

as at 31st March 2012

		2012		2011	
	Note	**£000**	**£000**	**£000**	**£000**
NON-CURRENT ASSETS					
Property, Plant & Equipment	**20,22,23**				
Council dwellings		276,808		293,286	
Other land and buildings		303,964		344,344	
Vehicles, plant, furniture and equipment		12,602		6,941	
Surplus assets		13,838		7,919	
Infrastructure assets		153,823		154,016	
Community assets		9,701		9,458	
Assets under construction		5,691		1,700	
Total Property, Plant & Equipment			776,427		817,664
Investment properties	**21,22,23**		28,172		27,006
Agricultural estate	**21,22,23**		13,278		14,493
Intangible assets	**19**		732		628
Long term investments	**24,38**		2,753		2,628
Long term debtors	**25**		1,066		591
NON-CURRENT ASSETS TOTAL			822,428		863,010
CURRENT ASSETS					
Inventories	**26**	1,269		1,264	
Short term debtors (net of impairment provision)	**27**	29,935		28,187	
Short term investments	**28**	13,599		10,410	
Cash and cash equivalents	**29**	38,937		39,982	
Assets held for sale	**30**	2,757		9,493	
CURRENT ASSETS TOTAL			86,497		89,336
CURRENT LIABILITIES					
Borrowing repayable on demand or within 12 months	**31**	(10,487)		(5,803)	
Short term creditors	**32**	(33,676)		(33,108)	
Provision for accumulated absences	**34**	(3,738)		(3,598)	
Deferred liabilities	**15**	(414)		(363)	
CURRENT LIABILITIES TOTAL			(48,315)		(42,872)
NON-CURRENT LIABILITIES					
Long term creditors	**32**	(1,913)		(2,205)	
Long term borrowing	**33,38**	(172,410)		(173,744)	
Deferred liabilities	**35**	(6,663)		(2,065)	
Provisions	**34**	(19,152)		(10,140)	
Other long term liabilities	**5**	(240,834)		(203,303)	
NON-CURRENT LIABILITIES TOTAL			(440,972)		(391,457)
NET ASSETS			419,638		518,017

BALANCE SHEET

as at 31st March 2012 (continued)

		2012		2011	
	Note	**£000**	**£000**	**£000**	**£000**
USABLE RESERVES					
Capital receipts reserve	**36**	6,074		6,227	
Capital grants unapplied	**36**	3,185		9,144	
Council fund	**36**	39,761		34,111	
Housing revenue account	**36**	1,890		1,614	
Specific reserves	**36**	4,671		4,690	
USABLE RESERVES TOTAL			55,581		55,786
UNUSABLE RESERVES					
Revaluation reserve	**37**	103,661		114,579	
Available-for-sale financial instruments reserve	**37**	368		254	
Capital adjustment account	**37**	532,784		574,061	
Financial instruments adjustment account	**37**	(9,051)		(9,679)	
Pensions reserve	**37**	(240,834)		(203,303)	
Equal pay account	**37**	(19,142)		(10,099)	
Deferred capital receipts	**37**	9		16	
Accumulated absences account	**37**	(3,738)		(3,598)	
UNUSABLE RESERVES TOTAL			364,057		462,231
TOTAL RESERVES			419,638		518,017

CASH FLOW STATEMENT

for the year ended 31st March 2012

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

	Note	**2012**		**2011**	
		£000	**£000**	**£000**	**£000**
Net surplus or (deficit) on the provision of services *		(52,140)		21,010	
Adjustment to surplus or deficit on the provision of services for non-cash movements		84,667		18,276	
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(20,554)		(22,028)	
Net cash outflows from operating activities	**45**		11,973		17,258
Net cash flows from investing activities	**46**	(13,037)		(6,074)	
Net cash flows from financing activities	**47**	(193)		494	
			(13,230)		(5,580)
Net increase or decrease in cash and cash equivalents			(1,257)		11,678
Cash and cash equivalents at the beginning of the reporting period	**29**		39,982		28,964
Other			212		(660)
Cash and cash equivalents at the end of the reporting period	**29**		**38,937**		**39,982**

* 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

NOTES TO THE CORE FINANCIAL STATEMENTS
for the year ended 31st March 2012

1. STATEMENT OF ACCOUNTING POLICIES

General Matters

The accounts have been prepared in accordance with the requirements of the 2011/12 Code of Practice on Local Authority Accounting in the United Kingdom (the Code) - based on International Financial Reporting Standards (IFRSs) - issued by CIPFA, supported by guidance notes on the application of accounting standards.

There has been a minor change in the accounting policy relating to the depreciation of those assets held at historical cost, with depreciation now commencing from the year of acquisition; this aligns arrangements more closely with the required accounting for finance leases. There have been no changes in the adopted estimation techniques, and no material and unusual charges or credits are included within the accounts.

Standards Issued But Not Yet Adopted

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Council's accounting periods beginning on or after 1st April 2012 or later periods, but the Council has not early adopted them:

- IFRS 7 'Financial Instruments – Disclosures (transfers of financial assets)'. The Council will apply IFRS 7 from 1st April 2012. It is not expected to have a material impact on the Council's financial statements.

- IFRS 9 'Financial Instruments'. The Council will apply IFRS 9 from 1st April 2015. It is not expected to have a material impact on the Council's financial statements.

Standards Early Adopted

There are no standards that have been early adopted by the Authority.

Critical Judgments in Applying Accounting Policies

In applying these accounting policies, the Authority has had to make certain judgments about complex transactions or those involving uncertainty about future events; the critical judgments made in the Statement of Accounts are:

- A full impairment review of land values within the schools portfolio in the light of the current economic climate, and the current Council planning policy in favour of affordable housing consents only for unallocated land within category B (semi urban/main villages) and category C (rural villages); the result is a net decrease of £27,944k in the value of non-current assets.

- An impairment review of those finance leases that were initially recognised upon the move to International Financial Reporting Standards (IFRS), which results in a reduction of £1,082k in their book value; the adjustment aligns the value to the related liability for future lease payments.

Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends, and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates; items for which there is a significant risk of material adjustment in the forthcoming financial year are – the equal pay provision, the pensions liability and debtor arrears.

1. STATEMENT OF ACCOUNTING POLICIES (continued)

The Accounting Policies -

Accounting for the Costs of the Carbon Reduction Commitment Scheme

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme; the scheme is currently in its introductory phase which will last until 31st March 2014. There is a requirement for the Authority to purchase and surrender allowances (currently retrospectively), on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability 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 - and will be discharged by surrendering allowances. The cost to the Authority is apportioned to services on the basis of energy consumption, and is recognised (and reported) in the costs of services.

Borrowing Costs

The Council has elected to adopt the adaptation by the Code in respect of IAS23 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 £10,000 from any disposal are treated as revenue income, in accordance with capital regulations. The requirement to set-aside 75% of receipts from the sale of council houses to repay debt was removed by way of the Local Government Act 2003, but the Council continues to make the set-aside as assumed in the HRA subsidy rules. The balance of receipts that is not reserved in this way, and which has not been used for capital financing purposes is included in the balance sheet as usable capital receipts. Non-housing capital receipts are 100% usable.

Cash and Cash Equivalents

Cash is represented by cash in hand. Cash equivalents are considered to be deposits with financial institutions that are readily convertible to known amounts of cash. The Council has determined that investments less than 3 months in length are deemed cash and cash equivalents.

In the Balance Sheet and Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand.

Component Accounting

Where a material item of property, plant and equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately; the requirements are applicable to enhancement expenditure incurred, acquisition expenditure incurred, and revaluations carried out.

1. STATEMENT OF ACCOUNTING POLICIES (continued)

Component Accounting (continued)

A deminimus materiality level of 0.5% of the value of the asset base 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 cost is 20% or more of the total current cost of the asset, and categorised as follows based on significance, useful life and depreciation method –

Component	Detail
Superstructure and Substructure	Frame, upper floors, roof, stairs, external walls, external windows and doors, internal walls and partitions, internal doors
Internal Finishes and Fittings	Wall, floor, ceiling finishes, fittings and furnishings
Services	Sanitary appliances, services equipment, disposal installations, water installations, heat source, space heating and air conditioning, ventilating systems, electrical installations, fuel installations, fire and lightening protection, communications and security installations, builders work in connection with and management and commissioning of services
Land	Land upon which the property is constructed

The basis upon which the calculation of the value of the components is made is replacement cost. In general, the expected split for components would be 50-60% for Superstructure and Substructure, 20% for Internal Finishes and Fittings, and 20-30% for Services; the actual split is determined following individual valuation of the property. Land is a separate component in its own right, but is not considered for depreciation purposes.

When an asset is enhanced or replaced, the cost of the replacement component is compared with the cost of the total asset. If the cost of the enhancement or replacement is above 15% (or £20,000) of the overall cost of the asset, a proportion of the relevant component’s carrying value is derecognised and replaced by the cost of the new replacement asset.

When an asset is acquired or revalued, the cost of its component parts will be broken down into Superstructure and Substructure, Internal Finishes and Fittings, and Services providing that the asset exceeds the deminimus threshold of 0.5% of the value of the asset base. Land is identified as a separate component in its own right.

Debt Redemption

Debt is redeemed as and when it falls due. Amounts set aside from revenue for the repayment of external loans or to finance capital expenditure are shown in the movement on reserves statement; a minimum revenue provision is charged equal to 2% of debt outstanding for the housing revenue account, and 4% for the council fund. The Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2008 requires the Council to make prudent provision for the repayment of its debt (regulation 22).

1. STATEMENT OF ACCOUNTING POLICIES (continued)

Debtors and Creditors

The revenue and capital accounts of the Authority 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 2012.

Depreciation

Straight line depreciation is provided for on all property, plant and equipment with a finite useful life (other than for non-depreciable land), with provision made from the first full financial year following acquisition/valuation in the case of all assets other than those acquired under finance leases, for which provision is made from the year of acquisition. The calculation is based on the 2011/12 opening net balance sheet valuations (valuation list less cumulative depreciation), with assumed nil residual values for all property, plant and equipment.

The most common useful lives used in respect of the provision for depreciation are:-

	Years
Other land and buildings	50
Vehicles, plant, furniture and equipment	3 - 10
Infrastructure assets	40
Community assets	20

Where the asset comprises two or more major components, and the cost of the component is significant in relation to the total cost of the asset, with substantially different useful economic lives, each component has been accounted for separately.

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.

Employee Benefits

The full cost of employees is recognised in the year in which the service is received from employees. The cost of annual leave entitlement, flexi-time and time off in lieu (TOIL) earned but not taken by employees at the end of the year is accrued in the financial statements. Where retrospective adjustments or special payments are required, for example through pay awards or redundancy payments, an accrual is also included.

Financial Assets

Financial assets are classified into two types:

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

1. STATEMENT OF ACCOUNTING POLICIES (continued)

Financial Assets (continued)

Loans and Receivables:

These are initially measured at fair value and carried at their amortised cost. Annual credits to the comprehensive income and expenditure statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. This means that the amount presented in the balance sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the comprehensive income and expenditure statement is the amount receivable for the year in the loan agreement.

Available-for-Sale Assets:

Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the comprehensive income and expenditure statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the comprehensive income and expenditure statement when it becomes receivable by the Council.

Assets are maintained in the balance sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price
- equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the available-for-sale reserve. The exception is where impairment losses have been incurred – these are debited to the comprehensive income and expenditure statement, along with any net gain/loss for the asset accumulated in the reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the comprehensive income and expenditure statement.

Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to 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.

1. STATEMENT OF ACCOUNTING POLICIES (continued)

Government Grants and Contributions

Grant receipts in support of capital and revenue expenditure are accounted for on an accruals basis. Where an asset is financed partly or wholly by government grant (or any other contribution), the income is recognised in the comprehensive income and expenditure statement. Grants to cover general revenue expenditure (such as revenue support grant) are also credited to 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 Account. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied.

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 Authority’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 –

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.

1. STATEMENT OF ACCOUNTING POLICIES (continued)

Heritage Assets (continued) –

County Archives (continued) –

A few purchased items are held, the most notable of which is Thomas Pennant's own copy of his *History of the Parishes of Whiteford & Holywell* (with additional illustrations) which was purchased in 1986 (price unrecorded).

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.

The small number of items held at the Record Office that have been valued for insurance purposes are artefacts rather than the documentary material which forms the large majority of the holdings, and as such are exceptions. Their value is not considered material for reporting/disclosure purposes.

County Museum –

The County's museum collection consists of about 6,800 items or groups of items. Of these approximately 260 are displayed at Mold Museum, 100 at Buckley Museum and a group of about 580 items are on loan to Greenfield Valley Trust. The remainder is held in an off-site store.

The vast majority of the collection items have been donated. The only purchased items are - the Martin Harrison Collection of Buckley Pottery, consisting of 351 pieces of pottery and 103 tiles which was purchased in 2010 for £19,000, largely by way of grant funding; the collection was valued for the purposes of the grant aid application. A ceramic platter has since been added to this collection, purchased by the Tyrer Charitable Trust and donated to the Museums Service. Items have also been purchased through the Treasure Trove scheme and valued as part of that process – the purchase prices range from £50 to £1,500, some of which were grant aided.

There are 6 ceramic vessels on display in Buckley Museum which have insurance values as supplied by the lender (National Museums Liverpool)

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.

Impairment

The values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for by the loss being taken initially to the revaluation reserve to the extent that there is a balance on that reserve relating to the specific asset, with any excess charged to the relevant service revenue account.

NOTES TO THE CORE FINANCIAL STATEMENTS

continued

1. STATEMENT OF ACCOUNTING POLICIES (continued)

Intangible Assets

Intangible assets are non-monetary assets without physical substance. They are recognised only where it is probable that future economic benefits will flow to, or service potential be provided to, the Council and where the cost of the asset can be measured reliably. Development expenditure, or purchased software licences may meet the definition of assets when access to the future economic benefits that they represent is controlled by the Council, either through custody or legal protection; a de minimis expenditure level of £10,000 below which the requirements of capital accounting will not be applied is in place.

Intangible assets are amortised from the first full financial year following acquisition/ implementation. The most common useful lives used in respect of amortisation are:-

	Years
Software licences	5
Development expenditure	7

Interest Charges

External interest payable is charged to the comprehensive income and expenditure statement together with the amortisation of gains and losses on the repurchase or early settlement of borrowing carried forward in the balance sheet.

Inventories

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

• Queensferry (Fuel)	FIFO (first in first out)
• Halkyn	Weighted average
• Alltami (Grounds Maintenance)	Weighted average
• Alltami (Vehicle Spares)	Weighted average
• Alltami (Fuel)	FIFO
• Canton	FIFO

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 and the agricultural estate have been valued at fair value. In cases where there was no market-based evidence of fair value for a particular asset, depreciated replacement cost has been used. Properties are not depreciated but are revalued annually according to market conditions at the year-end.

Gains and losses on the revaluation and impairment of investment properties are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement rather than through the revaluation reserve. The same treatment is applied to gains and losses on disposal. The gains and losses are not permitted by statutory arrangements to have an impact on the Council Fund Balance and therefore are reversed out in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) 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.

1. STATEMENT OF ACCOUNTING POLICIES (continued)

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.

Jointly Controlled Operations and Jointly Controlled Assets

The Council recognises on the balance sheet the assets that it controls and the liabilities that it incurs from the activity of any jointly controlled operations undertaken 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.

The Authority accounts for only its share of any assets (items of property, plant and equipment) that are jointly controlled with other parties, and its share of liabilities and expenses and income earned; the joint arrangement does not involve the establishment of a separate entity.

Leases

Finance Leases

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

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

Where substantially all risks and rewards of ownership of a leased asset are bourne by the Council, the asset is recorded as property, plant and equipment and a corresponding liability is recognised. The value at which both are recognised is the lower of the fair value of the asset or the present value of the minimum lease payments, discounted using the interest rate implicit in the lease. The implicit interest rate is that which produces a constant periodic rate of interest on the outstanding liability. The property, plant and equipment acquired under finance leases are depreciated over the life of the asset as per the depreciation accounting policy above.

1. STATEMENT OF ACCOUNTING POLICIES (continued)

Finance Leases (continued)

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.

Non-Current Assets Held for Sale

Non-current assets held for sale have been valued at fair value. Property, Plant and Equipment which has been reclassified as 'Held for Sale' ceases to be depreciated upon the reclassification. Assets intended for disposal are reclassified as non-current assets 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.

Overheads

The costs of centrally provided support services and administrative buildings have been charged to services in line with the Service Reporting Code of Practice (SeRCOP), which replaced the previous Best Value Accounting Code of Practice with effect from 1st April 2011. The costs of the corporate and democratic core and any non distributed costs are allocated to separate objective heads and are not apportioned to any other service.

Pensions

The Council participates in two different pension schemes which meet the needs of employees in particular services. The schemes provide members with defined benefits related to pay and service:

***Teachers**:*
This is an unfunded scheme administered by the Department for Education (DfE). The pension costs charged to the accounts are at a contribution rate set by the DfE on the basis of a notional fund.

1. STATEMENT OF ACCOUNTING POLICIES (continued)

Pensions (continued)

Other Employees:
This is a funded defined benefit final salary Local Government Pension Scheme (LGPS). All actuarial gains and losses are recognised in Other Comprehensive Income and Expenditure. The accounts recognise the full liability that the Council has for meeting the future cost of retirement benefits that will arise from years of service earned by employees up to the balance sheet date, net of the contributions paid into the Fund and the investment income they have generated. The discount rate which is used to place a value on liabilities and calculate the current service cost is based on the redemption yields available on high quality corporate bonds.

Charges to service revenue accounts are based on a share of current service cost (the increase in future benefits arising from service earned in the current year) rather than employer’s contributions. Discretionary benefits awarded on early retirement are accounted for in the year that the award decision is made.

Property, Plant and Equipment

Expenditure relating to the acquisition, creation or enhancement of property, plant and equipment is capitalised, provided that the asset yields benefits to the authority and to the services it provides for a period of more than one year; a de minimis expenditure level of £20,000 below which the requirements of capital accounting will not be applied is in place. Expenditure for the routine repair and maintenance of fixed assets is charged direct to service revenue accounts.

Property, plant and equipment are valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Practice and Guidance Notes issued by The Royal Institution of Chartered Surveyors (RICS). They are classified into various groupings as required by the 2011/12 Code of Practice on Local Authority Accounting.

The valuation methodology used for the HRA Housing Stock is the Beacon Approach, an adjusted vacant possession value technique based on the value of the property assuming vacant possession, with an adjustment factor to reflect continued occupation by a secured tenant. This methodology - the most widely adopted amongst local authorities in Wales - is the methodology that is most likely to produce consistent valuations of similar HRA properties in different local authorities. The fair value of council dwellings is measured using existing use value–social housing (EUV–SH) as defined by RICS Valuation Standards, being the estimated amount for which a property should exchange (on the date of valuation) between a willing buyer and a willing seller, in an arm's-length transaction. Other operational fixed assets (infrastructure and community assets) and assets under construction are valued on the basis of historic cost.

The whole of the assets of the Authority must be revalued every five years - the Council meets this requirement by revaluing a proportion of the total asset portfolio each year; during 2011/12 (the second year of the current cycle, which commenced 1st April 2010), approximately 20% of non-dwelling assets were revalued, together with the whole of the housing stock. Material changes to valuations are adjusted in the interim period, as they occur. Increases in valuations are matched by credits to the revaluation reserve to recognise unrealised gains. The revaluation reserve contains revaluation gains recognised since 1st April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the capital adjustment account. Different classes of asset included on the group balance sheet are measured on different bases (in common with the balance sheet).

1. STATEMENT OF ACCOUNTING POLICIES (continued)

Provisions

The Council makes proper provisions for any liabilities or losses which are likely to be incurred, or certain to be incurred but where the expenditure required in settlement of the liability is uncertain with regards to the amount or timing of any payment.

Reserves

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

Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of fixed assets has been charged as expenditure to the relevant service account in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the capital adjustment account then reverses out the amounts charged in the movement on reserves statement so there is no impact on the level of Council tax.

Segment Reporting

Responsibility for the allocation of resources rests with elected Members and the Responsible Financial Officer. The assessment of performance is undertaken by Members and the relevant Chief Officer. Segments have been identified which reflect the Council's organisational structure as reported to the Chief Operating Decision Maker (the Executive), and these have been reflected in the financial statements.

A segment is reported where its expenditure is 10% or more of the gross expenditure within the net cost of services; or its income is 10% or more of the gross income within the net cost of services.

Where the reportable segments identified do not include at least 75% of the expenditure within the net cost of services, additional segments or combinations of segments are treated as reportable segments until the reportable segments include at least 75% of the expenditure within the net cost of services.

The Council does not report assets or liabilities internally and as such there is not requirement to report these by segment in the financial statements.

Value Added Tax

The Council receives reimbursement for the net cost of value added tax incurred. The accounts have been prepared exclusive of tax, in accordance with SSAP 5.

2. SEGMENTAL REPORTING

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Authority's Cabinet on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)

- expenditure on some support services is budgeted for centrally and not charged to directorates.

The income and expenditure of the Authority's principal directorates recorded in the budget reports for the year is as follows:

2011/12		**Community Services**	**Environment**	**Lifelong Learning**	**Corporate Services**	**Central and Corporate Finance**	**HRA**	**Total**
		£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Income	Fees, charges & other service income	(8,332)	(37,516)	(14,685)	(49,840)	(18,783)	(55,795)	**(184,951)**
	Government grants	(9,343)	(7,220)	(20,004)	(709)	0	6,311	**(30,965)**
	Total	(17,675)	(44,736)	(34,689)	(50,549)	(18,783)	(49,484)	**(215,916)**
Expenditure	Employee expenses	28,488	24,270	105,337	12,558	3,579	6,034	**180,266**
	Other service expenses	44,490	52,147	41,373	55,912	36,815	43,080	**273,817**
	Total	72,978	76,417	146,710	68,470	40,394	49,114	**454,083**
Final Outturn		**55,303**	**31,681**	**112,021**	**17,921**	**21,611**	**(370)**	**238,167**

NOTES TO THE CORE FINANCIAL STATEMENTS
continued

2. SEGMENTAL REPORTING (continued)

2010/11		Community Services	Environment	Lifelong Learning	Corporate Services	Central and Corporate Finance	HRA	Total
		£000	£000	£000	£000	£000	£000	£000
Income	Fees, charges & other service income	(8,881)	(32,422)	(14,263)	(47,655)	(14,418)	(34,328)	**(151,967)**
	Government grants	(10,860)	(7,823)	(19,616)	(438)	0	6,391	**(32,346)**
	Total	(19,741)	(40,245)	(33,879)	(48,093)	(14,418)	(27,937)	**(184,313)**
Expenditure	Employee expenses	31,573	24,921	109,144	13,706	5,166	6,417	**190,927**
	Other service expenses	42,174	47,109	37,211	52,373	34,021	21,484	**234,372**
	Total	73,747	72,030	146,355	66,079	39,187	27,901	**425,299**
Final Outturn		**54,006**	**31,785**	**112,476**	**17,986**	**24,769**	**(36)**	**240,986**

Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2011/12	2010/11
	£000	£000
Final outturn	238,167	240,986
Add amounts not reported to management	89,200	3,380
Remove amounts reported to management not included in comprehensive income and expenditure statement	(37,216)	(29,469)
Net Cost of Services in Comprehensive Income and Expenditure Statement	290,151	214,897

Reconciliation to Subjective Analysis

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

NOTES TO THE CORE FINANCIAL STATEMENTS
continued

2. SEGMENTAL REPORTING (continued)

Reconciliation to Subjective Analysis (Single Entity) 2011/12	**Service Analysis £000**	**Not Reported to Manag't £000**	**Not Included in I&E £000**	**Net Cost of Services £000**	**Corporate Amounts £000**	**Total £000**
Fees, charges & other service income	(184,951)	0	0	**(184,951)**	0	**(184,951)**
Interest and investment income	0	0	0	**0**	(31,517)	**(31,517)**
Income from council tax	0	0	0	**0**	(69,962)	**(69,962)**
Distribution from non-domestic rate pool	0	0	0	**0**	(35,203)	**(35,203)**
Government grants and contributions	(30,965)	0	0	**(30,965)**	(169,168)	**(200,133)**
Gain or loss on disposal of fixed assets	0	0	0	**0**	(42)	**(42)**
Total Income	**(215,916)**	**0**	**0**	**(215,916)**	**(305,892)**	**(521,808)**
Employee expenses	180,266	9,043	0	**189,309**	0	**189,309**
Other service expenses	273,817	20,293	(14,795)	**279,315**	0	**279,315**
Support Service recharges	0	22,421	(22,421)	**0**	0	**0**
Depreciation, amortisation and impairment	0	37,443	0	**37,443**	0	**37,443**
Interest payments	0	0	0	**0**	45,933	**45,933**
Precepts & levies	0	0	0	**0**	21,948	**21,948**
Total operating expenses	**454,083**	**89,200**	**(37,216)**	**506,067**	**67,881**	**573,948**
Surplus or deficit on the provision of services	**238,167**	**89,200**	**(37,216)**	**290,151**	**(238,011)**	**52,140**

Reconciliation to Subjective Analysis (Single Entity) 2010/11	**Service Analysis £000**	**Not Reported to Manag't £000**	**Not Included in I&E £000**	**Net Cost of Services £000**	**Corporate Amounts £000**	**Total £000**
Fees, charges & other service income	(139,185)	0	0	**(139,185)**	0	**(139,185)**
Interest and investment income	0	0	0	**0**	(29,103)	**(29,103)**
Income from council tax	0	0	0	**0**	(67,384)	**(67,384)**
Distribution from non-domestic rate pool	0	0	0	**0**	(42,236)	**(42,236)**
Government grants and contributions	(45,128)	0	0	**(45,128)**	(166,478)	**(211,606)**
Gain or loss on disposal of fixed assets	0	0	0	**0**	(323)	**(323)**
Total Income	**(184,313)**	**0**	**0**	**(184,313)**	**(305,524)**	**(489,837)**
Employee expenses	190,927	0	0	**190,927**	0	**190,927**
Other service expenses	234,372	(52,303)	(8,178)	**173,891**	0	**173,891**
Support Service recharges	0	21,291	(21,291)	**0**	0	**0**
Depreciation, amortisation and impairment	0	34,392	0	**34,392**	0	**34,392**
Interest payments	0	0	0	**0**	48,193	**48,193**
Precepts & levies	0	0	0	**0**	21,424	**21,424**
Total operating expenses	**425,299**	**3,380**	**(29,469)**	**399,210**	**69,617**	**468,827**
Surplus or deficit on the provision of services	**240,986**	**3,380**	**(29,469)**	**214,897**	**(235,907)**	**(21,010)**

3. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

Interest payments and similar charges of £10,231k (£9,970k in 2010/11) together with investment losses of £387k (£99k in 2010/11) and investment expenditure of £4,437k (£5,227k in 2010/11) totaling £4,824k (£5,326k in 2010/11), pensions interest cost and expected return on pensions assets of £7,706k (£9,991k in 2010/11) and interest and investment income (including the upwards revaluation of investment properties) of £8,345k (£6,197k in 2010/11) produce an aggregate net total of £14,416k (£19,090k in 2010/11).

	2012	2011
	£000	£000
Interest payable and similar charges	10,231	9,970
Investment losses and investment expenditure (see analysis in note 4 below)	4,824	5,326
Pensions interest cost and expected return on pensions assets	7,706	9,991
Interest and investment income	(8,345)	(6,197)
	14,416	19,090

4. INVESTMENT LOSSES

Impairment of £387k net (£99k in 2010/11) and investment expenditure of £4,437k (£5,227k in 2010/11) have been recognised.

		2012			2011	
	£000	£000	£000	£000	£000	£000
Impairment on investment property		748			234	
Impairment adjustments - Landsbanki	(202)			28		
Less interest receivable	(159)			(163)		
		(361)			(135)	
			387			99
Investment (properties) expenditure			4,437			5,227
			4,824			5,326

Investment property impairment losses account for £748k of the net total, offset by a net adjustment of £361k relating to investments in the Icelandic bank Landsbanki, which collapsed in October 2008.

The Council has £3,700k deposited with Landsbanki with varying maturity dates and interest rates :-

Date Invested	Maturity Date	Amount Invested £000	Interest Rate %
22/07/08	17/10/08	1,200	5.82
01/09/08	14/11/08	1,500	5.70
08/09/08	18/11/09	1,000	5.67

4. INVESTMENT LOSSES (continued)

All monies are currently subject to the administration process. In late 2011, it was confirmed that priority status had been upheld by the Icelandic Supreme Court, ensuring that local authority investors (including Flintshire County Council), are recognised as preferential creditors.

The Winding up Board of Landsbanki made a distribution to priority creditors in February 2012; the Council received £1,088k of its £3,700k investment. In March 2012, the Winding up Board announced that recoveries in the Landsbanki administration would now likely be 100% of their deposits, subject to potential future exchange rate fluctuations. The final impact on the Council will not be known until the distribution process is completed.

The available information is not definitive as to the amounts and timings of payments to be made by the administrators, and it is likely that further adjustments will be made to the accounts in future years. However, the gross impairment adjustment for 2011/12 (£202k) recognised in the comprehensive income and expenditure statement has been calculated by discounting the assumed cash flows at the effective interest rate of the original deposits in order to recognise the anticipated loss of interest to the Authority until monies are fully recovered.

Adjustments to the assumptions will be made in future accounts as more information becomes available.

A further distribution of £458k was received in May 2012.

No information has been provided by the resolution committee about the timing of any future payment to depositors, and because it is anticipated that all the assets of Landsbanki will need to be realised to repay priority creditors, settlement in a single sum is unlikely. It is therefore assumed that the repayment will be made as follows –

Date	%
December 2012	7.0
December 2013	7.0
December 2014	7.0
December 2015	7.0
December 2016	7.0
December 2017	7.0
December 2018	7.0
December 2019	8.8
	57.8

5. PENSIONS

Teachers:

In 2011/12, the Council paid £7,271k to the Department for Education in respect of teachers' pension costs (£7,331k in 2010/11), which represents 14.19% (average) of teachers' pensionable pay (14.10% in 2010/11).

In addition, the Council is responsible for all pension payments relating to added years it has awarded, together with the related increases. In 2011/12 these amounted to £487k (£472k in 2010/11), representing 0.95% of pensionable pay (0.92% in 2010/11).

The Teachers' Pension Scheme is a defined benefit scheme but is treated as a defined contribution scheme for accounting purposes as the Authority is unable to identify its share of assets and liabilities.

Other Employees:

The Council received £803k from the fund for benefits administration and other central support services (£847k in 2010/11).

The impact of the pension costs charge on the balance sheet and comprehensive income and expenditure statement is reflected in the notes that follow.

Further information regarding the Clwyd Pension Fund accounts is provided on pages 75 to 102**,** and in the Clwyd Pension Fund Annual Report which is available upon request.

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 :-

5. PENSIONS (continued)

	2012		2011	
	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement				
Net Cost of Services -				
Current service cost	12,845		14,168	
Past service cost/(gain)	175		(34,117)	
Curtailments/settlements	473		1,090	
Net Operating Expenditure -		13,493		(18,859)
Interest cost	30,878		32,897	
Expected return on scheme assets	(23,172)		(22,906)	
		7,706		9,991
Net charge to comprehensive income and expenditure statement		21,199		(8,868)
Movement in Reserves Statement				
Reversal of net charges made for retirement benefits in accordance with IAS 19		(21,199)		8,868
Actual amount charged against the Council fund balance for pensions in the year				
Employers' contributions payable to scheme		20,849		21,030
Net debit/(credit) to the movement in reserves statement		(350)		29,898

In addition to the recognised gains and losses included in the Comprehensive Income and Expenditure Statement, there are actuarial losses of £37,181k (gains of £15,729k in 2010/11). The cumulative amount of actuarial losses is £185,592k (net).

Assets and Liabilities in Relation to Retirement Benefits -

Reconciliation of present value of the scheme liabilities -

	2012	2011
	£000	£000
1st April	564,531	589,060
Current service cost	12,845	14,168
Interest cost	30,878	32,897
Contributions by scheme participants	4,866	4,954
Actuarial gains and losses	20,425	(22,010)
Benefits paid	(23,186)	(21,511)
Past service costs	175	40
Past service gains	0	(34,157)
Curtailments/settlements	473	1,090
31st March	611,007	564,531

5. PENSIONS (continued)

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

	2012	2011
	£000	£000
1st April	361,228	340,130
Expected rate of return	23,172	22,906
Actuarial gains and losses	(16,756)	(6,281)
Employer contributions	19,258	21,030
Contributions by scheme participants	4,866	4,954
Benefits paid	(21,595)	(21,511)
31st March	370,173	361,228

The actuarial assumptions used have been agreed with the actuary (Mercer Human Resource Consulting Limited) in line with the guidance provided by CIPFA.

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. The assumed investment return on government bonds is the yield on 20 year fixed interest gilts at the relevant date. The return on equities is the yield on 20 year fixed interest gilts plus an allowance for the ‘risk premium’ associated with equity investment.

The actual return on scheme assets in the year was £6,416k (£24,206k in 2010/11).

Scheme History -

	2012	2011	2010	2009	2008	2007
					Restated	Restated
	£000	£000	£000	£000	£000	£000
Present value of liabilities	(611,007)	(564,531)	(589,060)	(429,545)	(501,354)	(465,645)
Fair value of assets	370,173	361,228	340,130	248,841	314,562	317,008
Surplus/deficit in the scheme	(240,834)	(203,303)	(248,930)	(180,704)	(186,792)	(148,637)

The liabilities total reflects the underlying long-term commitments that the Authority has in respect of retirement benefits due. The net liability of £240,834k is included as part of the unusable reserves total on the Balance Sheet (within the overall reserves balance of £419,638k) on page 10.

Statutory arrangements for funding the deficit means that the financial position of the authority remains healthy; the deficit on the local government scheme will be made good by increased contributions over the working life of employees, as assessed by the scheme actuary.

The total contributions expected to be made to the LGPS by the Council in the year to 31st March 2013 is £19.2m.

5. PENSIONS (continued)

Basis for Estimating Assets and Liabilities -

Liabilities have been assessed on an actuarial basis using the projected unit 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 1st April 2010.

The principal assumptions used by the actuary for LGPS are -

	2012	2011
Long term expected return on assets in the scheme		
Equity investments	7.0%	7.5%
Bonds	4.1%	5.1%
Other	7.0%	7.5%
Mortality Assumptions		
Longevity at 65 for current pensioners -		
Men	21.8 yrs	21.8 yrs.
Women	24.4 yrs	24.3 yrs.
Longevity at 65 for future pensioners -		
Men	23.2 yrs	23.2 yrs.
Women	26 yrs	25.9 yrs.
Rate of inflation (Consumer Prices Index)	2.5%	2.9%
Rate of increase in salaries	4.0%	4.4%
Rate of increase in pensions	2.5%	2.9%
Rate for discounting scheme liabilities	4.9%	5.5%
Take up option to convert annual pension into retirement lump sum	50%	50%

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held :-

	2012	2011
	%	%
Equity investments	41	58
Other bonds	16	12
Property	10	7
Cash/liquidity	3	2
Other assets	30	21
	100	100

5. PENSIONS (continued)

History of Experience Gains and Losses -

The actuarial gains identified as movements on the Pensions Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31st March 2012 :-

	2012	2011	2010	2009	2008 Restated	2007 Restated
			%	%	%	%
Differences between the expected and actual return on assets	(4.53)	(1.74)	19.67	(38.72)	(9.70)	0.64
Experience gains and losses on liabilities	0.00	3.31	0.00	0.00	1.68	0.00

6. COUNCIL TAX

All domestic dwellings are included in the Council tax valuation list which is issued and maintained by the Valuation Office Agency. Each dwelling is placed in one of nine main bands (A to I) depending on the open market valuation of the property at 1st April 2003. A tenth band (A*) is only available to those taxpayers who live in band A properties and are entitled to a reduction where a property has been adapted for their disability.

Council tax is based on the valuation band into which a property has been placed. Charges are calculated by dividing the total annual income requirements of the Council and the North Wales Police Authority by the Council tax base. The tax base is the total of all the properties in each band adjusted by a proportion to convert the number to a band D equivalent, and also adjusted for discounts. The tax base for 2011/12 was 60,692, (60,528 in 2010/11), as calculated below :

	Band A*	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H	Band I	Total
Chargeable Dwellings											
Number of chargeable dwellings	-	3,785	8,776	19,327	11,812	9,750	6,582	2,970	569	224	63,795
Dwellings with disabled reliefs	-	24	58	145	117	117	82	39	11	21	614
Adjusted chargeable dwellings	24	3,819	8,863	19,299	11,812	9,715	6,539	2,942	579	203	63,795
Adjusted Chargeable Dwellings											
Dwellings with no discounts	11	1,239	4,758	12,522	8,355	7,407	5,404	2,519	500	180	42,895
Dwellings with one discount	13	2,580	4,099	6,766	3,449	2,301	1,128	416	62	19	20,833
Dwellings with two discounts	0	0	6	11	8	7	7	7	17	4	67
Discounted chargeable dwellings	24	3,819	8,863	19,299	11,812	9,715	6,539	2,942	579	203	63,795
Discounted Chargeable Dwellings											
Total discounted dwellings	21	3,174	7,835	17,602	10,946	9,136	6,254	2,835	555	196	-
Ratio to band "D"	5/9	6/9	7/9	8/9	1	11/9	13/9	15/9	18/9	21/9	-
Band "D" equivalent	12	2,116	6,094	15,646	10,946	11,167	9,033	4,724	1,110	458	61,305

Collection rate adjustment (at 1%)	(613)
Exempt properties adjustment	0
Council Tax Base 2011/12	60,692

6. COUNCIL TAX (continued)

The basic Flintshire charge for a band D property in 2011/12 was £905.23 (£878.86 in 2010/11). 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

Significant amongst the precepts levied on Flintshire County Council was that of the North Wales Police Authority in the sum of £12,705,263 (£12,186,102 in 2010/11). The 34 community/town councils also levied precepts amounting in total to £2,191,442 (£2,119,240 in 2010/11).

Analysis of the net proceeds from Council tax:

	2012	2011
	£000	£000
Council tax collected	70,225	67,676
Add - Decrease in bad debts provision	27	124
Less - Amounts written off to provision	(290)	(416)
	69,962	67,384
Less - Payable to North Wales Police Authority	(12,705)	(12,186)
	57,257	55,198

7. NON-DOMESTIC RATES (NDR)

NDR is organised on a national basis. The government sets the rate poundage which in 2011/12 was 42.8p for all properties (40.9p in 2010/11). 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. 2011/12 NDR income paid into the pool was £57,981,019 after relief and provisions (£50,591,181 in 2010/11), based on a year end rateable value total of £153,115,317 (£148,694,794 in 2010/11).

Analysis of the net proceeds from non-domestic rates:

	2012	2011
	£000	£000
Non-domestic rates collected	58,378	51,085
Less - Paid into NDR pool	(57,981)	(50,591)
Less - Cost of collection	(438)	(509)
Add - Decrease in bad debts provision	41	15
	0	0
Receipts from pool	35,203	42,236
	35,203	42,236

8. GRANTS – REVENUE (GENERAL) AND CAPITAL

Welsh Government revenue grant funding of £151,229k (£146,458k in 2010/11) was received during 2011/12, comprising of revenue support grant, and improvement agreement grant.

Capital grants and contributions earned totaling £17,939k (£20,020k in 2010/11) are also reflected in the Comprehensive Income and Expenditure Statement, producing a grant income total of £169,168k (£166,478k in 2010/11).

	2012		2011	
	£000	£000	£000	£000
Revenue Grants - General				
Revenue support grant	149,753		144,976	
Improvement agreement grant	1,476		1,482	
		151,229		146,458
Capital Grants and Contributions				
Capital grants	12,739		14,820	
Major repairs allowance	5,200		5,200	
		17,939		20,020
		169,168		166,478

9. PROVISION FOR REPAYMENT OF EXTERNAL LOANS

Section 22 of the Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2008 requires the Authority to set aside a minimum revenue provision (MRP) in respect of the financing of capital expenditure incurred in that year or in any financial year prior to that year. The amounts set aside in 2011/12 were as follows :-

	2012	2011
	£000	£000
Total minimum revenue provision	6,403	6,338
Recharge to housing revenue account	(552)	(592)
	5,851	5,746

10. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue resources. The credit adjustment for the year is £69,031k (£12,216k debit in 2010/11).

10. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS (continued)

2011/12	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Council Fund Balance £000	Earmarked Council Fund Reserves £000	Housing Revenue Account Balance £000	Total Usable Reserves £000	Unusable Reserves £000
Adjustments involving the Capital Adjustment Account:							
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:							
Charges for depreciation and impairment of non current assets	0	0	19,522	0	23,792	**43,314**	(43,314)
Revaluation losses on Property, Plant and Equipment	0	0	29,897	0	0	**29,897**	(29,897)
Movements in the market value of Investment Properties	0	0	(1,261)	0	0	**(1,261)**	1,261
Amortisation of intangible assets	0	0	(15)	0	15	**0**	0
Capital grants and contributions applied	0	(23,898)	0	0	0	**(23,898)**	23,898
Movement in the Donated Assets Account	0	0	0	0	0	**0**	0
Revenue expenditure funded from capital under statute	0	0	7,741	0	50	**7,791**	(7,791)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	0	0	(42)	0	0	**(42)**	42
Inclusion of items not debited or credited to the Comprehensive Income and Expenditure Statement:							
Statutory provision for the financing of capital investment	0	0	(6,281)	0	(552)	**(6,833)**	6,833
Capital expenditure charged against the Council Fund and HRA balances	0	0	(1,288)	(457)	(2,714)	**(4,459)**	4,459
Adjustments involving the Capital Grants Unapplied Account:							
Capital grants and contributions unapplied credited to CIES	0	0	0	0	0	**0**	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	17,939	(17,939)	0	0	**0**	0
Adjustments involving the Capital Receipts Reserve:							
Use of the Capital Receipts Reserve to finance new capital expenditure	(153)	0	0	0	0	**(153)**	153
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	0	0	0	0	(132)	**(132)**	132
Adjustments involving the Pensions Reserve:							
Amount by which pension costs calculated in accordance with the Code (ie in accordance with IAS19) are different from the contributions due under the pension scheme regulations	0	0	350	0	0	**350**	(350)
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	0	0	0	0	1,105	**1,105**	(1,105)
Employer's pensions contributions and direct payments to pensioners payable in the year	0	0	0	0	(977)	**(977)**	977
Adjustment involving the Equal Pay Adjustment Account:							
Amount by which amounts charged for Equal Pay claims to the CIES are different from the cost of settlements chargeable in the year in accordance with statutory requirements	0	0	9,043	0	0	**9,043**	(9,043)
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	0	0	102	0	38	**140**	(140)
Other Adjustment							
Net transfer to or from earmarked reserves as required by legislation	0	0	15,146	0	0	**15,146**	(15,146)
Adjustments between accounting basis & funding basis under regulations	(153)	(5,959)	54,975	(457)	20,625	**69,031**	(69,031)

NOTES TO THE CORE FINANCIAL STATEMENTS

continued

10. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS (continued)

2010/11	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Council Fund Balance £000	Earmarked Council Fund Reserves £000	Housing Revenue Account Balance £000	Total Usable Reserves £000	Unusable Reserves £000
Adjustments involving the Capital Adjustment Account:							
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:							
Charges for depreciation and impairment of non current assets	0	0	27,168	0	6,873	**34,041**	(34,041)
Revaluation losses on Property, Plant and Equipment	0	0	65	0	0	**65**	(65)
Movements in the market value of Investment Properties	0	0	234	0	0	**234**	(234)
Amortisation of intangible assets	0	0	0	0	3	**3**	(3)
Capital grants and contributions applied	0	(17,782)	0	0	0	**(17,782)**	17,782
Movement in the Donated Assets Account	0	0	0	0	0	**0**	0
Revenue expenditure funded from capital under statute	0	0	7,597	0	0	**7,597**	(7,597)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	0	0	(323)	0	465	**142**	(142)
Inclusion of items not debited or credited to the Comprehensive Income and Expenditure Statement:							
Statutory provision for the financing of capital investment	0	0	(5,864)	0	(550)	**(6,414)**	6,414
Capital expenditure charged against the Council Fund and HRA balances	0	0	(1,229)	(441)	(2,000)	**(3,670)**	3,670
Adjustments involving the Capital Grants Unapplied Account:							
Capital grants and contributions unapplied credited to CIES	0	0	0	0	0	**0**	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	20,020	(20,020)	0	0	**0**	0
Adjustments involving the Capital Receipts Reserve:							
Use of the Capital Receipts Reserve to finance new capital expenditure	1,409	0	0	0	0	**1,409**	(1,409)
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	0	0	53	0	(188)	**(135)**	135
Adjustments involving the Pensions Reserve:							
Amount by which pension costs calculated in accordance with the Code (ie in accordance with IAS19) are different from the contributions due under the pension scheme regulations	0	0	(29,898)	0	0	**(29,898)**	29,898
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	0	0	0	0	1,236	**1,236**	(1,236)
Employer's pensions contributions and direct payments to pensioners payable in the year	0	0	0	0	(947)	**(947)**	947
Adjustment involving the Equal Pay Adjustment Account:							
Amount by which amounts charged for Equal Pay claims to the CIES are different from the cost of settlements chargeable in the year in accordance with statutory requirements	0	0	5,196	0	0	**5,196**	(5,196)
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	0	0	814	0	(27)	**787**	(787)
Other Adjustment							
Net transfer to or from earmarked reserves as required by legislation	0	0	(3,935)	0	(145)	**(4,080)**	4,080
Adjustments between accounting basis & funding basis under regulations	1,409	2,238	(20,142)	(441)	4,720	**(12,216)**	12,216

11. RELATED PARTIES

The Council is required to disclose material transactions with related parties i.e. bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council.

- Welsh Government exerts significant influence through legislation and grant funding – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties such as council tax bills and housing benefits. Material transactions are detailed in notes 7 and 8, with further (specific revenue) grant support provided across various services to the value of £38,267k (£35,747k in 2010/11)

- Relevant transactions with members of the Council during 2011/12 amounted to £528k (£357k in 2010/11).

- Total precepts and levies to the North Wales Police Authority and the North Wales Fire and Rescue Authority amounted to £19,757k (£19,305k in 2010/11); total precepts to the 34 community/town councils amounted to £2,191k (£2,119k in 2010/11).

- Details of transactions with the Pension Fund are provided in note 5 on pages 29 to 33, and within the Pension Fund accounts on pages 75 to 102.

12. AUDIT FEES

Total audit and inspection fees due during the year amounted to £495k (£491k in 2010/11). External audit services were provided by Wales Audit Office.

	2012	**2011**
	£000	**£000**
Fees for the accounts	216	221
Fees for the Local Government Measure	127	156
Fees for grants	152	114
	495	491

13. 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 Environment directorate 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 £2,063k (£2,258k in 2010/11). Income and expenditure relating to the Trunk Road Agency Agreement is incorporated in the comprehensive income and expenditure statement net cost of services total.

14. OFFICERS' REMUNERATION

Regulation 7A of the Accounts and Audit (Wales) (Amendment) Regulations 2010 requires disclosure (in £5,000 bandings) of the number of employees whose remuneration - all sums paid to or receivable by the employee, expense allowances chargeable to tax, and the money value of benefits - exceeded £60,000 :-

NOTES TO THE CORE FINANCIAL STATEMENTS

continued

14. OFFICERS' REMUNERATION (continued)

Remuneration Band	2012 Non-Schools No.	2012 Schools No.	2011 Non-Schools No.	2011 Schools No.
£60,000 - £64,999	2	13	3	8
£65,000 - £69,999	7	5	13	5
£70,000 - £74,999	10	3	3	3
£75,000 - £79,999	2	1	0	4
£80,000 - £84,999	1	3	2	1
£85,000 - £89,999	0	0	1	1
£90,000 - £94,999	0	2	0	1
£95,000 - £99,999	2	0	2	0
£100,000 - £104,999	0	0	0	0
£105,000 - £109,999	0	0	0	0
£110,000 - £114,999	1	0	0	0
£115,000 - £119,999	0	0	0	0
£120,000 - £124,999	0	0	0	0
£125,000 - £129,999	0	0	0	0
£130,000 - £134,999	0	0	0	0
£135,000 - £139,999	1	0	1	0
£140,000 - £144,999	0	0	3	0
£145,000 - £149,999	0	0	0	0
£150,000 - £154,999	0	0	0	0
£155,000 - £159,999	1	0	0	0
£160,000 - £164,999	1	0	0	0
	28	27	28	23

Information has been compiled on the basis of the requirements of the Accounts and Audit Regulations, and related CIPFA guidance; the numbers include 'non-permanents' (interims / consultants), and all non-school numbers include the senior employee posts listed on page 40. The band values do not include employer pension contributions, which for 2010/11 were accounted for at a rate of 14.1% for teachers and 22.3% for other employees, and for 2011/12 were accounted for at a rate of 14.1% for teachers and 22.5% for other employees.

Senior Employee Emoluments

The Accounts and Audit (Wales (Amendment) Regulations 2010 introduced the requirement to disclose the individual remuneration details for senior employees. Senior employees for the purpose of the disclosure are the chief executive, strategic directors, statutory chief officers and persons for whom the chief executive is directly responsible.

Senior Employee Emoluments - Salary over £150,000 per year:

Post Title	Note	Pensionable Pay	Expense Allowance	Total Remuneration Excluding Pension Contributions	Employer's Pension Contributions	Total Remuneration Including Pension Contributions
2011/12	**Note**	**£**	**£**	**£**	**£**	**£**
Chief Executive - Colin Everett	**1**	156,302	80	**156,382**	35,168	**191,550**
		156,302	80	**156,382**	35,168	**191,550**

14. OFFICERS' REMUNERATION (continued)

Senior Employee Emoluments - Salary between £60,000 and £150,000 per year:

Post Title	Note	Pensionable Pay	Expense Allowance	Total Remuneration Excluding Pension Contributions	Employer's Pension Contributions	Total Remuneration Including Pension Contributions
		£	£	£	£	£
2011/12						
Director of Community Services	**2**	62,776	0	**62,776**	14,124	**76,900**
Director of Environment		97,328	0	**97,328**	21,899	**119,227**
Director of Lifelong Learning		97,328	0	**97,328**	21,899	**119,227**
Head of Finance		81,960	0	**81,960**	18,411	**100,371**
Head of ICT & Customer Services	**3**	75,557	0	**75,557**	17,000	**92,557**
Head of Human Resources and Organisational Development		69,154	0	**69,154**	15,560	**84,714**
		484,103	0	**484,103**	108,893	**592,996**
2010/11 (comparative information)						
Chief Executive	**1**	140,264	160	**140,424**	31,279	**171,703**
Director of Community Services	(not in post)	0	0	**0**	0	**0**
Director of Environment		97,328	0	**97,328**	21,704	**119,032**
Director of Lifelong Learning		97,328	0	**97,328**	21,704	**119,032**
Head of Finance		81,960	0	**81,960**	18,277	**100,237**
Head of Legal and Democratic Services	**4**	83,049	0	**83,049**	18,520	**101,569**
Head of ICT & Customer Services		69,154	0	**69,154**	15,421	**84,575**
Head of Human Resources and Organisational Development		66,593	0	**66,593**	14,850	**81,443**
		635,676	160	**635,836**	141,755	**777,591**

Note 1 : Pensionable pay includes remuneration relating to (a) returning officer for national elections (with costs reimbursed by the respective government), and (b) clerk to the North Wales Fire and Rescue Authority (with costs reimbursed by that body).

Note 2 : Commenced July 2011. Acting/interim arrangements prior to the appointment are not included in the analysis.

Note 3 : Pensionable pay includes remuneration relating to additional responsibilties as Deputy Chief Executive (Flintshire Futures).

Note 4 : Post holder retired in July 2011. Acting/interim arrangements during 2011/12 are not included in the 2011/12 analysis.

Exit Packages

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

Exit Package Cost Band (Including Special Payments)	Compulsory Redundancies		Other Departures Agreed		Total Exit Packages by Cost Band		Total Exit Packages in Each Band	
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11
	No.	No.	No.	No.	No.	No.	£	£
£0 - £20,000	37	25	26	31	**63**	**56**	391,215	275,721
£20,001 - £40,000	5	8	11	9	**16**	**17**	465,060	515,548
£40,001 - £60,000	1	2	9	3	**10**	**5**	471,003	230,631
£60,001 - £110,000	0	0	2	1	**2**	**1**	162,125	90,934
	43	35	48	44	**91**	**79**	1,489,403	1,112,834

15. 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	2012 £000	2011 £000
Land	0	0
Buildings	0	451
Vehicles, plant and equipment	5,987	948
	5,987	1,399

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 £414k is due to be paid during the next 12 months (£363k equivalent for the previous financial year); the non-current amount of £5,573k is included within the deferred liabilities total of £6,663k (note 35 on page 55) :

	2012 £000	Repaid £000	New £000	2011 £000
Finance lease liabilities (net present value of the minimum lease payments):				
Current	414	251	302	363
Non-current	5,573	200	4,733	1,040
	5,987	451	5,035	1,403
Finance costs payable in future years	4,020	200	3,700	520
Minimum lease payments	10,007	651	8,735	1,923

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	
	2012 £000	2011 £000	2012 £000	2011 £000
Not later than one year	947	489	414	363
Later than one year and not later than five years	4,235	1,189	2,146	830
Later than five years	4,826	245	3,427	210
	10,008	1,923	5,987	1,403

15. LEASING (continued)

Operating Leases -

In 2011/12, operating lease rentals paid amounted to £1,760k (£1,764k in 2010/11).

Asset Classification	2012 £000	2011 £000
Land	23	22
Buildings	140	172
Vehicles, plant and equipment	1,597	1,570
	1,760	1,764

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

	Land £000	Buildings £000	Vehicles, Plant & Equipment £000	Total £000
Not later than one year	23	135	1,146	1,304
Later than one year and not later than five years	71	307	1,368	1,746
Later then five years *	913	267	0	1,180
	1,007	709	2,514	4,230

* Any open ended agreements are calculated to 2020/21 in line with the general average life of the longest leases

Lessor Rentals

Operating Leases –

The Council leases out property under operating leases largely for economic development purposes. In 2011/12, lease rentals receivable amounted to £2,286 (£2,324k in 2010/11).

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

	Land £000	Buildings £000	Total £000
Not later than one year	339	1,904	2,243
Later than one year and not later than five years	1,348	6,481	7,829
Later then five years *	24,536	11,343	35,879
	26,223	19,728	45,951

* Any open ended agreements are calculated to 2029/30 in line with the general average life of the longest leases

Finance Leases –

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

16. MEMBERS' ALLOWANCES

Allowances totaling £1,351k (inclusive of employer's national insurance and superannuation) were paid to members of the Council in 2011/12 (£1,346k in 2010/11).

	2012	2011
	£000	£000
Basic allowance	913	910
Special responsibility allowance	264	251
Care allowance	3	4
Employer's national insurance	89	96
Employer's superannuation	36	38
Members' expenses	46	47
	1,351	1,346

The allowances paid fall into the following bands :-

	2012	2011
Allowance Band	Number of Members	Number of Members
£10,000 - £14,999	46	48
£15,000 - £19,999	3	3
£20,000 - £24,999	8	6
£25,000 - £29,999	4	3
£30,000 - £34,999	5	6
£35,000 - £39,999	3	3
£40,000 - £44,999	0	0
£45,000 - £49,999	0	0
£50,000 - £54,999	1	1
	70	70

17. TRADING OPERATIONS

Since the repeal in January 2000 of the statutory requirements relating to the accounting and reporting for direct service organisations, there is no longer a prescribed requirement to keep trading accounts for services, but the following summary information is provided in relation to recognised trading activities. These accounts are an integral part of the total costs of particular services and consolidated in the net operating expenditure.

	2012		2011	
	Income	(Surplus)/ Deficit	Income	(Surplus)/ Deficit
	£000	£000	£000	£000
Building maintenance	8,838	305	9,229	(580)
	8,838	305	9,229	(580)

17. TRADING OPERATIONS (continued)

- The building maintenance deficit of £305k reflects additional sub-contractor costs incurred in maintaining services during the implementation of mobile working, the writing off of obsolete inventory items following outsourcing the stores to Travis Perkins, and increased support service recharges.

18. 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.

	2012	**2011**
Partnership	**£000**	**£000**
Gross expenditure	1,013	958
Gross income	(1,020)	(942)
(Surplus)/deficit for year	(7)	16
Contribution to Budget		
Flintshire County Council	362	362

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 £907k; the premises are included in Flintshire County Council's balance sheet (as host partner):-

	Gross	**Net**	
Valuation	**£000**	**£000**	**%**
Flintshire County Council	456	450	50.25
Wrexham County Borough Council	451	445	49.75
	907	895	100.00

19. INTANGIBLE ASSETS

	2012	**Write-Offs**	**Additions**	**2011**
	£000	**£000**	**£000**	**£000**
Software licences	0	0	0	0
Development expenditure	732	(116)	220	628
	732	(116)	220	628

Intangible assets are amortised from the first full financial year following acquisition, in line with the related accounting policy as included on page 19.

NOTES TO THE CORE FINANCIAL STATEMENTS

continued

20. PROPERTY PLANT AND EQUIPMENT

Movements 2011/12

	Council Dwellings and Garages	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Surplus Assets	Infra-structure Assets	Com-munity Assets	Assets under Construc-tion	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
At 1st April, 2011	305,432	470,006	33,877	9,032	195,677	10,920	12,025	1,036,969
Additions	10,348	7,400	7,779	0	4,858	519	3,991	34,895
Disposals	(118)	0	0	(275)	0	0	0	(393)
Reclassifications	0	(137)	450	7,893	0	0	0	8,206
Revaluations	(33,508)	(85,881)	537	(2,482)	0	0	(10,812)	(132,146)
At 31st March 2012	282,154	391,388	42,643	14,168	200,535	11,439	5,204	947,531
Depreciation and Impairments								
At 1st April, 2011	(12,146)	(128,574)	(27,922)	(1,113)	(41,661)	(1,462)	(10,812)	(223,690)
Depreciation charge for 2011/12	(5,210)	(5,253)	(1,486)	0	(5,051)	(276)	0	(17,276)
Impairment charge for 2011/12	0	28,402	(1,082)	0	0	0	0	27,320
Disposals	0	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0	0
Revaluations	12,010	15,089	(537)	783	0	0	10,812	38,157
At 31st March 2012	(5,346)	(90,336)	(31,027)	(330)	(46,712)	(1,738)	0	(175,489)
Balance Sheet at 31st March 2012	276,808	301,052	11,616	13,838	153,823	9,701	5,204	772,042
Acquisitions AD Waste purchase *	0	2,912	986	0	0	0	487	4,385
Balance Sheet at 31st March 2012	276,808	303,964	12,602	13,838	153,823	9,701	5,691	776,427
Balance Sheet at 1st April 2011	293,286	344,344	6,941	7,919	154,016	9,458	1,700	817,664
Nature of Asset Holding								
Owned	276,808	303,964	6,615	13,838	153,823	9,701	5,691	770,440
Finance Lease	0	0	5,987	0	0	0	0	5,987
Private Finance Initiative	0	0	0	0	0	0	0	0
At 31st March 2012	276,808	303,964	12,602	13,838	153,823	9,701	5,691	776,427

* The assets of AD Waste Limited were purchased by the Council for the consideration of £4,531,398 on 28th September 2010; the purchase price is recorded on the Council’s balance sheet by way of an ‘inter company’ loan, which remains on the balance sheet until the company is finally liquidated. At the date of submitting the Council’s draft 2011/12 Statement of Accounts, the liquidation of AD Waste remains ongoing.

20. PROPERTY PLANT AND EQUIPMENT (continued)

Movements 2010/11

	Council Dwellings and Garages	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Surplus Assets	Infra-structure Assets	Com-munity Assets	Assets under Construc-tion	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
At 1st April 2010	299,303	471,080	32,144	8,983	190,758	10,370	11,493	1,024,131
Additions	8,021	6,909	1,733	0	4,919	550	532	22,664
Disposals	(514)	(35)	0	0	0	0	0	(549)
Reclassifications	(1,389)	(105)	0	49	0	0	0	(1,445)
Revaluations	11	(7,843)	0	0	0	0	0	(7,832)
At 31st March 2011	305,432	470,006	33,877	9,032	195,677	10,920	12,025	1,036,969
Depreciation and Impairments								
At 1st April 2010	(5,342)	(122,045)	(25,209)	(236)	(36,937)	(1,236)	(10,812)	(201,817)
Depreciation charge for 2010/11	(5,200)	(8,021)	(2,713)	0	(4,724)	(226)	0	(20,884)
Impairment charge for 2010/11	(1,604)	(1,026)	0	(10)	0	0	0	(2,640)
Disposals	0	0	0	0	0	0	0	0
Reclassifications	0	105	0	115	0	0	0	220
Revaluations	0	2,413	0	(982)	0	0	0	1,431
At 31st March 2011	(12,146)	(128,574)	(27,922)	(1,113)	(41,661)	(1,462)	(10,812)	(223,690)
Balance Sheet at 31st March 2011	293,286	341,432	5,955	7,919	154,016	9,458	1,213	813,279
Acquisitions AD Waste purchase	0	2,912	986	0	0	0	487	4,385
Balance Sheet at 31st March 2011	293,286	344,344	6,941	7,919	154,016	9,458	1,700	817,664
Balance Sheet at 1st April 2010	293,961	349,035	6,935	8,747	153,821	9,134	681	822,314
Nature of Asset Holding								
Owned	293,286	344,344	5,542	7,919	154,016	9,458	1,700	816,265
Finance Lease	0	0	1,399	0	0	0	0	1,399
Private Finance Initiative	0	0	0	0	0	0	0	0
At 31st March 2011	293,286	344,344	6,941	7,919	154,016	9,458	1,700	817,664

Property, Plant and Equipment

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

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

20. PROPERTY PLANT AND EQUIPMENT (continued)

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

21. INVESTMENT PROPERTIES AND AGRICULTURAL ESTATE

Movements 2011/12

	Investment Properties	Agricultural Estate	Total
	£000	£000	£000
Cost or Valuation			
At 1st April 2011	31,038	14,864	45,902
Additions	261	0	261
Disposals	0	(1,215)	(1,215)
Reclassifications	0	0	0
Revaluations	(2,686)	(371)	(3,057)
At 31st March 2012	28,613	13,278	41,891
Depreciation and Impairments			
At 1st April 2011	(4,178)	(371)	(4,549)
Depreciation charge for 2011/12	0	0	0
Impairment charge for 2011/12	0	0	0
Disposals	0	0	0
Reclassifications	0	0	0
Revaluations	3,591	371	3,962
At 31st March 2012	(587)	0	(587)
Balance Sheet at 31st March 2012	28,026	13,278	41,304
Acquisitions AD Waste purchase	146	0	146
Balance Sheet at 31st March 2012	28,172	13,278	41,450
Balance Sheet at 1st April 2011	27,006	14,493	41,499
Nature of Asset Holding			
Owned	28,172	13,278	41,450
Finance Lease	0	0	0
Private Finance Initiative	0	0	0
At 31st March 2012	28,172	13,278	41,450

21. INVESTMENT PROPERTIES AND AGRICULTURAL ESTATE (continued)

Movements 2010/11

	Investment Properties	Agricultural Estate	Total
	£000	**£000**	**£000**
Cost or Valuation			
At 1st April, 2010	31,386	14,864	46,250
Additions	16	0	16
Disposals	0	0	0
Reclassifications	105	0	105
Revaluations	(469)	0	(469)
At 31st March 2011	31,038	14,864	45,902
Depreciation and Impairments			
At 1st April, 2010	(4,073)	(371)	(4,444)
Depreciation charge for 2010/11	0	0	0
Impairment charge for 2010/11	0	0	0
Disposals	0	0	0
Reclassifications	(105)	0	(105)
Revaluations	0	0	0
At 31st March 2011	(4,178)	(371)	(4,549)
Balance Sheet at 31st March 2011	26,860	14,493	41,353
Acquisitions AD Waste purchase	146	0	146
Balance Sheet at 31st March 2011	27,006	14,493	41,499
Balance Sheet at 1st April 2010	27,313	14,493	41,806
Nature of Asset Holding			
Owned	27,006	14,493	41,499
Finance Lease	0	0	0
Private Finance Initiative	0	0	0
At 31st March 2011	27,006	14,493	41,499

22. ASSET VALUATION

Non-Current Asset Valuation

The freehold and leasehold properties which comprise the Authority's property portfolio have been valued in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors, and the CIPFA Guide to Asset Registers - they are classified into various groupings as required by the 2011/12 Code of Practice on Local Authority Accounting in the United Kingdom. The whole of the assets of the Authority must be revalued every five years - during 2011/12 approximately 20% of non-dwelling assets were revalued, although material changes to valuations are adjusted as they occur; the whole of the housing stock was also revalued. The valuation process incorporates impairment reviews in compliance with IAS 36.

Council dwellings and garages have been valued on the basis of existing use value for social housing. All property, plant and equipment are now valued at fair value (as is required by the implementation of IFRS) in accordance with IAS 16, with the exception of infrastructure assets, community assets and assets under construction which are valued on the basis of historical cost. Investment properties and the agricultural estate have also been valued at fair value in accordance with IAS 40. Those assets included at fair value have been valued by way of in-house and external valuers –

Property, Plant and Equipment -	
Council dwellings and garages	Alex Wheldon BSc(Hons) DipConsHistEnv(RICS) MRICS of Valuation Office Agency Wales, Wrexham and Paula M. Blellock BSc (Hons) MRICS of Flintshire County Council
Residential homes	Not applicable this financial year
Other operational land and buildings	Paula M. Blellock BSc (Hons) MRICS, Paul Brockley MRICS, both of Flintshire County Council
Non-Operational Assets	
Investment property	Reviewed by Paul Brockley MRICS of Flintshire County Council
Agricultural estate	Not applicable this financial year

Straight line depreciation is provided for on all non-current assets with a finite useful life, other than for non-depreciable land and non-operational investment properties in accordance with IAS 16 and IAS 40. The calculation is based on the 2011/12 opening balance sheet valuations, with assumed nil residual values for all non-current assets, and varying useful life values across the portfolio. Where the asset comprises of two or more major components with substantially different useful economic lives, each component has been accounted for separately. A materiality level has been set for componentisation being individual assets greater than or equal to £2.5 million and significant components have been identified as 20% of the value of any material asset. Details of the useful lives for depreciation purposes are included within the Accounting Policies on page 15.

Vehicles, plant, furniture and equipment are valued on the basis of historical cost at £12,602k, net of depreciation (£6,941k in 2010/11).

23. CAPITAL EXPENDITURE AND CAPITAL FINANCING

Total capital expenditure of £37,991k during the year was financed as detailed on page 50. In addition to these core capital financing sources, finance lease arrangements to the value of £5,035k were entered into in respect of the refurbishment works at Deeside Leisure Centre.

23. CAPITAL EXPENDITURE AND CAPITAL FINANCING (continued)

Capital Financing

	Supported Borrowing	Other Borrowing	Capital Receipts	Capital Grants & Contributions	Capital Reserves/CERA	Total
	£000	£000	£000	£000	£000	£000
Property, plant & equipment	640	1,812	1,842	21,212	3,869	29,375
Investment (and agricultural) properties	0	0	261	0	0	261
Total	640	1,812	2,103	21,212	3,869	29,636
REFCUS (see page 13)	5,148		515	2,686	6	8,355
2011/12 total	5,788	1,812	2,618	23,898	3,875	37,991
Being :-						
Housing revenue account	0	0	1,666	5,510	3,172	10,348
Council fund	5,788	1,812	952	18,388	703	27,643
2011/12 total	5,788	1,812	2,618	23,898	3,875	37,991

In addition to these core capital financing sources, finance lease arrangements to the value of £5,035k were entered into during 2011/12 in respect of refurbishment works at Deeside Leisure Centre (£451k in 2010/11).

Future Commitments

At 31st March 2012, the Council’s forward capital programme includes (amongst other indicative programme schemes), significant commitments in respect of school modernisation works (£45,524k) school buildings repair and maintenance ‘backlog’ works (£9,900k), and depot rationalisation (£2,800k).

24. LONG TERM INVESTMENTS

Long term investments are carried in the balance sheet at fair value. Further related information is included in note 38 on pages 62 – 66.

	2012	2011
	£000	£000
War stock	15	13
Shares	725	613
Banks/building society deposits	2,013	2,002
	2,753	2,628

25. LONG TERM DEBTORS

	2012	2011
	£000	£000
Mortgages - Former council house tenants	2	8
Renewal and improvement loans	769	304
First time buyer loans	100	0
Assisted car purchase loans	155	241
Private street works	40	38
	1,066	591

26. INVENTORIES

The Council holds total inventories of £1,269k (£1,264k in 2010/11) in the balance sheet as at 31st March 2011.

	2012	2011
	£000	£000
Building maintenance	90	145
Highways maintenance	322	378
Fleet fuel	33	31
Grounds maintenance	8	14
Vehicle maintenance	35	47
Rock salt	257	0
Miscellaneous	524	649
	1,269	1,264

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

	2012	2011
	£000	£000
Building maintenance	463	643
Highways maintenance	332	354
Fleet fuel (Queensferry)	93	363
Fleet fuel, grounds maintenance and vehicle maintenance (Alltami)	511	362
	1,399	1,722

27. SHORT TERM DEBTORS

	2011	2011
	£000	£000
Housing rents	1,398	1,160
Council tax	2,700	2,697
Government departments	454	3,746
Taxation	1,816	2,276
Lending	138	13
Payments made in advance	3,492	3,451
Benefit overpayments	1,651	1,264
Non-domestic rates agency	450	493
Other debtors	20,535	15,656
	32,634	30,756
Less provision for impairment losses (note 34)	(2,699)	(2,569)
	29,935	28,187

28. SHORT TERM INVESTMENTS

The balance sheet total of £13,599k (£10,410k in 2010/11) includes investments of £3,700k deposited in Landsbanki (see also note 4 on pages 27 to 28), which have been impaired to take account of the financial difficulties being experienced by Icelandic banks :-

Date Invested	Maturity Date	Amount Invested £000	Interest Rate %	Carrying Amount £000	Impairment £000
22/07/08	17/10/08	1,200	5.82	997	(63)
01/09/08	14/11/08	1,500	5.70	1,242	(84)
08/09/08	18/11/09	1,000	5.67	829	(55)
		3,700		3,068	(202)

The carrying amounts have been calculated using the present value of the expected repayments, discounted using the investment's origins rate. The expected repayments (in December of each year) have been estimated as follows, based on the statements made by the administrator :-

2012 £000	2013 £000	2014 £000	2015 £000	2016 £000	2017 £000	2018 £000	2019 £000	Total £000
251	237	224	212	200	189	178	212	1,703

29. CASH AND CASH EQUIVALENTS

	2012		2011	
	£000	£000	£000	£000
Current Assets				
Temporary investments (call accounts)		16,000		22,500
Cash and cash equivalents	25,458		22,074	
Cash overdrawn	(2,521)		(4,592)	
		22,937		17,482
		38,937		39,982

30. ASSETS HELD FOR SALE

Those assets that are highly probable to be sold within one year of classification. The total has reduced from £9,493k to £2,757k, taking account of in-year disposals (£50k), and reflecting the reviewed position as regards disposal within 12 months. The re-classifications adjustment (£6,686k net), links with those reclassifications recorded within Property, Plant and Equipment – see note 20 on page 45.

	2012 £000	Disposals £000	Reclass-ifications £000	2011 £000
Council Fund	2,239	(50)	(5,815)	8,104
Housing Revenue Account	518	0	(871)	1,389
	2,757	(50)	(6,686)	9,493

31. BORROWING REPAYABLE ON DEMAND OR WITHIN 12 MONTHS

The balance sheet total of £10,487k (£5,803k in 2010/11) includes an 'inter company' loan which records the purchase price of AD Waste – this value will remain on the balance sheet until the company is finally liquidated.

	2012	2011
	£000	£000
Accrued interest on long term external borrowing	4,298	1,141
Government (PWLB)	1,500	0
Invest to Save loan (from Welsh Government)	131	131
Energy Efficiency Loans (from Salix Finance	27	0
AD Waste - inter company loan	4,531	4,531
	10,487	5,803

32. SHORT TERM CREDITORS

	2012		2011	
	£000	£000	£000	£000
Government departments	4,710		2,512	
Other creditors	26,344		28,292	
		31,054		30,804
Payments received in advance				
Housing rents	233		184	
Council tax	679		732	
Other *	1,710		1,388	
		2,622		2,304
		33,676		33,108

* net of transfer to non-current liabilities of £1,913k (£2,205k in 2010/11)

33. LONG TERM BORROWING

	Interest Rates		2012	2011
Analysis	**Minimum %**	**Maximum %**	**£000**	**£000**
By Loan Type (Fixed Rate)				
Wales Government	Interest Free		0	131
Salix Finance (Energy Efficiency)	Interest Free		297	0
Government (PWLB)	0.65	9.50	153,163	154,663
Other financial institutions	4.48	4.58	18,950	18,950
			172,410	173,744
By Maturity				
Between 1 and 2 years			55	1,631
Between 2 and 5 years			162	0
Between 5 and 10 years			14,771	11,600
More than 10 years			157,422	160,513
			172,410	173,744

34. PROVISIONS

Non-Current Provisions

The amounts recognised as provisions are the best estimates of the expenditure required to settle present obligations. The provision total of £19,152k incorporates the following balances :-

	2012	Movement Out	Movement In	2011
	£000	£000	£000	£000
Claims (staff)	9	(31)	0	40
North Wales Safety Camera Partnership	1	0	0	1
Equal pay	19,142	0	9,043	10,099
	19,152	(31)	9,043	10,140

- The staff claims provision covers the anticipated costs of various staff claims against the Council; no immediate calls against the provision are expected.

- The North Wales Safety Camera Partnership provision provides cover for compensation to drivers who have been wrongly fined for speeding in a designated area when it was not correctly marked as a 30 m.p.h. zone. The timing and certainty of obligations depends entirely upon those motorists who haven't already submitted claims, proceeding to do so.

- The equal pay provision provides cover for the potential costs associated with the settlement of historic equal pay cases, which includes the potential liability for existing and potential equal pay claims. The equal pay account included in the balance sheet on page 60 is used to hold an amount equal to equal pay which has been deferred from being charged to the Council fund under the Local Authority (Capital Finance and Accounting) (Wales) Regulations.

Current Provisions – Accumulated Absences

The provision for accumulated absences in 2011/12 is £3,738k (£3,598k in 2010/11).

	2012	Movement Out	Movement In	2011
	£000	£000	£000	£000
Accumulated absences	3,738	(343)	483	3,598
	3,738	(343)	483	3,598

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

34. PROVISIONS (continued)

Current Provisions - Provision for Impairment Losses (Bad Debts)

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

	2012	2011
	£000	£000
Housing rents	637	435
Council tax	803	830
Other debtors	1,259	1,304
	2,699	2,569

35. DEFERRED LIABILITIES

	2012	2011
	£000	£000
Non-current finance leases	5,573	1,040
AD Waste Limited	1,090	1,025
	6,663	2,065

A finance lease total of £5,573k is due to be paid beyond 2012/13 (£1,040k in 2010/11) as part of the minimum lease payments due as disclosed in note 15 on page 41.

The AD Waste Limited liability £1,090k (£1,025k in 2010/11) in respect of the environmental aftercare of former waste disposal sites, remains on the balance sheet until the company is finally liquidated during 2012/13.

36. USABLE RESERVES

Movements in the Authority’s usable reserves are detailed in the Movement in Reserves Statement and note 10.

Capital Receipts Reserve
The capital receipts reserve contains receipts from the sale of assets which have yet to be used to finance capital or to repay debt.

Capital Grants Unapplied
Capital grants unapplied are amounts received but not yet applied to finance capital expenditure.

Council Fund
The Council fund revenue reserves total £39,761k (£34,111k in 2010/11) includes unearmarked balances of £6,468k (£5,962k in 2010/11), earmarked balances of £6,479k (£5,795k in 2010/11), the single status/equal pay balance of £24,156k (£20,380k in 2010/11), and the surpluses generated by locally managed schools of £2,658k (£1,974k in 2010/11). The schools balances are not available for general county purposes.

36. USABLE RESERVES (continued)

Specific Revenue Reserves

Specific revenue reserves include those for supporting people, waste disposal, and insurance funds.

	2012		2011	
	£000	£000	£000	£000
Reserves				
Unearmarked	6,468		5,962	
Earmarked (service balances)	6,479		5,795	
Single status/equal pay	24,156		20,380	
Schools	2,658		1,974	
		39,761		34,111
Specific Reserves				
Supporting people	1,493		1,209	
Waste disposal	811		895	
Insurance funds	931		1,233	
Other (including theatre - see below)	1,436		1,353	
		4,671		4,690
		44,432		38,801

Housing Revenue Account

The housing revenue account reserve surplus of £1,890k (£1,614k in 2010/11) reflects the 2011/12 HRA surplus of £276k (£122k in 2010/11), as detailed on page 72.

Clwyd Theatr Cymru

The theatre is owned and operated by Flintshire County Council in exercise of its functions under, inter alia, Section 145 of the Local Government Act 1972.

It is managed under a scheme of delegation by which Flintshire County Council provides for the governance of the theatre and the discharge of all of the Council's functions, powers and duties in connection therewith. Under the scheme of delegation, the Council now delegates to and vests in its Chief Executive all of its functions, powers and duties in relation to the theatre. The Director of the theatre is responsible to the board of governors for ensuring that all departmental expenditure is kept within approved budgets. The Chief Executive is required to report to the Cabinet on the theatre's operations and finances, including the current surplus/deficit carry forward position and actions being taken to address this. In the year 2011/12 the theatre made an operating deficit of £56k (£5k surplus in 2010/11).

In the event of the theatre's demise, responsibility for any outstanding deficits and/or other net closure costs would fall on Flintshire County Council.

37. UNUSABLE RESERVES

The details of movements on unusable reserves are as follows –

Reserves	2012 £000	2011 £000
Revaluation reserve	103,661	114,579
Available-for-sale financial instruments reserve	368	254
Capital adjustment account	532,784	574,061
Financial instruments adjustment account	(9,051)	(9,679)
Pensions reserve	(240,834)	(203,303)
Equal pay account	(19,142)	(10,099)
Deferred capital receipts	9	16
Accumulated absences account	(3,738)	(3,598)
Total Unusable Reserves	**364,057**	**462,231**

Revaluation Reserve

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

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consume 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.

	2012		2011	
	£000	£000	£000	£000
Balance at 1st April		114,579		112,792
Upward revaluation of assets	9,464		5,661	
Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services	(18,682)		(1,431)	
Surplus or deficit on revaluation of non-current assets not posted to the surplus/deficit on the provision of services		(9,218)		4,230
Difference between fair value depreciation and historical cost depreciation	(1,700)		(2,443)	
Accumulated gains on assets sold or scrapped	0		0	
Amount written off to the capital adjustment account		(1,700)		(2,443)
Balance at 31st March		103,661		114,579

Available-for-Sale Financial Instruments Reserve

The available-for-sale financial instruments reserve records unrealised revaluation gains arising from holding available-for-sale investments, plus any unrealised losses that have not arisen from impairment of the assets. The reserve is matched by borrowings and investments within the balance sheet - the resources are not available for financing purposes.

37. UNUSABLE RESERVES (continued)

Available-for-Sale Financial Instruments Reserve (continued)

	2012		2011	
	£000	£000	£000	£000
Balance at 1st April		254		240
Upward revaluation of investments	114		14	
Downward revaluation of investments not charged to the surplus/deficit on the provision of services	0		0	
		114		14
Balance at 31st March		368		254

Pensions Reserve

The pensions reserve is an adjustment account that absorbs the timing differences arising from different arrangements for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement - the benefits are earned by employees accruing years of service. The liabilities recognised in the accounts are updated to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

Statutory arrangements require those benefits earned to be financed as and when the Authority makes the employer's contributions to the pension fund, or eventually pays any pensions for which it has direct responsibility. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

The actuarial gains and losses identified as movements on the pensions reserve in 2011/12 are as detailed within the tables included in note 5 on pages 29 to 33 :-

	2012	2011
	£000	£000
Statement of Actuarial (Gains) and Losses -		
Asset (gain)/loss	16,756	6,281
Liability (gain)/loss	20,425	(22,010)
Net (Gain)/Loss	37,181	(15,729)

Capital Adjustment Account

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

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

37. UNUSABLE RESERVES (continued)

Note 10 provides details of the source of all the transactions posted to the account, apart from those involving the revaluation reserve.

	2012		2011	
	£000	£000	£000	£000
Balance at 1st April		574,061		586,629
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:				
- Charges for depreciation and impairment of non-current assets	(73,461)		(34,039)	
- Amortisation of intangible assets	104		(65)	
- Revenue expenditure funded from capital under statute	(7,791)		(7,597)	
- Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the comprehensive income and expenditure statement	(1,540)		(2,104)	
		(82,688)		(43,805)
Long term debtors adjustments		967		1,020
Adjusting amounts writen out of the revaluation reserve		1,700		2,443
Net written out amount of the cost of non-current assets consumed in the year		(80,021)		(40,342)
Capital financing applied in the year:				
- Use of the capital receipts reserve	2,858		615	
- Capital grants and contributions credited to the comprehensive income and expenditure statement that have been applied to capital financing	23,898		17,782	
- Statutory provision for the financing of capital investment charged against the council fund and HRA balances	6,852		6,315	
- Capital expenditure charged against the council fund and HRA balances	3,875		3,296	
		37,483		28,008
Movements in the market value of investment properties debited or credited to the Comprehensive income and expenditure statement	1,261		(234)	
		1,261		(234)
Balance at 31st March		532,784		574,061

37. UNUSABLE RESERVES (continued)

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.

	2012		2011	
	£000	£000	£000	£000
Balance at 1st April		(9,679)		(11,131)
Premiums incurred in the year and charged to the comprehensive income and expenditure statement	0		(87)	
Proportion of premiums incurred in previous financial years to be charged against the Council Fund balance in accordance with statutory requirements	628		613	
Impaired investment transfers - Landsbanki	0		926	
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		628		1,452
Balance at 31st March		(9,051)		(9,679)

Equal Pay Account

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

	2012		2011	
	£000	£000	£000	£000
Balance at 1st April		(10,099)		(4,903)
Increase in provision for equal pay cases	(9,043)		(5,196)	
Cash settlements paid in the year	0		0	
Amount by which amounts charged for equal pay claims to the comprehensive income and expenditure statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements		(9,043)		(5,196)
Balance at 31st March		(19,142)		(10,099)

37. UNUSABLE RESERVES (continued)

Deferred Capital Receipts

Deferred capital receipts are amounts derived from sales of assets, which will be received in instalments over agreed periods of time. The reserve holds the gain recognised on the disposal of non-current assets but for which cash settlement has yet to take place. They arise from mortgages on sales of council houses.

Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the capital receipts reserve.

	2012	2011
	£000	£000
Council houses	9	16
	9	16

Accumulated Absences Account

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

	2012		2011	
	£000	£000	£000	£000
Balance at 1st April		(3,598)		(2,810)
Settlement or cancellation of accrual made at the end of the preceding year	3,598		2,810	
Amounts accrued at the end of the current year	(3,738)		(3,598)	
Amount by which officer remuneration charged to the comprehensive income and expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(140)		(788)
Balance at 31st March		(3,738)		(3,598)

38. FINANCIAL INSTRUMENTS

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

	Long-Term		Current	
	2012	2011	2012	2011
	£000	£000	£000	£000
Financial liabilities at amortised cost	172,410	173,744	5,798	1,141
Payables	0	0	30,234	29,922
Total financial liabilities	172,410	173,744	36,032	31,063
Loans	769	304	13,599	10,410
Receivables	2,013	2,002	19,879	18,762
Available-for-sale financial assets	740	626	0	0
Total financial assets	3,522	2,932	33,478	29,172

The balance sheet value of trade payables and other payables amounted to £30,234k (£29,922k in 2010/11) as disclosed above, and trade receivables amounted to £19,879k (£18,762k in 2010/11).

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

	2012				2011			
	Financial Liabilities	Financial Assets			Financial Liabilities	Financial Assets		
	Liabilities Measured at Amortised Cost	Loans and Receivables	Available-for-Sale Assets	Total	Liabilities Measured at Amortised Cost	Loans and Receivables	Available-for-Sale Assets	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Interest expense	(10,231)	0	0	(10,231)	(9,970)	0	0	(9,970)
Impairment losses	0	361	0	361	0	135	0	135
Interest payable and similar charges	(10,231)	361	0	(9,870)	(9,970)	135	0	(9,835)
Interest income	0	670	0	670	0	535	0	535
Interest and investment income	0	670	0	670	0	535	0	535
Gain on revaluation			0				0	
Deficit arising on revaluation of financial assets			0				0	
Net gain/(loss)for the year	(10,231)	1,031	0		(9,970)	670	0	

38. FINANCIAL INSTRUMENTS (continued)

Fair Value of Assets and Liabilities Carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables are carried in the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments (in line with the 2010/11 method). The 2011/12 borrowing figure for Public Works Loans Board (PWLB) loans has been calculated by reference to the 'premature repayment' set of rates in force on 31st March 2012 (in line with the 2010/11 method).

The 2011/12 Lender Option Borrower Option loans (LOBOs) figure has been calculated in the same way as PWLB, less a 0.65% margin for the value of six monthly options to the lender (again in line with the 2010/11 method).

The fair value of shares and war stock are calculated using the value of undated gilts as published for 31st March 2012.

The fair value of trade and other receivables is taken to be the invoiced or billed amount, and no early repayment or impairment is recognised.

The fair values are calculated as follows:

	2012		2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Financial Liabilities				
PWLB	158,734	223,022	155,576	193,686
LOBOs	19,177	26,480	19,177	22,647
	177,911	249,502	174,753	216,333

The PWLB fair value is higher than the carrying amount because the Authority's portfolio of loans includes a number of fixed loans where the interest rate payable is higher than the rates available for similar loans at the balance sheet date. This commitment to pay interest above current market rates increases the amount that the Authority would have to pay if the lender requested or agreed to early repayment of the loans. The same is the case for LOBOs, with the interest rates higher than the PWLB rates available at the balance sheet date, resulting in a higher fair value.

	2012		2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Loans and Receivables				
War stock	15	15	13	13
Shares	725	725	613	613
Long term investments	2,013	2,013	2,002	2,002
	2,753	2,753	2,628	2,628

38. FINANCIAL INSTRUMENTS (continued)

Disclosure of Nature and Extent of Risks Arising from Financial Instruments

The Council manages its Treasury Management risk by adoption of the CIPFA Treasury Management in the Public Services - Code of Practice 2009, the Prudential Code for Capital Finance in Local Authorities, and an Annual Investment Strategy as issued by the National Assembly for Wales under section 15 (1) (a) of the Local Government Act 2003. The Authority must prepare (as a minimum) a Policy and Strategy Statement (a mid-year report) and an annual outturn report for submission to Executive, in accordance with Financial Procedure Rules. The National Assembly for Wales also requires investment limits on specified (investments offering high security and liquidity), non-specified investments (investments with greater potential risk) and investments committed for more than one year. In addition, key prudential indicators must be set and Treasury Management Practices documented. These practices include financial risks such as Credit Risk, Liquidity Risk and Market Risk.

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the authority

- Liquidity risk – the possibility that the authority might not have funds available to meet its commitments to make payments

- Market risk – the possibility that financial loss might arise for the authority as a result of changes in such measures as interest rates and stock market movements.

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

Risk - Liabilities

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

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

38. FINANCIAL INSTRUMENTS (continued)

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

Analysis shows that if interest rates rose by 1% the financial effect would be an increase in debt costs of £142k. If rates were to fall by 1%, costs would decrease by £127k.

Risk - Loans and Receivables

Long Term Investments -

- Investments of more than 1 year (or in Money Market Funds), are referred to as non-specified investments because of the additional interest rate risk. There is a limit of £20m for long term investments and additional procedures for authorisation by the Head of Finance.

- Deposits with banks and building societies do carry some credit risk and this is managed by using three rating agencies and only investing in highly rated banks or building societies with assets of more than £1bn. The criteria is shown in the table below :–

	FITCH		**MOODY'S**		**STANDARD & POORS**	
Rating Type	UK & Overseas Banks	Building Societies	UK & Overseas Banks	Building Societies	UK & Overseas Banks	Building Societies
Short Term	F1	F2	P1	P2	A-1	A-2
Long Term	A	A-	A2	A3	A	A-

Analysis shows that if interest rates rose by 1% the financial effect would be an increase in investment income of £100k. If rates fell by 1%, there would be a loss of income for the same amount.

The Council has £3,700k deposited in the Icelandic bank Landsbanki, which collapsed in October 2008. Information currently available indicates that the invested sum will not be fully repaid.

Bonds -

Investments in bonds have limited credit risk because they are government backed but the market will fluctuate based on current interest rates thus changing the fair value.

Shares -

The Council's shareholding in 2011/12 related to AD Waste Limited; there is no longer a credit risk involved as the company came in house during 2010/11.

38. FINANCIAL INSTRUMENTS (continued)

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.

39. FOUNDATION SCHOOLS

The Schools Standards and Framework Act 1998 changed the status of grant maintained schools to foundation schools maintained by the local education authority. The change for funding purposes took effect from 1st April 1999, resulting in the inclusion of the current assets and liabilities controlled by Flintshire's only foundation school (Derwen Primary, Higher Kinnerton) in the balance sheet. Fixed assets and long term liabilities remain vested in the governing body of the school and therefore values and amounts have not been consolidated in the balance sheet.

40. OTHER FUNDS ADMINISTERED BY THE AUTHORITY

The County Council administered 25 education trust funds during 2011/12, each consisting of relatively small sums of money received from individuals and invested in order to provide an annual income for prizes etc. The administration of 4 funds was transferred to their associated schools during 2011/12; the remaining 21 funds are under review. The total fund balance at 31st March 2012 was £277,394 (£280,453 in 2010/11), which is not reflected in the balance sheet.

The Council also 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 2012 was £130,474 (£137,447 in 2010/11), and is not included in the balance sheet.

The Council is responsible for the management and maintenance of St. Margaret's Cemetery, Rhewl. This registered charity has three bank accounts with a total current value of £357 (also £357 in 2010/11). The bank accounts are not shown in the balance sheet.

Flintshire County Council acts as lead authority in the administration of the Welsh Church Acts Fund on behalf of Denbighshire, Flintshire and Wrexham. Income received from investments, net of central management expenses, is apportioned to each authority to be used to give grants which accord with the stated objectives. At 31st March 2012 the fund balance was £577,424 (£577,867 in 2010/11), Flintshire having an unused income balance of £548 (£3,383 in 2010/11). These figures are not reflected in the balance sheet.

The Community Services Directorate - Social Services for Adults Section maintain individual bank accounts for service users living in the community who are unable to cope with their financial affairs due to their mental incapacity; individual members of the Deputyship team are approved to act as corporate appointee with the Department for Work and Pensions for each service user. The total amount held by the Council at 31st March 2012 was £2,588k in 306 separate accounts (£2,246k in 295 accounts in 2010/11).

41. CONTINGENT LIABILITY

The Council is reconsidering its legal position in relation to a number of equal pay claims registered in the Employment Tribunal as a result of judgments involving other authorities including Sheffield and Birmingham, and whilst it is too early to determine what that position is likely to be, an offer has been made to relevant trade unions to discuss the potential for settling the claims; the settlement costs will be made from the single status/equal pay reserve. There are a number of other claims against the Council, some of which are expected to proceed through the courts and tribunals; but with one exception, adverse decisions are not anticipated at this stage.

Municipal Mutual Insurance Ltd (MMI)

MMI was the predominant insurer of public sector bodies prior to it ceasing to write insurance business from September 1992. In order to ensure an orderly run-off, a scheme of arrangement with its Creditors was put in place. In the event of it becoming clear that a solvent run-off is unlikely to be achieved then the scheme will be triggered and the scheme Creditors would be subject to a claw back. The size of the claw back depends on the amount paid to the Creditors since September 1993. Subsequent to this claw back, any liabilities or elective defence costs payments made by MMI will be made at a reduced rate, leaving their Creditors to fund the shortfall.

In March 2012, the Supreme Court issued its decision, drawing an end to the Employers' Liability Insurance "Trigger" Litigation. The ruling essentially reinstates the approach to handling and allocating employers' liability claims that the insurance market had adopted up to 2005. Policies, whether they are sustained or causation wordings, respond as at the date of initiation or causation of the disease or injury, i.e. at the time of exposure.

The MMI accounts for the year to 30 June 2011 showed a deficit of liabilities over assets and MMI are still receiving a significant volume of new claims, particularly in the areas of mesothelioma and alleged abuse. A letter sent by the Chairman of MMI to all scheme members reporting on the outcome of the Supreme Court hearing states: *The Board of Directors is now seeking legal. financial and actuarial advice in order to determine the full implications of the judgement and the most appropriate way forward.*

To date MMI have not triggered the scheme of arrangement.

42. CONTINGENT ASSET

The Council continues to pursue refunds of VAT from HM Revenue and Customs, following the House of Lords decisions in the cases of Fleming (trading as Bodycraft) and Conde Nast Publications Ltd. In 1996, the time limit for claiming overpaid VAT was reduced to three years; the absence of transitional arrangements was held in 2008 to breach Community law and the three year cap was disapplied. The individual claims relate to various periods between April 1973 and December 1996. Subject to the current European Court of Justice case of Littlewoods Retail Ltd and Others versus HM Commissioners of Revenue and Customs, the Council will pursue appeals to the Tax Tribunal and/or in the High Court for compound interest where repayment to date has been made with the addition of simple interest only.

43. HERITAGE ASSETS: FURTHER INFORMATION ON THE COLLECTIONS

County Archives

Flintshire Record Office holds the historic and administrative archives for the County of Flintshire. These comprise some two miles of records dating from the 13th Century to the present day and are held for the express purpose of ensuring their preservation, and providing public access to information recording the county's heritage.

Records held include central and local government records but also privately owned records such as records of landed estates, businesses, local societies, family papers etc., together with significant collections of records of Flintshire churches and local schools. The largest private collections are the Mostyn Estate and Chester solicitors Birch Cullimore (part only of their huge collection of clients' papers – those relating to Flintshire); the significance of the archives held are generally in the collections as a whole rather than individual items.

Flintshire Record Office acquires archive material relating to Flintshire which is deemed to be of lasting historical interest. Material acquired is kept in secure, environmentally controlled strong rooms and made accessible to the public in a supervised search room. The Record Office has a qualified archive conservator who packages and repairs material as necessary. Archive material is rarely disposed of - should it be deemed desirable to do so it is dealt with in accordance with any applicable legal requirements and where possible in consultation with the original donor or depositor.

Public access is available in the search-room which is open Monday, Tuesday, Thursday and Friday, 10am to 4.30pm. Information regarding the records held (and some images) are included on the Record Office's pages on the Flintshire County Council website. There is also a presence on a number of other websites – Archives Wales; National Grid for Learning Cymru; The National Archives, and there are plans to mount images on the People's Collection Wales website.

County Museum

The Museum Service works to an Acquisition and Disposal Policy which complies with the National Museum Accreditation Scheme. In outline, the Service collects items only of relevance to the history of the County of Flintshire and only disposes of items for sound curatorial reasons and in line with strict guidelines. The Service's Collection Management Plan governs the way in which the collection is cared for, made accessible and generally managed. The collection is catalogued on a collections management system, which will be made publicly accessible online in the near future.

The museum collection is listed comprehensively on a database and primarily consists of social history and archaeological collections, the most significant of which is the collection of Buckley Pottery - a collection of about 1000 items connected to the Buckley Pottery industry, ranging from the medieval period to the second world war, primarily donated by Dr. Fraser in the 1970s, James Bentley in the 1990s and the Martin Harrison Collection purchased in 2010. Buckley Pottery has national significance, and as a whole this collection is the largest of its type.

There is a collection of agricultural items primarily acquired by Delyn Borough Council in the 1980s, the majority of which is now loaned to Greenfield Valley Trust. It is of significance to local agricultural history, mainly nineteenth and early twentieth century in date and includes large items such as ploughs, threshers and other farm equipment.

Some art is included within the collection - over 100 paintings by local amateur artist James Bentley, of relevance to Buckley history, and about a dozen other paintings by local artists. There are 2 large civic portrait oil paintings currently displayed at the Mold Library Headquarters.

Significant archaeological archives include those from excavations at Caergwrle Castle, Flint Castle, and Pentre Farm, Flint. The Gilbert Smith Archaeological Collection consists of about 650 items originally acquired by the amateur archaeologist Gilbert Smith in the 1930s. Highlights include a group of weapons from the medieval moated site of Llys Edwin, excavated in the 1930s.

Access to the Buckley and the Mold Museum is free of charge and both are open 6 days a week, all year round. Greenfield Valley Heritage Park is managed by a charitable Trust and there is an entry charge to the museum. Access to the reserve collections is encouraged and available by way of appointment.

44. JOINT ARRANGEMENTS

Flintshire County Council is currently involved in four joint arrangements with neighbouring North Wales Councils, being :-

- North East Wales Community Equipment Service (with Wrexham)
- North East Wales Food Waste Hub (with Conwy and Denbighshire)
- North Wales Residual Waste Treatment Project (with Anglesey, Conwy, Denbighshire and Gwynedd)
- North Wales Procurement Partnership (with Anglesey, Conwy, Denbighshire, Gwynedd and Wrexham)

Flintshire County Council is the host partner for the North East Wales Community Equipment Service (details of which are provided in note 18 on page 44), and the North Wales Residual Waste Treatment Partnership (NWRWTP).

45. CASH FLOW STATEMENT - OPERATING ACTIVITIES

The cash flows for operating activities include the following items :

	2012 £000	2011 £000
Interest received	607	820
Interest paid	(6,446)	(9,910)

46. CASH FLOW STATEMENT - INVESTING ACTIVITIES

	2012 £000	2011 £000
Purchase of property, plant & equipment, investment property and intangible assets	(30,420)	(22,335)
Purchase of short term and long term investments	(2,613)	(5,479)
Other payments for investing activities	(565)	(305)
Proceeds from the sale of property, plant & equipment, investment property and intangible assets	2,622	2,024
Proceeds from short term and long term investments	0	0
Other receipts from investing activities	17,939	20,021
Net cash flows from investing activities	(13,037)	(6,074)

47. CASH FLOW STATEMENT - FINANCING ACTIVITIES

	2012 £000	2011 £000
Cash receipts of short term and long term borrowing	324	262
Other receipts from financing activities	0	0
Cash payments for the reduction of the outstanding liability relating to finance leases	(451)	232
Repayment of short term and long term borrowing	(66)	0
Other payments for financing activities	0	0
Net cash flows from financing activities	(193)	494

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

for the year ended 31st March 2012

	2012		2011	
	£000	£000	£000	£000
Expenditure				
Repairs and maintenance		9,111		9,124
Management and supervision		3,058		2,693
Rents, rates, taxes and other charges		997		816
Housing revenue account subsidy payable		6,311		6,391
Depreciation and impairment of non-current assets		23,861		6,873
Debt management costs		15		16
Increase in bad debt provision		272		166
Total expenditure		**43,625**		**26,079**
Income				
Dwelling rents (gross)	24,316		23,179	
Non-dwelling rents (gross)	286		279	
		24,602		23,458
Charges for services and facilities		610		600
Total income		**25,212**		**24,058**
Net cost of HRA services as included in the whole authority Comprehensive Income and Expenditure Statement		**18,413**		**2,021**
HRA share of other amounts included in the whole authority Net Cost of Services but not allocated to specific services		136		142
Net cost of HRA services		**18,549**		**2,163**
Interest payable and similar charges		1,436		1,509
Net loss on sale of HRA assets		0		465
HRA investment income		(9)		(8)
Pensions interest cost and expected return on pension assets		373		469
Total (surplus)/deficit on the HRA Income and Expenditure Statement		**20,349**		**4,598**

MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

for the year ended 31st March 2012

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

	Note (from core notes)	2011 £000	2010 £000
At 1st Apri1 2011		1,614	1,492
Surplus/(deficit) on the HRA income and expenditure statement		(20,349)	(4,598)
Total comprehensive income and expenditure		**(20,349)**	**(4,598)**
Adjustments between accounting and funding basis under regulations	**10**	20,625	4,720
Net increase/(decrease) before transfer to earmarked reserves		**276**	**122**
Transfers to/(from) earmarked reserves		0	0
Increase/(decrease) in year on the HRA		**276**	**122**
At 31st March 2012		1,890	1,614

The 2011/12 balance carried forward total includes a ringfenced surplus of £33k relating to the tenants' communal heating scheme (£128k surplus in 2010/11).

NOTES TO THE HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

for the year ended 31st March 2012

1. LEGISLATION

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

2. HOUSING STOCK

The type and number of dwellings at 31st March 2012 were :-

	2012	2011
Type	**No.**	**No.**
Houses	4,084	4,089
Flats	1,376	1,377
Maisonettes	199	199
Bungalows	1,796	1,796
	7,455	7,461

3. RENT ARREARS

	2012	2011
Analysis of arrears	**£000**	**£000**
Rents		
Current tenants	848	802
Former tenants	325	177
	1,173	979

Provision for impairment losses (bad debts)	**£000**	**£000**
Opening provision	481	599
Written off in year	(108)	(284)
Increase in provision	272	166
	645	481

The rents total of £1,173k (£979k in 2010/11) 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.

4. NON-CURRENT ASSET ACCOUNTING

Capital Financing

Housing revenue account capital expenditure of £10,348k (£8,205k in 2010/11) was financed as follows :-

	Capital Receipts	Capital Grants & Contributions	Revenue Contributions	Total
	£000	£000	£000	£000
Capital financing	1,666	5,510	3,172	10,348
	1,666	5,510	3,172	10,348

Major Repairs Allowance (MRA)

Included within the capital grants and contributions total (£5,200k) is the 2011/12 MRA allocation figure of £5,200k (also £5,200k in 2010/11). 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 2011/12 in financing qualifying capital expenditure.

Capital Receipts

Gross capital receipts of £325k (£1,287k in 2010/11) were realised by way of the disposal of dwellings, land sales, shared ownership sales and mortgage repayments :-

	2012	2011
	£000	£000
Council dwellings	318	585
Mortgages	7	17
Land sales	0	685
	325	1,287

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 £5,220k (£5,208k in 2010/11) is based on the 2011/12 opening net balance sheet valuations (valuation list less cumulative depreciation), with assumed nil residual values.

	2012	2011	
	£000	£000	
Dwellings	5,200	5,200	(equating to the value of MRA)
Garages	10	0	
Plant and equipment	10	8	
	5,220	5,208	

Impairment Losses and Revenue Expenditure Funded from Capital Under Statute

A HRA dwellings impairment adjustment total of £1,808k was accounted for in 2011/12 (£1,604k in 2010/11). Revenue expenditure funded from capital under statute amounted to £50k in 2011/12 (nil in 2010/11).

THE MANAGEMENT AND MEMBERSHIP OF THE CLWYD PENSION FUND

The Clwyd Pension Fund is administered by Flintshire County Council on a lead authority basis. The administration and investment strategy of the Fund is considered and agreed each quarter by the Clwyd Pension Fund Panel, consisting of five elected Members, the Head of Finance, the Clwyd Pension Fund Manager, a consultant to the Fund, and a scheme member observer. The Fund's investment management arrangements were implemented by twelve investment managers during 2011/12.

The Clwyd Pension Fund is a statutory Local Government Pension Scheme (LGPS), set up to provide death and retirement benefits for local government employees, other than teachers, police and firefighters in North East Wales. In addition, other qualifying bodies which provide similar services to that of local authorities have been admitted to membership of the LGPS and hence the Fund.

The Clwyd Pension Fund operates a defined benefit scheme whereby retirement benefits are funded by contributions and investment earnings. Contributions are made by active members in accordance with the LGPS (Benefits, Membership and Contributions) Regulations 2007 and range from 5.5% to 7.5% of pensionable pay for the financial year ending 31st March 2012. Employee contributions are matched by employer’s contributions which are set based on triennial actuarial funding valuations. The last valuation was at 31st March 2010. The benefits of the scheme are prescribed nationally by Regulations made under the Superannuation Act 1972.

The fund is governed by the Superannuation Act 1972 and administered in accordance with the following secondary legislation:

- The LGPS (Benefits , Membership and Contributions) Regulations 2007 (as amended)
- The LGPS (Administration) Regulations 2008 (as amended)
- The LGPS (Management and Investment of Funds) Regulations 2009

Membership of the LGPS is voluntary and 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 are organisations that participate in the fund under an admission agreement between the fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar contractors undertaking a local authority function following outsourcing to the private sector.

The membership of the Fund as at 31st March 2012 is shown below:-

	2012	**2011**
	No.	**No.**
Contributors	14,519	14,960
Pensioners :		
Ex employees	8,071	7,641
Widows/dependants	1,482	1,450
Preserved benefits	7,386	6,910
Total membership	31,458	30,961

CLWYD PENSION FUND ACCOUNTS
for the year ended 31st March 2012

The scheduled bodies which contributed to the Fund during 2011/12 are :-

Counties :	Flintshire, Denbighshire, Wrexham.
Colleges :	Glyndwr University, Deeside College, Yale College of Wrexham.
Community Councils:	Argoed, Coedpoeth, Connah's Quay, Hawarden, Rhosllanerchrugog, Buckley, Prestatyn, Offa, Mold, Caia Park, Rhyl, Shotton, Llanasa.
Other:	North Wales Fire Service, North Wales Valuation Tribunal,

The admitted bodies contributing to the Fund are :-

Other:	Careers Wales, Cartref y Dyffryn Ceiriog, Denbighshire Voluntary Services, Clwyd Leisure, Bodelwyddan Castle Trust, Grosvenor Facilities Management.

The content of the accounts comply with accounting standards, but further information is available in the Clwyd Pension Fund Annual Report and Statement of Investment Principles which are presented each year to the Annual Joint Consultative Meeting for employers and member representatives each November.

BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Statement of Accounts summarises the Fund’s transactions for the 2011/12 financial year and its position at year end as at 31st March 2012. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.
The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis is, disclosed at Note 15 of these accounts.

In summary, accounting policies adopted are detailed as follows:

- Contributions, benefits and investment income due are included on an accruals basis.
- Investments are included in the accounts at market value, usually bid price.
- Debtors and creditors are raised for all amounts outstanding at 31st March.
- Individual Transfer values received and paid out have been accounted for on a cash basis.
- Bulk Transfer values paid out have been accounted for on an accruals basis.
- The financial statements do not take account of liabilities to pay pensions and other benefits after the reported accounting period.
- Investment management expenses are accounted for on an accruals basis and include the fees paid and due to the fund managers and custodian, actuarial fees, performance measurement and investment consultant fees.
- Administration expenses are accounted for on an accruals basis. All staff costs are charged direct to the fund and management, accommodation and other support service costs are apportioned to the Fund in accordance with council policy.
- Acquisition costs of investments include all direct transaction costs and sales receipts are net of all direct transaction costs.

CLWYD PENSION FUND ACCOUNTS

for the year ended 31st March 2012

			2012			2011	
	Note	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Contributions and Benefits							
Contributions receivable :							
From employers	**1**	50,654			51,433		
From employees or members	**1**	14,315			15,102		
			64,969			66,535	
Transfers in		4,952			9,801		
Other income		1,636			1,622		
			6,588			11,423	
				71,557			77,958
Benefits payable :							
Pensions	**1**	41,563			39,479		
Lump sums (retirement)	**1**	10,844			12,953		
Lump sums (death grants)	**1**	1,382			1,152		
			53,789			53,584	
Payments to and on account of leavers :							
Refunds of contributions		12			10		
Transfers out (individual)		3,034			4,690		
Transfers out (bulk)	**10**	23,530			0		
Other		96			213		
Administrative and other expenses bourne by the scheme	**2**	1,244			1,262		
			27,916			6,175	
				81,705			59,759
NET ADDITIONS (WITHDRAWALS)				(10,148)			18,199
Returns on Investments							
Investment income	**4**		3,326			2,898	
Change in market value of investments (Realised and Unrealised)	**4**		21,097			79,965	
Investment management expenses	**2**		(5,267)			(5,080)	
NET RETURNS ON INVESTMENT				19,156			77,783
NET (DECREASE)/INCREASE IN THE FUND				9,008			95,982
OPENING NET ASSETS OF THE SCHEME				1,051,815			955,833
CLOSING NET ASSETS OF THE SCHEME				1,060,823			1,051,815

CLWYD PENSION FUND ACCOUNTS

for the year ended 31st March 2012

	Note	2012 £000	2011 £000
Net Assets Statement			
Investment Assets :	**5**		
Managed fixed interest fund		170,075	123,024
Managed UK equity funds		104,624	161,383
Managed overseas equity funds		334,145	263,366
Managed multi strategy funds		118,080	88,318
Property funds		75,307	65,317
Infrastructure funds		23,414	20,753
Timberland funds		14,686	12,212
Commodity funds		36,879	39,814
Private equity funds		122,317	112,563
Hedge fund of funds		47,321	50,646
Leveraged loans		530	16,346
Futures contracts		0	665
Other investment assets	**9**	3	1,218
Cash	**7**	36,476	97,373
Investment Liabilities :			
Futures contracts		0	(169)
Other investment liabilities	**9**	0	(1,195)
Current Assets :			
Due within 1 year	**8**	3,703	4,157
Due over 1 year	**8**	200	359
Current liabilities	**8**	(26,937)	(4,335)
NET ASSETS AT 31ST MARCH		1,060,823	1,051,815

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

for the year ended 31st March 2012

1. ANALYSIS OF CONTRIBUTIONS RECEIVABLE/BENEFITS PAYABLE

Contributions represent those amounts receivable from various employing authorities in respect of their own contributions and those of pensionable employees. The total contributions received from employers during 2011/12 amounted to £50.654m (£51.433m in 2010/11). This comprised an amount of £26.663m (£29.823m in 2010/11) relating to the common contribution rate average of 12.5% paid by all employers and £23.991m (£21.610m in 2010/11) relating to the individual adjusted rates and additional contributions paid in respect of deficit funding for individual employers.

Benefits payable and refunds of contributions have been brought into the accounts on the basis of all valid claims approved during the year.

Analysis of contributions received and benefits payable is shown below :-

	Benefits Payable	**Contributions Receivable**
Scheduled Bodies -	**£000**	**£000**
Flintshire County Council	19,558	22,013
Wrexham County Borough Council	15,665	20,418
Denbighshire County Council	13,157	15,803
Fund apportionment with :		
Gwynedd and Powys County Councils	2,448	0
Colleges	1,702	4,300
Schools	83	120
Community Councils	152	228
Others - scheduled bodies	527	1,203
Others - admitted bodies	497	884
	53,789	64,969

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

Flintshire County Council, Wrexham County Borough Council and Denbighshire County Council have recognised a liability, in their respective accounts, for pension contributions on the back pay element of their equal pay settlements. However, as a result of the uncertainty relating to the value and timing of these payments, these amounts have not yet been recognised in the Pension Fund accounts.

2. ADMINISTRATION AND INVESTMENT MANAGEMENT EXPENSES

The regulations permit the County Council to charge the cost of administering the scheme to the Fund. The external managers' fees have been accounted for on the basis contained within their management agreement.

2. ADMINISTRATION AND INVESTMENT MANAGEMENT EXPENSES (continued)

The cost of pensions administration and investment management is shown below :-

	2012	2011
	£000	£000
Administration Expenses		
Employee Costs	567	589
Support Services	189	167
Supplies and Services	395	217
Audit Fees	35	36
Actuarial Fees	58	131
Performance Monitoring Fees	0	24
Consultancy Fees	0	98
	1,244	1,262
Investment Expenses		
Fund Management Fees	5,155	5,027
Custody Fees	39	53
Performance Monitoring Fees	24	0
Consultancy Fees	49	0
	5,267	5,080
Total Fees	6,511	6,342

Investment management fees are based on valuations of the investments. The Fund is invested in pooled vehicles of which the majority of fees are charged within the Funds. In order to be transparent, the Fund discloses these fees. The fees included in the Pooled Vehicles amounted to £4.9m during the year (£3.9 during 2010/11).

3. INVESTMENTS AND PERFORMANCE

Further details on the investment strategy are available in the Statement of Investment Principles which can be obtained from the Head of Finance, County Hall, Mold, CH7 6NA (Web site www.clwydpensionfund.org.uk or Telephone 01352 702264).

The County Council uses the investment performance services of the WM Company. Their report for the financial year 2011/12 showed that the Fund achieved an overall return of +2.4% from its investments (+7.8% in 2010/11). This compares with the Fund's benchmark return of +4.4% for the year.

4. ANALYSIS OF TRANSACTIONS AND RETURN ON INVESTMENTS

Overview

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

4. ANALYSIS OF TRANSACTIONS AND RETURN ON INVESTMENTS (continued)

Transactions and Return on Investments

Details of the 2011/12 investment transactions and the net profit on sales of £7.907m (£44.275m in 2010/11) together with investment income of £3.326m (£2.898m in 2010/11) are set out below. The unrealised profit for 2011/12, as a result of the change in the market value of investments, amounted to £13.190m (£35.690m in 2010/11). Therefore the increase in market value of investments (realised and unrealised) is £21.097m (£79.965m in 2010/11).

Direct transaction costs are included in the cost of purchases and sale proceeds. Transaction costs are incremental costs that are directly attributable to the acquisition and disposal of an investment. They include fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges and transfer taxes and duties. They are added to purchase costs or netted against sales proceeds, as appropriate. These costs cannot be directly identified as the Clwyd Pension Fund is almost wholly invested through pooled vehicles. Investment income includes share dividends, interest on investments and net property rental income. Accruals are made for dividends receivable, interest receivable and the recoverable tax on dividends.

	Market Value 2010/11	Purchases & Take On	Sales & Take Off	Realised Gain (Loss)	Unrealised Gain (Loss)	Market Value 2011/12	Investment Income
	£000	£000	£000	£000	£000	£000	£000
Fixed Interest Securities	123,024	27,129	0	0	19,922	170,075	0
UK Equities Active	63,659	0	63,935	(6,407)	6,683	0	97
UK Equities Passive	97,724	5,000	0	0	1,900	104,624	0
Overseas Equities Active	174,219	101,434	25,160	1,384	(5,884)	245,992	106
Overseas Equities Passive	89,147	5,000	5,917	917	(995)	88,152	0
Multi Strategy	88,318	29,109	(13)	(13)	652	118,080	0
Property	65,317	13,241	4,743	(1,377)	2,869	75,307	1,903
Infrastructure	20,753	4,444	2,319	0	536	23,414	268
Timber	12,212	2,671	413	0	216	14,686	0
Commodities	39,814	21,000	20,786	744	(3,893)	36,879	0
Private Equity	112,563	21,322	12,394	2,063	(1,237)	122,318	796
Hedge Fund of Funds	50,646	0	918	99	(2,506)	47,321	13
Leveraged Loans	16,346	0	15,547	4,308	(4,577)	530	0
	953,742	230,350	152,119	1,718	13,686	1,047,378	3,183
Cash	97,373	0	0	0	0	36,476	0
Futures Contracts	496	0	0	1,345	(496)	0	0
Fees within Pooled Vehicles	0	0	0	4,927	0	0	0
Interest	0	0	0	0	0	0	143
Currency	0	0	0	(83)	0	0	0
	97,869	0	0	6,189	(496)	36,476	143
Total 2011/12	1,051,611	230,350	152,119	7,907	13,190	1,083,854	3,326
2010/11	953,195	698,740	771,446	44,275	35,690	1,051,611	2,898

4. ANALYSIS OF TRANSACTIONS AND RETURN ON INVESTMENTS (continued)

	Market Value 2009/10	Purchases & Take On	Sales & Take Off	Realised Gain (Loss)	Unrealised Gain (Loss)	Market Value 2010/11	Investment Income
	£000	£000	£000	£000	£000	£000	£000
Fixed Interest Securities	111,825	18,082	17,995	70	11,042	123,024	0
UK Equities Active	241,446	151,557	345,516	(7,564)	23,736	63,659	254
UK Equities Passive	0	97,753	0	0	(29)	97,724	0
Overseas Equities Active	271,001	230,463	347,474	45,637	(25,407)	174,219	521
Overseas Equities Passive	0	89,237	0	0	(90)	89,147	0
Multi Strategy	44,318	41,276	0	0	2,724	88,318	0
Property	52,077	12,861	3,566	0	3,945	65,317	1,778
Infrastructure	16,243	4,087	365	0	788	20,753	213
Timber	11,120	1,141	175	0	126	12,212	0
Commodities	14,847	20,042	0	0	4,925	39,814	0
Private Equity	86,810	24,241	12,253	1,638	12,127	112,563	62
Hedge Fund of Funds	52,121	8,000	12,325	(1,008)	3,858	50,646	0
Currency	28,400	0	26,612	860	(2,648)	0	0
Leveraged Loans	20,043	0	5,165	1,361	97	16,346	0
	950,251	698,740	771,446	40,994	35,194	953,742	2,828
Cash	2,944	0	0	0	0	97,373	0
Futures Contracts	0	0	0	(656)	496	496	0
Fees within Pooled Vehicles	0	0	0	3,900	0	0	0
Interest	0	0	0	0	0	0	70
Currency	0	0	0	37	0	0	0
	2,944	0	0	3,281	496	97,869	70
Total 2010/11	953,195	698,740	771,446	44,275	35,690	1,051,611	2,898
2009/10	692,179	88,962	64,791	11,192	230,435	953,195	2,466

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

The book cost of the investments as at 31st March is £936.363m (£856.413m in 2010/11). The market value of investments as at 31st March 2012 is £1,047.378m (£953.742m in 2010/11) which can be analysed as follows.

By Continent

The UK holdings as at 31st March 2012 account for 18% of total investments at market value

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

	2012	2011
	£000	£000
UK	188,638	254,729
Europe	123,678	114,927
Asia Pacific	102,693	79,608
North America	87,017	78,688
Emerging markets	73,290	72,463
Global Investments	472,062	353,327
	1,047,378	953,742

By Fund Manager

	2012		2011	
	£000	%	£000	%
BlackRock	58,295	6	59,043	6
Gottex	0	0	61,415	7
Wellington	110,168	11	66,165	7
Aberdeen	72,862	7	50,075	5
State Street (Transition Manager)	134	0	48,512	5
Pioneer	2,974	0	3,645	0
Liongate	21,467	2	23,269	2
SSARIS	22,880	2	23,732	3
Duet	47,227	5	0	0
BlueCrest	29,309	3	0	0
Investec	52,480	5	51,525	5
Stone Harbor	170,075	16	123,024	13
SSgA	192,776	18	186,871	20
Pyrford	30,476	3	29,275	3
Property	75,307	7	65,317	7
Infrastructure	23,414	2	20,753	2
Timber	14,686	1	12,212	1
Private Equity	122,318	12	112,563	12
Leveraged Loans	530	0	16,346	2
	1,047,378	100	953,742	100

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

By Listed /Managed

	2012 Listed Managed	2012 Listed	2012 Unlisted	2011 Listed Managed	2011 Listed	2011 Unlisted
	£000	£000	£000	£000	£000	£000
Fixed Interest Securities	0	0	170,075	0	0	123,024
UK Equities	104,624	0	0	97,724	2,244	61,415
Overseas Equities	281,531	134	52,480	211,685	156	51,525
Multi Strategy	118,080	0	0	88,318	0	0
Property	43,615	0	31,691	42,551	0	22,766
Infrastructure	0	4,287	19,127	0	3,965	16,788
Timber	0	0	14,686	0	0	12,212
Commodities	0	0	36,879	0	0	39,814
Private Equity	0	4,170	118,148	0	4,922	107,641
Hedge Fund of Funds	0	0	47,321	0	0	50,646
Leveraged Loans	0	0	530	0	0	16,346
	547,850	8,591	490,937	440,278	11,287	502,177
			1,047,378			953,742

6. FAIR VALUE OF INVESTMENTS

Financial Instruments

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

Stock lending is the loan of specific securities from one investor to another that entitles the lender to continue receiving income generated by the stock plus an additional payment by the borrower. Exposure to risk is reduced by the borrower providing high quality collateral (cash, securities or gilts). It is effectively a trading activity to generate income rather than an investment. The Fund has no direct exposure to stock lending but the Fund’s passive equity manager does use stock lending in its pooled vehicles to generate income as an offset to transaction costs.

Fair Value – Valuation Bases

Investments are shown in the accounts at fair value as at 31st March 2012 on the following bases.

- UK and overseas listed securities are valued within the respective pooled vehicles using the official bid prices quoted on the relevant stock exchange. Overseas holdings are converted to sterling at an exchange rate quoted at close of business on 31st March 2012.
- Unit trusts are valued at the bid market price.

6. FAIR VALUE OF INVESTMENTS (continued)

- Other pooled vehicles are valued at the bid point of the latest process quoted by their respective managers or fund administrators at 31st March 2012. Where a bid price is not available the assets are priced at the net asset value provided.

- Property funds are valued at the bid market price, which is based upon regular independent valuation of the pooled vehicle's underlying property holdings.

- Private equity holdings are interests in limited partnerships. It is important to recognise the highly subjective nature of determining the fair value of these investments. They are inherently based on forward looking estimates and judgements involving many factors. These holdings are valued based upon the Fund's share of the net assets of the partnership according to the latest financial statements published by the respective mangers. Where these valuations are not at the Fund's balance sheet date, the valuations are adjusted having due regard to the latest dealings, asset values and other financial information available at the time of preparing these statements in order to reflect the Fund's balance sheet date. The managers' valuation statements are prepared in accordance with the European Private Equity and Venture Capital Association (EVCA) Guidelines, net of carried interest. These incorporate the US-based FAS157 protocol on valuation approaches –
    - Market – uses prices and other relevant data generated by market transactions involving identical or comparable assets/liabilities (e.g. money multiples)
    - Income – uses valuation techniques to convert expected future amounts to a single present amount (discounted cash flows or earnings)
    - Cost – based upon the amount that currently would be required to replace the service capacity of an asset (adjusted for obsolescence)

  Managers are required "to use the method that is appropriate in the circumstances and for which sufficient data is used and to apply the approach consistently until no longer appropriate." It is also possible to use multiple or combinations of approaches. Most private equity managers use a combination the "market" and "income" approaches.

- Infrastructure investments are generally carried at the lower of cost and fair value, except where there are specific upward or downward valuations. In estimating fair value, managers use their judgement, having regard to the EVCA guidelines noted above for valuing unquoted investments. Upward valuations are considered only where there is validation of the investment objectives and such progress can be demonstrated. Downward valuations are enacted regardless of the investment stage where the manager considers that there is impairment to the underlying investment.

- Timberland investments are carried at net asset value as determined by the General Partner. In most cases fair value is derived from the audited financial statements provided by underlying managers or vehicles. In circumstances where audited financial statements are not available to 31st March, the valuations are derived from unaudited quarterly reports from the underlying managers or vehicles. Where the timber investments are direct rather than through underlying managers, valuations are based upon regular independent valuation of these holdings.

6. FAIR VALUE OF INVESTMENTS (continued)

- Commodity exposure is actively managed through the use of exchange traded and OTC derivative instruments (Futures, Options and Swaps) and some securities. Exchange traded derivatives are priced using a vendor file sent daily from Bloomberg with IDC as a second source. These prices are sourced directly from the derivative exchanges. Options receive the last trade price on the primary exchange. If an option does not trade, the bid price is utilized to value the option. Valuations for OTC options are sourced from brokers/dealers that are usually the counterparty to the deal. If the necessary inputs are available from vendors on a schedule that permits same day pricing, OTC options may be valued using a vendor- supplied option calculator, with the dealer price used to validate the model results. Residual cash is primarily invested in short-dated investment-grade, US dollar-denominated debt obligations.

- Funds of hedge funds and multi-strategy hedge funds are valued monthly to create a net asset value on the basis of the Fund’s proportionate share of the value of underlying pools on a manager by manager basis. Generally the fair value of the Fund’s investment in a related pool represents the amount that the Fund could be reasonably expected to receive from the pool if the Fund’s investment was redeemed at the date of valuation, based upon information reasonably available at the time that the valuation was made and that the fund believes to be reliable.

- GTAA funds invest for the most part in markets that are not exchange-based. These include OTC or “interdealer” markets and leverage is utilized by such funds to a significant level. If market prices are not available or do not reflect current market prices, the Fund applies its own pricing policies by reference to such relevant prices as are available to establish a fair value for the assets held.

Fair Value – Hierarchy

The valuation of financial instruments has been classified into three levels according to the quality and reliability of information used to determine fair values.

Level 1

Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed interest securities and unit trusts. Listed investments are shown at bid price.

Level 2

Financial instruments at Level 2 are those where quoted market prices are not available, for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where those techniques use inputs that are based significantly on observable market data.

Level 3

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument’s valuation is not based on observable market data. Such instruments would be unquoted equity investments and hedge fund of funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumption.

NOTES TO THE CLWYD PENSION FUND ACCOUNTS
continued

6. FAIR VALUE OF INVESTMENTS (continued)

The following tables show the position of the Fund's assets at 31st March 2012 and 31st March 2011 based upon this hierarchy.

	Market Value 2011/12	Level 1	Level 2	Level 3
	£000	£000	£000	£000
Fixed Interest Securities	170,075	323	169,752	0
UK Equities Active	0	0	0	0
UK Equities Passive	104,624	0	104,624	0
Overseas Equities Active	245,992	234,896	9,736	1,360
Overseas Equities Passive	88,152	0	88,152	0
Multi Strategy	118,080	65,671	52,351	58
Property (1)	75,307	0	0	75,307
Infrastructure (1)	23,414	4,287	0	19,127
Timber (1)	14,686	0	0	14,686
Commodities	36,879	18,635	18,244	0
Private Equity (2)	122,318	4,170	0	118,148
Hedge Fund of Funds	47,321	0	39,545	7,776
Leveraged Loans	530	0	0	530
	1,047,378	327,982	482,404	236,992
Cash	36,476	36,476	0	0
Futures Contracts	0	0	0	0
	36,476	36,476	0	0
Total 2011/12	1,083,854	364,458	482,404	236,992

(1) Property/ Infrastructure /Timber – Various valuation bases are used. Direct fund holdings are valued based upon independent valuations, but funds also often hold joint venture and partnership interests which are subject to a variety of valuation methodologies. To be conservative, all funds have been classified Level 3 unless the fund itself is quoted.

(2) Private Equity – Various valuation bases are used – cost, quoted prices (often discounted for "lock-ups", transaction multiples, market multiples, future realisation proceeds, company prospects, third party opinion etc. Company and fund valuations often reflect combinations of these valuation bases. To be conservative, all funds have been classified Level 3 unless the fund itself is quoted.

Although the majority of the investments within the Fund are unlisted, the underlying investments of those funds are listed. Within the Private Equity and Leveraged loans and Property/infrastructure/timber portfolios, although some are listed, the Fund does have substantial holdings in unquoted investments (£227.798m) compared to £218.304m in 2010/11. These are valued at a fair value by the fund managers, using an appropriate basis of valuation. The valuations are reliant upon a significant degree of judgement, and due to the subjectivity and variability of these valuations there is an increased likelihood that the valuations included in the financial statements would not be realised in the event of a sale. The difference could be materially lower or higher.

6. FAIR VALUE OF INVESTMENTS (continued)

	Market Value 2010/11	Level 1	Level 2	Level 3
	£000	£000	£000	£000
Fixed Interest Securities	123,024	104,251	1,341	17,432
UK Equities Active	63,659	24,562	30,425	8,672
UK Equities Passive	97,724	0	97,724	0
Overseas Equities Active	174,219	173,209	5	1,005
Overseas Equities Passive	89,147	0	89,147	0
Multi Strategy	88,318	72,810	15,278	230
Property (1)	65,317	0	0	65,317
Infrastructure (1)	20,753	3,965	0	16,788
Timber (1)	12,212	0	0	12,212
Commodities	39,814	20,814	19,000	0
Private Equity (2)	112,563	4,922	0	107,641
Hedge Fund of Funds	50,646	215	45,584	4,847
Leveraged Loans	16,346	0	0	16,346
	953,742	404,748	298,504	250,490
Cash	97,373	97,373	0	0
Futures Contracts	496	0	496	0
	97,869	97,373	496	0
Total 2010/11	1,051,611	502,121	299,000	250,490

7. INVESTMENT RISKS

As demonstrated, the Fund maintains positions in a variety of financial instruments including bank deposits, quoted equity instruments, fixed interest securities, direct property holdings and unlisted equity products. This exposes the Fund to a variety of financial risks including credit and counterparty risk, liquidity risk, market risk and exchange rate risk.

Procedures for Managing Risk

The principal powers to invest are contained in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 and require an Administering Authority to invest any pension fund money that is not needed immediately to make payments from the Pension Fund. These regulations require the Pension Fund to formulate a policy for the investment of its fund money. The Administering Authority's overall risk management procedures focus on the unpredictability of financial markets and implementing restrictions to minimise these risks. The Pension Fund annually reviews its Statement of Investment Principles (SIP) and corresponding Funding Strategy Statement (FSS), which set out the Pension Fund's policy on matters such as the type of investments to be held, balance between types of investments, investment restrictions and the way risk is managed. The SIP and FSS can be found on the Fund's website (www.clwydpensionfund.org.uk) under the "Governance and Investments" tab.

7. INVESTMENT RISKS (continued)

The Fund carries out a formal review of its structure at least every 4 years, usually every 3 years. The last review was carried out in 2010 and implemented in April 2011. The Fund's optimisation model, used to help determine the Fund's strategic benchmark, suggests that the asset mix so determined coupled with the requirements for certain fund managers to outperform their market indices should produce long-term returns of just over 9% with a volatility of around 10%. A key element in this review process is the consideration of risk and for many years now the Fund has pursued a policy of lowering risk by diversifying investments across asset classes, investment regions and fund managers. Furthermore alternative assets are subject to their own diversification requirements and some examples are given below.

- private equity – by stage, geography and vintage where funds of funds are not used
- property – by type, risk profile, geography and vintage (on closed-ended funds)
- infrastructure – by type (primary/secondary), geography and vintage
- hedge funds – multi-strategy or funds of funds

Manager Risk

The Fund is also well diversified by manager with no single manager managing more than 19% of Fund assets. On appointment fund managers are delegated the power through an investment management agreement to make such purchases and sales as they deem appropriate under the mandate concerned. Each mandate has a benchmark or target to outperform or achieve, usually on the basis of 3-year rolling periods. An update, at least quarterly, is required from each manager and regular meetings are held with managers to discuss their mandates and their performance on them. There are slightly different arrangements for some of the alternative assets. On private equity, property, infrastructure and timber/agriculture, investment is fund rather than manager-specific, with specific funds selected by the in-house team after careful due diligence. These commitments tend to be smaller in nature than main asset class investments but again regular performance reports are received and such investments are reviewed with managers at least once a year.

Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. As noted above almost all the Fund's investment are through pooled vehicles and a number of these are involved in derivative trades of various sorts, including futures, swaps and options. Whilst the Fund is not a direct counterparty to such trades and so has no direct credit risk, clearly all derivative transactions incorporate a degree of risk and the value of the pooled vehicle, and hence the Fund's holding, could be impacted negatively by failure of one of the vehicle's counterparties. However, part of the operational due diligence carried out on potential manager appointees concerns itself with the quality of that manager's risk processes around counterparties and seeks to establish assurance that these are such as to minimise exposure to credit risk. Once appointed, managers are required to provide copies of their annual internal control reports for review to ensure that the standards expected are maintained.

Deposits are not made with banks and financial institutions unless they are rated independently and meet the council's minimum credit criteria.
Subject to cash flow requirements, cash can be deposited in one of the following:

- The Pension Fund bank account with the National Westminster Bank for daily liquidity
- A National Westminster deposit account with access up to 180 days notice
- A Money Market AAA Fund for unexpected liquidity requirements or higher rates of return.

7. INVESTMENT RISKS (continued)

The Fund believes it has managed its exposure to credit risk and has no experience of default or uncollectible deposits in the last three financial years. The Fund's cash holdings as at 31st March 2012 was £36.476m (£97.373m at 31st March 2011) This was held as follows:

		2012	2011
	Rating	**£000**	**£000**
Money Market Funds			
BlackRock	AAA	476	485
StateStreet	AAA	0	15,384
Bank of New York Mellon	AAA	665	78,058
Bank Deposit Accounts			
National Westminster Bank PLC	AA	32,553	3,413
Bank Current Accounts			
National Westminster Bank PLC	AA	2,782	33
		36,476	97,373

Within the Fund, the areas of focus in terms of credit risk are bonds and some of the alternative asset categories.

- The Fund's bond portfolio is managed on an unconstrained basis and has a significant exposure to credit, emerging market debt and loans. At 31st March 2012, the Fund's exposure to non-investment grade paper was £56.5 million or 33.2% of the fixed interest portfolio (30.4% at 31st March 2011).
- On private equity and infrastructure the Fund's investments are almost entirely in the equity of the companies concerned.
- The Fund also has residual "side pocketed" holdings with some managers which are currently illiquid. Details of these holdings are set out below:

	Book Cost	Market Value
	£000	**£000**
Leveraged Loan - ECM	1,934	530
Hedge Fund of Funds - Pioneer	2,603	2,974
Total	4,537	3,504

Liquidity Risk

The Pension Fund now has its own bank account. At its simplest, liquidity risk is the risk that the Fund will not be able to meet its financial obligations when they fall due, especially pension payments to its members. At a strategic level the Administering Authority, together with its consulting actuary, reviews the position of the Fund triennially to ensure that all its obligations can be suitably covered. Ongoing cash flow planning in respect of contributions, benefit payments, investment income and capital calls/distributions is also essential. This is in place with the Fund's position updated much more regularly.

7. INVESTMENT RISKS (continued)

Specifically on investments, the Fund holds through its managers a mixture of liquid, semi-liquid and illiquid assets. Whilst the Fund's investment managers have substantial discretionary powers regarding their individual portfolios and the management of their cash positions, they hold within their pooled vehicles a large value of very liquid securities, such as equities and bonds quoted on major stock exchanges, which can easily be realised. Traditional equities and bonds now comprise 58% of the Fund's value and, whilst there will be some slightly less liquid elements within this figures (emerging market equities and debt for example), the funds investing in these securities offer monthly trading at worst – often weekly or fortnightly.

On alternative assets the position is more mixed. Whilst there are a couple of quoted vehicles here, most are subject to their own liquidity terms or, in the case of property, redemption rules. Closed-ended funds such as most private equity vehicles and some property and infrastructure funds are effectively illiquid for the specified fund period (usually 10 years), although they can be sold on the secondary market, usually at a discount.

The table below analyses the value of the Fund's investments at 31st March 2012 by liquidity profile.

	Market Value 2011/12	**1 Month**	**2 - 3 Months**	**3 - 6 Months**	**6 - 12 Months**	**Closed - ended**	**Locked**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Fixed Interest Securities	170,075	170,075	0	0	0	0	0
UK Equities Passive	104,624	104,624	0	0	0	0	0
Overseas Equities Active	245,992	242,079	3,913	0	0	0	0
Overseas Equities Passive	88,152	88,152	0	0	0	0	0
Multi Strategy	118,080	118,080	0	0	0	0	0
Property	75,307	0	0	0	33,585	41,722	0
Infrastructure	23,414	4,287	0	0	0	19,127	0
Timber	14,686	0	0	0	0	14,686	0
Commodities	36,879	36,879	0	0	0	0	0
Private Equity	122,318	4,170	0	0	0	118,148	0
Hedge Fund of Funds	47,321	2,705	8,823	27,474	5,345	0	2,974
Leveraged Loans	530	0	0	0	0	0	530
	1,047,378	771,051	12,736	27,474	38,930	193,683	3,504

It should be noted that different quoted investments are subject to different settlement rules but all payments/receipts are usually due within 7 days of the transaction (buy/sell) date. Because the Fund uses pooled vehicles for quoted investments these are often subject to daily, weekly, 2-weekly or monthly trading dates. All such investments have been designated "within 1 month" for the purposes of liquidity analysis. Open-ended property funds are subject to redemption rules set by their management boards. Many have quarterly redemptions but these can be held back in difficult markets so as not to force sales and disadvantage continuing investors. For liquidity analysis purposes, a conservative approach has been applied and all such investments have been designated "within 6-12 months".

7. INVESTMENT RISKS (continued)

Closed-ended funds have been designated illiquid for the purposes of liquidity analysis. However, these closed-ended vehicles have a very different cash flow pattern to traditional investments since the monies committed are only drawn down as the underlying investments are made (usually over a period of 5 years) and distributions are returned as soon as underlying investments are exited (often as early as year 4). In terms of cash flow, therefore, the net cash flow for such a vehicle usually only reaches a maximum of about 60-70% of the amount committed and cumulative distributions usually exceed cumulative draw downs well before the end of the specified period, as these vehicles regularly return 1½ to 2½ times the money invested. At the same time, it has been the Fund’s practice to invest monies on a regular annual basis so the vintage year of active vehicles ranges from 1997 to 2012. This means that, whilst all these monies have been designated closed-ended and thereby illiquid on the basis of their usual “10-year life”, many are closer to maturity than implied by this broad designation.

As can be seen from the table, even using the conservative basis outlined above, around 74% of the portfolio is realisable within 1 month and 75% is realisable within 3 months.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial institution will fluctuate because of changes in market price. The Fund is exposed to the risk of financial loss from a change in the value of its investments and the consequential danger that its assets will fail to deliver returns in lines with the anticipated returns underpinning the valuation of its liabilities over the long term. Market risk is comprised of two elements –

- The risks associated with volatility in the performance of the asset class itself (beta);
- The risks associated with the ability of managers, where allowed, to move away from index weights and to generate alpha, thereby offsetting beta risk by exceeding market performance.

The following table sets out an analysis of the Fund’s market risk positions at 31 March 2012 by showing the amount invested in each asset class and through each manager within each main asset class, the index used as a benchmark, the target set for managers against this benchmark and managers’ maximum target volatility (or risk) against index in achieving this. This target volatility is a measure of the maximum degree of dispersion of likely results compared with the selected benchmark.

7. INVESTMENT RISKS (continued)

	Manager	Market Value 2011/12 £000	Benchmark	Target (Gross)	Risk (<) %
Fixed Interest Securities	Stone Harbor	170,075	FT All Stocks	+1.5%	4.0
UK Equities–passive	SSgA	104,624	FTSE All Share	Match	0.5
Foreign equities–active	Investec	52,480	MSCI AC World NDR	+3.5%	10.0
	Aberdeen	72,862	MSCI AC Asia/P ex Japan	+3.0%	12.0
	Wellington	73,289	MSCI EM Free	+2.5%	8.0
	Duet	47,227	Absolute	+8-10%	3.0
Foreign equities–passive	SSgA	26,388	FTSE AWD Europe ex UK	Match	0.5
	SSgA	31,933	FTSE AWD North America	Match	0.5
	SSgA	29,831	FTSE AWD Japan	Match	0.5
Multistrategy funds	BlackRock	58,295	7 day LIBID	+15.0%	20.0
	BlueCrest	29,309	Absolute	+10-15%	6.0
	Pyrford	30,476	RPI	+5.0%	8.0
Hedge fund of funds	Liongate	21,467	Absolute	+8-10%	6.0
	SSARIS	22,880	Absolute	+8-10%	5.0
	Pioneer	2,974	Absolute	+8-10%	4.0
Commodity fund	Wellington	36,879	GCSI Equally Weighted	+1.5%	4.0
Property funds	Various	75,307	IPD Balanced PUTs	Exceed	
Infrastructure funds	Various	23,414	Absolute	+15.0%	
Timber funds	Various	14,686	Absolute	+15.0%	
Private equity funds	Various	122,318	Absolute	+15.0%	
Leveraged loans	Various	530	7 day LIBID	+15.0%	
Transition	Custodian	134	Temporary holdings		
		1,047,378			

The risks associated with volatility in market values are managed mainly through a policy of broad asset diversification. The Fund sets restrictions on the type of investment it can hold through investment limits, in accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. The Fund also adopts a specific strategic benchmark (details can be found in the Fund's SIP) and the weightings of the various asset classes within the benchmark form the basis for asset allocation within the Fund. Under normal conditions there is quarterly rebalancing to this strategic benchmark within fixed tolerances. This allocation, determined through the Fund's asset allocation model, is designed to diversify and minimise risk for a specific level of performance through a broad spread of investments across both the main and alternative asset classes and geographic regions within each asset class. The current strategic benchmark is targeted to produce long-term returns of just over 9% with a volatility of around 10%.

Market risk is also managed through manager diversification – constructing a diversified portfolio across multiple investment managers. On a daily basis, managers will manage risk in line with the benchmarks, targets and risk parameters set for the mandate, as well as their own policies and processes. The Fund itself monitors managers on a regular basis (at least quarterly) on all these aspects. On property and private equity, fund and manager diversification is vital and, whilst a full list of investments is not detailed here, the Fund has exposures as follows:

7. INVESTMENT RISKS (continued)

	Market Value 2012	Managers	Funds	Properties / Companies Estimated
	£000	No.	No.	No.
Real Assets	113,406	19	31	>280
Private Equity	122,317	19	53	>4,000

Other Price Risk

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

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

Following analysis of historical data and expected investment return movement during the financial year, in consulation with the fund's performance measurer, WM Company, the fund has determined that the following movements in market price risk are reasonably possible for the 2012/13 reporting period:

Asset Type	Potential Market Movements (+ / -)
Global Equity inc UK	14.7%
UK Equity	17.5%
Oveseas Equity	15.5%
Global Fixed Income	5.4%
Alternatives	3.9%
Property	6.0%

The sensitivities are consistent with the assumptions provided by WM Company based on historic data collated for the Fund. The analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates remain the same.

Had the market price of the Fund's investments increased / decreased in line with the above, the change in the net assets available to pay benefits in the market price would have been as follows (prior year comparator is shown below).

7. INVESTMENT RISKS (continued)

Asset Type	Market Value 2011/12	Percentage Change %	Value on Increase £000	Value on Decrease £000
Cash and cash equivalents	36,476	0.0	36,476	36,476
Investment portfolio assets:-				
Global Equity inc UK	99,709	14.7	114,396	85,022
UK Equity	104,624	17.5	122,965	86,283
Overseas Equity	234,437	15.5	270,798	198,076
Global Fixed Income	170,075	5.4	179,310	160,840
Alternatives	363,226	3.9	377,501	348,951
Property	75,307	6.0	79,833	70,781
	1,083,854		1,181,279	986,429

Asset Type	Market Value 2010/11	Percentage Change %	Value on Increase £000	Value on Decrease £000
Cash and cash equivalents	97,373	0.0	97,373	97,373
Investment portfolio assets:-				
Global Equity inc UK	51,526	14.7	59,116	43,936
UK Equity	161,383	17.5	189,673	133,093
Overseas Equity	211,840	15.5	244,696	178,984
Global Fixed Income	123,024	5.4	129,704	116,344
Alternatives	340,652	3.9	354,040	327,264
Property	65,317	6.0	69,243	61,391
Net Derivative Assets	496	0.0	496	496
Amounts payable for Purchases	-1,195	0.0	-1,195	-1,195
	1,050,416		1,143,146	957,686

Interest Rate Risk

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

The Fund recognizes that interest rates can vary and affect both the income to the fund and the net assets available to pay benefits. The Fund’s Fixed Income manager has advised that they would expect a small change of 50 basis points (bps) from one year to the next. As the fund does not use Fixed Income securities to provide income , the following sensitivity analysis only refers to cash and cash balances.

7. INVESTMENT RISKS (continued)

Asset Type	Carrying Value 2011/12	Change in year in net assets available to pay benefits +50BPS	-50BPS
	£000	£000	£000
Cash and cash equivalents	1,141	6	(6)
Cash balances	35,335	176	(176)
	36,476	182	(182)

Asset Type	Carrying Value 2010/11	Change in year in net assets available to pay +50BPS	-50BPS
	£000	£000	£000
Cash and cash equivalents	93,928	469	(469)
Cash balances	3,445	17	(17)
	97,373	486	(486)

Currency Risk

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

The following table summarises the Fund's currency exposure as at 31st March 2012 and as at the previous year end:

Currency Exposure - Asset Type	Market Value 2011/12	Market Value 2010/11
	£000	£000
Global Fixed Income	170,075	123,024
Overseas Equities Active	245,992	174,219
Overseas Equities Passive	88,152	89,147
Multi Strategy	118,080	88,318
Commodities	36,879	39,814
Hedge Funds	47,321	50,646
Property	31,691	22,766
Infrastructure	8,892	8,095
Timber	14,686	12,212
Private Equity	96,971	90,772
	858,739	699,013

7. INVESTMENT RISKS (continued)

Following analysis of the historical data in consultation with the fund's Performance Measurers, WM Company, and analysis of the exposures to foreign currency for the year to 31st March 2012, it was considered that the likely volatility associated with foreign exchange rate movements to be 7.4%. For the period to 31st March 2011, this was calculated to be 7.5%.

This analysis assumes that all other variables, in particular interest rates, remain constant. These individual year percentages strengthening / weakening against the various currencies in which the fund hold investments would increase / decrease the net assets available to pay benefits as follows:

Currency Exposure - Asset Type	Market Value 2011/12	Percentage Change %	Value on Increase £000	Value on Decrease £000
Global Fixed Income	170,075	7.4	182,686	157,464
Overseas Equity - Active	245,992	7.4	264,232	227,752
Overseas Equity - Passive	88,152	7.4	94,688	81,616
Multistrategy	118,080	7.4	126,836	109,324
Hedge Funds of Funds	47,321	7.4	50,830	43,812
Commodities	36,879	7.4	39,614	34,144
Timber	14,686	7.4	15,775	13,597
Infrastructure	8,892	7.4	9,551	8,233
Property	31,691	7.4	34,041	29,341
Private Equity	96,971	7.4	104,161	89,781
	858,739		922,414	795,064

Currency Exposure - Asset Type	Market Value 2010/11	Percentage Change %	Value on Increase £000	Value on Decrease £000
Global Fixed Income	123,024	7.5	132,205	113,843
Overseas Equity - Active	174,218	7.5	187,220	161,216
Overseas Equity - Passive	89,148	7.5	95,801	82,495
Multistrategy	88,318	7.5	94,909	81,727
Hedge Funds of Funds	50,646	7.5	54,426	46,866
Commodities	39,814	7.5	42,785	36,843
Timber	12,212	7.5	13,123	11,301
Infrastructure	8,095	7.5	8,699	7,491
Property	22,766	7.5	24,465	21,067
Private Equity	90,772	7.5	97,546	83,998
	699,013		751,179	646,847

NOTES TO THE CLWYD PENSION FUND ACCOUNTS
continued

8. DEBTORS/CREDITORS

	2012		2011	
	£000	£000	£000	£000
Current Assets :				
Contributions due - Employees	1,109		701	
Contributions due - Employers	2,100		2,405	
Added years	25		82	
H.M. Revenue and Customs	69		69	
Pension strain	342		801	
Administering authority	1		0	
Miscellaneous	57		99	
		3,703		4,157
Assets over 1 year :				
Pension strain	200		359	
		200		359
Less Current Liabilities :				
Lump sums	(1,628)		(3,423)	
Death grants	(333)		(119)	
Administering authority	(1,122)		(146)	
Added years	(86)		(31)	
Bulk Transfer Value Payable	(23,530)			
Miscellaneous	(238)		(616)	
		(26,937)		(4,335)
Net Current Assets		(23,034)		181

Analysis of debtors

	2,012	2,011
	£000	£000
Central Government Bodies	69	69
Other Local Authorities	3,426	3,851
NHS Bodies	0	0
Public Corporations and Trading Funds	0	0
Other Entities and Individuals	408	596
	3,903	4,516

Analysis of creditors

	2,012	2,011
	£000	£000
Central Government Bodies	0	0
Other Local Authorities	(24,702)	(165)
NHS Bodies	0	0
Public Corporations and Trading Funds	0	0
Other Entities and Individuals	(2,235)	(4,170)
	(26,937)	(4,335)

9. OTHER INVESTMENTS

	2012		2011	
	£000	£000	£000	£000
Other Investment Assets :				
Income accrual	3		1,218	
		3		1,218
Other Investment Liabilities :				
Purchases of investments	0		(1,195)	
		0		(1,195)
Other Investment Balances		3		23

10. POST BALANCE SHEET EVENT

The accounts outlined within the statement represent the financial position of the Clwyd Pension Fund as at 31st March 2012. Since this date, the performance of the global equity markets may affect the financial value of pension fund investments. This movement does not affect the ability of the Fund to pay its pensioners.

The transfer of assets in respect of the North Wales Probation Board to the Rhondda Cynon Taf Pension Fund was not effected until after 31st March 2012. An estimated amount of £23.530m was paid in April 2012 and included as an accrual in these accounts. The final calculation has not been agreed and any under or overpayment will be collected once the final amount is determined.

Changes have been agreed to the Local Government Pension Scheme which will take effect from 1st April 2014. These changes will not impact the Statement of Accounts for 2011/12.

11. ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCs)

A market value or an estimate thereof has not been included for the money purchase AVC investments. These assets are specifically allocated to the provision of additional benefits for particular members. The Clwyd Pension Fund has the services of two AVC providers for members' additional benefits with the funds being invested in a range of investment products including fixed interest, equity, cash, deposit, property and socially responsible funds, as follows :-

Contributions paid	£	561,494
Units purchased	No.	86,366
Units sold	No.	116,651
Market value as at 31st March 2012	£	3,824,312
Market value as at 31st March 2011	£	3,683,250

12. RELATED PARTY TRANSACTIONS

Governance

Under legislation, introduced in 2004, Councillors are entitled to join the Pension Scheme. As at 31st March 2012, no Members of the Pension Panel have taken this option. The Members of the Pension Fund Panel do not receive any fees in relation to their specific responsibilities as members of the Panel.

12. RELATED PARTY TRANSACTIONS (continued)

Key Management Personnel

No senior officers responsible for the administration of the Fund have entered into any contract, other than their contract of employment with the Council, for the supply of goods or services to the Fund.

Flintshire County Council

In the course of fulfilling its role as administering authority to the Fund, Flintshire County Council provided services to the Fund for which it charged £802,768 (£847,104 in 2010/11). These costs are in respect of those staff employed in ensuring the pension service is delivered, and other costs such as payroll and information technology. The costs are included in the accounts within administration expenses (see note 2). At the year end, a net balance of £1.039m was owing to Flintshire in relation to creditors payments made on behalf of the fund and support service costs which were not available as at 31st March 2012.

13. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

As at 31st March 2012, the Fund has contractual commitments of £383.4m in private equity and property funds, of which £280.7m has been invested, leaving an outstanding commitment of £102.8m.

14. TRANSACTION COSTS

Transaction costs are incremental costs that are directly attributable to the acquisition or disposal of an investment. They include fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges and transfer taxes and duties. They can be added to purchase costs or netted against sales proceeds, as appropriate. These costs cannot be directly identified as the Clwyd Pension Fund is wholly invested in pooled vehicles.

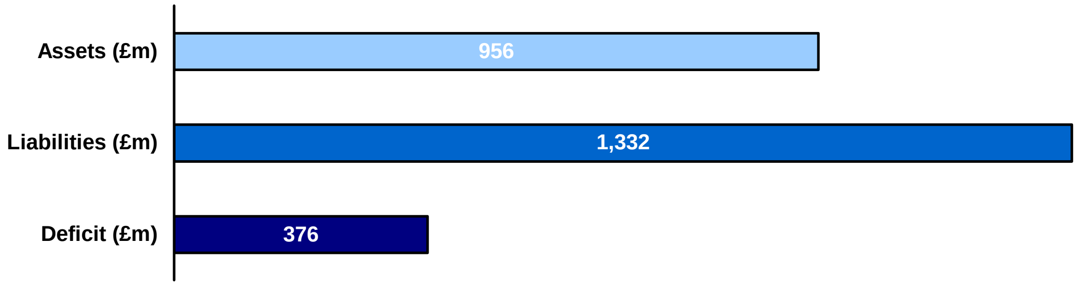
15. ACTUARIAL VALUATION & VALUE OF PROMISED RETIREMENT BENEFITS FOR THE PURPOSE OF IAS 26 (Provided by the Fund's Actuary)

This statement has been provided to meet the requirements under Regulation 34(1)(d) of The Local Government Pension Scheme (Administration) Regulations 2008.

An actuarial valuation of the Clwyd Pension Fund was carried out as at 31 March 2010 to determine the contribution rates with effect from 1 April 2011 to 31 March 2014.

On the basis of the assumptions adopted, the Fund's assets of £956 million represented 72% of the Fund's past service liabilities of £1,332 million (the "Funding Target") at the valuation date.

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



The valuation also showed that a common rate of contribution of 11.7% of pensionable pay per annum was required from employers. The common 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.

Adopting the same method and assumptions as used for assessing the Funding Target the deficit would be eliminated by an average additional contribution rate of 9.0% of pensionable pay for 20 years. This would imply an average employer contribution rate of 20.7% of pensionable pay in total.

Further details regarding the results of the valuation are contained in our formal report on the actuarial valuation dated 30 March 2011.

In practice, each individual employer's position is assessed separately and the contributions required are set out in our report. In addition to the certified contribution rates, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Different approaches adopted in implementing contribution increases and deficit recovery periods are as determined through the FSS consultation process.

The valuation was carried out using the projected unit actuarial method and the main actuarial assumptions used for assessing the Funding Target and the common contribution rate were as follows:

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

	For past service liabilities (Funding Target)	For future service liabilities (Common Contribution Rate)
Rate of return on investments (discount rate)		
- pre retirement	6.5% per annum	6.75% per annum
- post retirement	5.5% per annum	6.75% per annum
Rate of pay increases	4.5% per annum	4.5% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	3.0% per annum	3.0% per annum

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2013. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2014.

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:

	31 March 2011	31 March 2012
Rate of return on investments (discount rate)	5.5% per annum	4.9% per annum
Rate of pay increases	4.4% per annum	4.0% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.9% per annum	2.5% per annum

We have also used valuation methodology in connection with ill-health and death benefits which is consistent with IAS 19. Demographic assumptions are the same as those used for funding purposes.

On this basis, the value of the Fund's promised retirement benefits as at 31 March 2011 and 31 March 2012 were £1,501 million and £1,613 million respectively. During the year, corporate bond yields reduced significantly, resulting in a lower discount rate being used for IAS26 purposes at the year end than at the beginning of the year (4.9% p.a. versus 5.5% p.a.), and in addition there was a reduction in inflation expectations (from 2.9% p.a. to 2.5% p.a.). The net effect of these changes is an increase in the Fund's liabilities for the purposes of IAS26 of about £55 million.

Paul Middleman
Fellow of the Institute and Faculty of Actuaries
Mercer Limited
June 2012

ANNUAL GOVERNANCE STATEMENT 2011/12

1. SCOPE OF RESPONSIBILITY

Flintshire County Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used appropriately and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, ensuring that we are economic, efficient and effective as an organisation.

In discharging this overall responsibility, Flintshire County Council should maintain proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions and the management of risk.

The Council has approved and adopted a Code of Corporate Governance which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) / the Society of Local Authority Chief Executives and Senior Managers (SOLACE) Delivering Good Governance in Local Government : A Framework.

The Code of Corporate Governance is included in the Council's Constitution and a copy is also available from the Democracy & Governance Manager in Legal & Democratic Services.

This Statement explains how Flintshire County Council has complied with the Code and also meets the requirements of the Accounts and Audit (Wales) (Amendment) Regulations 2010.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework brings together the systems and processes, culture and values by which the Council is managed and controlled and the activities through which it accounts to, engages with and leads the community. The framework enables the Council to monitor achievement against its strategic objectives and to be assured whether public services are well-designed, provided and resourced in pursuit of those objectives.

The system of internal control is a significant part of that framework and is designed to manage risks and challenges to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore provide proportionate and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, priorities, aims and objectives, to evaluate the likelihood of those risks and challenges occurring and to evaluate the impact if they do; to manage risks efficiently, effectively and economically.

The governance framework has been in place at Flintshire County Council for the year ended 31 March 2012 and up to the date of approval of the annual statement of accounts.

3. THE GOVERNANCE FRAMEWORK

Code of Corporate Governance

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

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

The Cabinet, in consultation with the Constitution Committee, is responsible for approving the original Code of Corporate Governance. The Chief Executive and Monitoring Officer are responsible for ensuring that it is kept up to date by way of annual reviews commencing in October each year.

Updating the Code of Corporate Governance and gaining assurance to inform this annual governance statement is undertaken and co-ordinated over the year as part of a cyclical approach.

Members

Flintshire County Council has 70 Councillors that represent 57 electoral divisions and are democratically elected every 4 years. The Council operates a Leader and Cabinet Executive which during the year to the 31 March 2012 was made up of 9 Members. For the 2011/12 year there were 7 Overview & Scrutiny Committees supported by a team of officers. These Committees were as follows:-

- Housing
- Corporate Resources
- Environment
- Lifelong Learning
- Community Profile & Partnerships
- Social & Health Care
- Co-ordinating

In addition the Council has the following Standing Committees:-

- Audit Committee
- Constitution Committee
- Standards Committee
- Planning and Development Control Committee
- Licensing Committee

As from 30 April 2012 the Local Government (Wales) Measure 2011 requires the Council to have a Democratic Services Committee. Under the Measure the Audit Committee is required to have lay representation within its membership and to include in its terms of reference prescribed functions.

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

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

Officers
Officers are subject to a separate Code of Conduct. Breach of the Officers' Code can lead to disciplinary action.

Copies of both the Members and Officers Codes of Conduct are included in the Constitution which is available on the Council's website and Infonet.

Monitoring Officer
Article 15 of the Council's Constitution designates the Head of Legal & Democratic Services as the Council's Monitoring Officer under Section 5 of the Local Government & Housing Act 1989. In addition to the statutory responsibilities of the ensuring the Council complies with the law and avoids maladministration the Council's Constitution also gives the Monitoring Officer responsibility for monitoring the operation of the Constitution and contributing to the promotion of high standards of conduct through the provision of support to the Standards Committee.

Finance
The Head of Finance is the Responsible Finance Officer and takes responsibility for the proper administration of the Council's financial affairs under Section 151 of the Local Government Act 1972 and in accordance with the CIPFA Statement on the role of the Chief Financial Officer. There are robust arrangements for effective financial management and control through the Council's accounting procedures, key financial systems, Financial Procedure Rules and Contract Procedure Rules as set out in the Constitution. Both the Financial Procedure Rules and Contract Procedure Rules are regularly reviewed and are available on the Council's infonet.

The Council's Medium Term Financial Strategy provides a framework for the financial principles through which revenue and capital resources are forecast, organised and managed to deliver the Council's vision and strategic objectives. The Medium Term Financial Plan forecasts funding levels and resources required over the medium term to support strategic decision making; to ensure balanced budgets in future years, and so that the Council can invest in its improvement priorities. The Council has four types of resources – people, money, assets and information.

The Council's process for setting its annual revenue budget and capital programme is set out in the Budget and Policy Framework Procedure Rules in Part 4 of the Constitution. When the Authority sets its budget elected members take account of the level of risk and uncertainty regarding its budgetary estimates in the context of the prevailing economy and public services climate.

The Council operates a scheme of delegated budgets supported by the Corporate Finance team which consists of central and directorate based finance teams supporting budget managers. Revenue budget monitoring reports, including full year forecasts, are reported to the Cabinet and the Corporate Resources Overview and Scrutiny Committee on a monthly basis. These reports identify reasons for variances and set out any corrective action that is proposed. Capital Programme monitoring reports are reported to the Cabinet and the Corporate Resources Overview and Scrutiny Committee on a quarterly basis.

The Council has adopted the Chartered Institute of Public Finance (CIPFA) Treasury Management in the Public Services: Code of Practice. Treasury Management is conducted in accordance with the

Council's Treasury Management Policy and Strategy Statement and Treasury Management Practices which are both reviewed annually. All borrowing and long term financing is made in accordance with CIPFA's Prudential Code. Treasury Management update reports are made to the Audit Committee and Cabinet on a quarterly basis.

Flintshire Futures
The Council adopted the Flintshire Futures Programme in 2010 as its strategy for organisation change and reform to secure efficiencies whilst modernising the way we work and improving local public services.

The Flintshire Futures Programme has four sub programmes:
- Corporate Change e.g. assets and procurement;
- Service Reviews e.g. Transforming Social Care for Adults;
- Regional Collaboration e.g. School Improvement Service;
- Local Collaboration e.g. energy management and carbon reduction.

Business Planning
The Council has an established and robust approach for business planning. The process is described and signposted within the Council (Plan) Governance Framework which was adopted in June 2011. The Framework is a family of co-related documents which describe how the organisation's priorities and values are reflected within the Directorates and their functions and how the Council interacts with partners and its customers and communities.

Alongside this is the Council's Improvement Plan which is published annually and describes the Council's priorities (Improvement Objectives) which are supported by both corporate and Directorate level (secondary) priorities. These priorities are connected to the County's Vision as determined by the Local Service Board.

The 'building blocks' of the Council's business planning approach are:
- County Vision (Community Strategy) as set by the Local Service Board
- Council Priorities (ten primary priorities) as set by the County Council and supported by Directorate and corporate secondary priorities
- Council Improvement Targets – a set of performance indicators designated as those which require focused attention for improvement
- Strategic Assessment of Risks and Challenges (SARC) – a set of issues which are described in terms of risk, objectives and actions for mitigation
- Outcome Agreement (with Welsh Government) actions and measures
- Directorate and Service Plans, plus the corporate resource plans (for Human Resources, ICT and Customer Services, Finance and Legal and Democratic) set out all the above issues plus other issues identified in the Service Plans
- Quarterly reporting at Head of Service level to Cabinet and Overview and Scrutiny – a monitoring report on progress on all the issues above

Risk Management
The Council's strategic risk register is entitled the Strategic Assessment of Risks and Challenges (SARC). The SARC was first created during 2007/08. This 'live' document defines and details the priorities for change and improvement and is supported by business planning processes and disciplines of service planning, risk management, financial planning, resource planning, monitoring and review.

As a tool it collates the risks the Council has to consider, with regular updating and reporting on progress. It uses a red, amber, green (RAG) matrix to evaluate the current risk status and predicts the period when the risk will be mitigated or managed within the Council's risk appetite.

The SARC has three sections:

- Community Leadership – critical local issues which cannot be solely delivered by the Council (e.g. Affordable Housing)
- Council Delivery – public service issues which are largely within the control and responsibility of the Council
- Council Governance – issues of organisational governance and management (e.g. Finance)

The SARC risks are described in:

- Directorate Plans
- Service Plans
- Quarterly performance reports

Business Continuity
Business Continuity management is how the organisation plans an effective response to business interruptions, such as severe weather or a power outage, for its critical services to function and then return to normal as soon as possible.

Flintshire has developed a resilient approach to business continuity. This approach has included:

- the identification of Mission Critical Services which must be maintained or recovered as a priority should a business interruption occur, these services have Business Continuity Plans in place.
- the development of a Corporate Business Continuity Plan which provides the overall framework within which the Plans for Mission Critical Services operate and sets out the actions to be taken should a number of business continuity impacts be faced at the same time across e.g. accommodation or ICT infrastructure.

Overall strategic responsibility for ensuring that services are maintained is the responsibility of the Council's Corporate Management Team.

Regulation and Assurance
Regulation and accountability provides assurance for the effectiveness of the Council's arrangements for the services it is responsible for and the achievement of its objectives. It is undertaken both internally within the organisation through its governance arrangements, practices and procedures and externally by various organisations such as the Wales Audit Office (WAO) who have an independent statutory role.

Audit Committee
Internally, the Council's Audit Committee's role and function is to provide assurance of the system through:

- Reviewing the effectiveness of the authority's systems of internal control and risk management systems
- Overseeing the financial reporting process to ensure the balance, transparency and integrity of published financial information
- Monitoring the performance and effectiveness of the internal and external audit functions within the wider regulatory context

Internal Audit
The Internal Audit service is provided in accordance with CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom. The Code states that Internal Audit is an assurance function that provides an independent and objective opinion to the organisation on the control environment, by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources. An annual audit plan is prepared on the basis of the Internal Audit Strategy.
In accordance with the requirements of the CIPFA Code of Practice the Internal Audit Manager reports to the Audit Committee a summary of audit findings each quarter and prepares an annual report that summarises the results of internal audit work during the year on the overall system of internal control within the Authority.

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

Their role is independent of government and they examine and challenge the performance and effectiveness of Welsh public bodies work and produce either periodic or annual local and national reports on their findings. All formal reports are presented to the Executive and Audit Committee and considered by the various Overview and Scrutiny Committees as appropriate under an adopted local protocol. Some reports, such as the Annual Improvement Report are presented to the full Council and some are also referred to the Audit Committee.

Whistle blowing
The Council is committed to the highest possible standards of openness, probity and accountability. To support that commitment we encourage employees and others with serious concerns about any aspect of the Council's work to come forward and voice those concerns. It is recognised that sensitive cases have to proceed on a confidential basis. This policy makes it clear that employees can do so without fear of reprisal. The policy is included in the Council's Constitution and is available on the Council's Infonet.

Complaints
The Council has adopted a formal complaints procedure which also seeks comments and compliments and this is periodically updated.

Corporate Strategies
The Council has four principal corporate resource strategies (see *) and other plans which provide the resource and accountability framework and support for the delivery of the Directorate and Service Plans. They include:

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

Partnerships
The Council is involved in various ways in partnerships (as lead, joint partner, service recipient, service provider) at national, regional and local levels. Nationally, the Council is part of the local government 'family' in Wales making contributions in social policy development, influencing

national decisions and in guiding professional and other bodies. The Council is an active member of many regional partnerships and representative bodies and a collaborative partner with several regional projects and partnerships.

On a local level, the Local Service Board (LSB) brings together the public service providers in Flintshire including: Flintshire County Council, North Wales Police, Betsi Cadwaladr University Health Board, Deeside College, Glyndwr University, Flintshire Local Voluntary Council, National Public Health Service, North Wales Fire and Rescue Service and the Environment Agency.

The main role of the LSB is to identify and manage common issues and co-ordinate and support the achievement outcomes across the following strategic partnerships that make up Flintshire in partnership as follows:

- Children & Young People's Partnership and 'Making a Positive Difference' Plan (2011 to 2014)
- Community Safety Partnership and Strategic Plan (2008 to 2011)
- Flintshire Housing Partnership
- Health, Social Care and Well-being Partnership and the Good Health, Good Care Strategy (2011 to 2014)
- Flintshire and Wrexham Local Safeguarding Children Board Strategic Plan (2011 to 2014)
- Regeneration Partnership
- Voluntary Sector Compact
- Youth Justice Plan and Board

Strategic partnership performance is reported to the Council's Cabinet and the Community Profile and Partnerships Overview and Scrutiny Committee twice yearly.

4. REVIEW OF EFFECTIVENESS

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

Council Constitution
The Council's Constitution defines the roles of the Cabinet, Council, Audit Committee, Standards Committee and the Overview & Scrutiny Committees. During the course of the year the Council Constitution has been kept under review and changes recommended to the Constitution Committee which were later adopted by the Council. One such amendment was to enable the Constitution to be updated without the need for any such changes having to be considered by the Council. Following this change various updates have been made to the Constitution to reflect changes in legislation, changes in officer and departmental titles without the need for such changes having to wait until the next Council meeting.

Code of Corporate Governance
Commencing in October 2011 an annual review and update of the Code of Corporate Governance was undertaken. This year for the first time that was coordinated by the Code of Corporate

Governance Officer Working Group. The Working Group was formed in response to recommendations from the Wales Audit Office and the Council's Internal Audit by the Council's Corporate Management Team at a meeting on the 18 October 2011. The two main tasks of the Working Group are to update annually the Code of Corporate Governance and to prepare the Annual Governance Statement.

Following the work of the Officer Working Group an updated version of the Code of Corporate Governance was reported to the Corporate Management Team at its meeting on the 20 March 2012 and then to the Constitution Committee at its meeting on the 28 March 2012. At both meetings the updated version was agreed and subsequently the Constitution amended to include this updated version.

The Corporate Governance Working Group decided to combine into one document the previous separate self-assessments that had been undertaken for the Code of Corporate Governance and the Annual Governance Statement. This combined assessment was agreed by the Corporate Management Team at its meeting on the 20 March 2012 and distributed to all Heads of Service for completion on the 22 March 2012. The results informed the preparation of this Annual Governance Statement and did not identify any further significant corporate governance issues other than those already included in this Annual Governance Statement.

Members
Each municipal year the training needs of Members are assessed and an annual Member development programme agreed by the Member Development Working Group. During the 2011/12 municipal year the following formal training was provided to Members:-

Various planning topics as determined by Planning Protocol Working Group:
- Finance
- Equalities
- Team working
- Leadership
- The role of the European Union

During the latter part of the year an extensive induction programme was prepared ready for new Members following the County Council elections on the 3 May 2012. This included both formal and informal briefings, arrangements for Members to have mentors, fact sheets on various topics and a Your Council event following the annual meeting on the 15 May 2012.

Officers
In relation to officers, the Learning and Development Team, working in Partnership with Deeside College have developed a comprehensive development programme enabling employees to develop their skills and competencies further and to achieve national ILM qualifications. A range of over 30 specialist half and full day development programmes are also offered to the workforce.

Council (Plan) Governance Framework
The final drafting and publication of the Council (Plan) Governance Framework was endorsed by the Council's Cabinet and County Council in June 2011.

During the year it has been used as part of the management development programme for Managers at ILM Levels 4 and 5 and received a favourable response as a comprehensive and user-friendly resource.

As the framework is subject to annual review; a revision will be presented to both the Council's Cabinet and County Council meetings in July 2012.

Business Planning – Improvement Plan
The Council drafted and approved its first Improvement Plan in June 2011. This Plan built on the Administration Priorities established in 2010 and identified a set of ten (primary) Improvement Priorities supported by more detailed secondary Directorate priorities. The quarterly performance reports summarise performance against progress and outcome and a full report on all the Improvement Priorities is presented twice yearly to Cabinet and the relevant Overview and Scrutiny Committees. The annual achievement against each of the ten Improvement Priorities is then summarised in the Council's Annual Performance Report (APR) which is presented to the Council's Cabinet and County Council.

Business Planning - Quarterly Performance Reports
The quarterly performance reports produced at Head of Service level give the context for overall performance and are a quarterly review of the service plans.

A new format for quarterly reporting was introduced from quarter 3 (Oct - Dec 11). It is based on exception reporting and splits the report into three sections:

- Section 1 - Foreword
- Section 2 – Performance Summary
- Section 3 – Exception Reporting in more detail.

Risk Management
The Strategic Assessment of Risks and Challenges (SARC) is monitored and reviewed on a quarterly basis and published on the Council's infonet twice yearly.

The SARC, apart from being reported via the quarterly performance reports, is reviewed separately twice yearly to ensure comprehensive coverage and assurance of risks and mitigating actions. This is reported to the Council's Cabinet and Audit Committee.

SARC is an effective tool:

- For self assessments - as a single document which charters the progress of issues the Council faces as an individual body and with our partners
- For resourcing planning and prioritisation – identifying where reallocation of resources are required
- For communication - to employees, members and in turn the public about the current issues and challenges that the Council faces
- For internal and external regulators – providing a regularly updated current assessment

The Council's risk management arrangements include:

- Operational risk – identified at service level
- Project risk – identified through the project management system
- Partnership risk - identified through the partnership governance framework

These processes all use the Corporate Risk Management model. More detail can be found in the Risk Management Strategy.

Business Continuity
A fresh round of testing held in October 2011 was compiled to help the owner/author of the plans to understand the importance of this and other issues to give senior management assurance on the robustness of the plans. The aim of the exercise was to test the resilience of the mission critical

business continuity plans, paying particular attention to winter resilience, alternative accommodation requirements and ICT replacement facilities, and to identify any other shortfalls. It was also an opportunity for newly appointed employees, with responsibility for Business Continuity in their remit, to gain knowledge and practical experience of business continuity requirements.

The testing of the plans gave rise to an healthcheck being carried out on all the mission critical plans and authors and owners of the plans are revising their plans in light of the findings.

A further test of the Corporate Business Continuity Plan is planned to include internal and external factors as business interruptions.

Partnerships

National Partnerships
In February 2012 the Council's Cabinet and County Council endorsed the adoption of the Compact between the Welsh Government and Welsh Local Government and subsequently became a signatory.

The Council has also reaffirmed its commitment to collaboration with other local authorities and public bodies where the interests of Flintshire to protect/improve public services and to achieve efficiencies can be met.

Regional Partnerships
As recognised in the 'Compact' above two major regional delivery partnerships have been formed during 2011/12:

- Regional School Effectiveness and Improvement Service (RSEIS)
- Social Services Regional Commissioning Hub.

There is significant collaborative working which pre-exist the Compact in service areas including transport, residual and food waste procurement, procurement services and ICT.

The governance arrangements for the national and regional collaborations have been determined locally with a protocol adopted by Cabinet in February 2012 for project governance and reporting.

Local Strategic Partnerships
A review of the North Wales Partnerships has resulted in a series of changes during 2011/12 to include the following joint Boards:

- Regional Leadership Board: Leaders/Chairs and Chief Executives of the eight local authorities (including Police and Fire) and the Health Board.
- Joint Local Safeguarding Children's Board with Wrexham (and first joint strategic plan 2011-2014)
- Joint Community Safety Partnership with Wrexham (and first joint strategic plan 2011-2014)
- Youth Justice with Wrexham

Budget Setting
In March 2012 the Council set the 2012/13 budget. The decrease of 0.2% in Flintshire's Revenue Support Grant from Welsh Government in 2012/13 came on top of a decrease of 1.7% in the previous year. This combined with the impacts of no provision for inflation, plus the costs of

funding new pressures resulted in significant efficiencies being needed to produce a balanced budget. Despite this challenge the budget headlines can be summarised as follows:

- There are no significant cuts to services or new job reductions
- There is additional investment in key areas to keep pace with demand and standards (e.g. Schools, Social Care)
- There is a prudent level of investment in ‘unsupported borrowing’ to fund Council Priorities in the Capital Programme
- There is a proposed modest increase to council tax and the fees and charges currently made for services
- The budget is protected for inflationary, economic and demographic impacts on a measured risk basis

Capital Programme

Work has been ongoing in 2011/12 to develop a long term capital strategy which aims to have in place a 10 year affordable, prioritised programme of all capital needs. In developing the strategy the following 6 theme areas have been identified for investment which might be financed (in full or in part) through unsupported (prudential) borrowing:

- School Modernisation
- Leisure
- Public / Civic Buildings
- ICT
- Infrastructure / Regeneration
- Energy

Work will continue to develop the Capital Programme in 2012/13.

Flintshire Futures

The efficiency dividends from the early stages of the Flintshire Futures Programme from internal service change and reduced operating costs have supported a balanced budget for 2012/13 and have assisted in achieving an in-year under-spend for 2011/12.

During recent months a significant amount of work has been undertaken by the Leadership Team and the Flintshire Futures Team to re-focus the organisational change programme needs to set high level targets to improve and change the organisation and to ‘bridge the gap’ in annual Council Fund revenue budgets for 2013-2018 as part of the Medium Term Financial Strategy and Plan.

Internal Audit

The department undertook a self-assessment against the CIPFA guidelines for Internal Audit in Local Government and found a high level of compliance.

The Wales Audit Office undertake an annual review of the Council’s Internal Audit service against the CIPFA Code of Practice for Internal Audit in Local Government. In its latest review they concluded that Internal Audit fully comply with eight of the eleven standards and partially comply with two. The area of non-compliance was in employee levels and did not reflect on the standard of work produced. They were content to rely on the work produced by Internal Audit.

In his annual report, based on the results of internal audits undertaken during the year, the Internal Audit Manager has concluded that Flintshire's arrangements for governance, risk management and internal control are adequate and effective.

The Internal Audit Manager reviewed the role of the Flintshire Head of Finance and concluded that it meets the governance requirements of the CIPFA Statement on the role of the Chief Financial

Officer in Local Government with a few minor exceptions that have no impact which will be addressed in 2012/13.

Audit Committee

The Audit Committee carries out an overview of the activities of the Council's internal and external audit functions. Elected members are provided with reports from the Wales Audit Office and summary reports on major systems and process from Internal Audit. They supervise Internal Audit's completion of the audit plan and the Audit Manager submits his Annual Report to the committee. The committee also receives regular updates on risk management.

The committee completed a self assessment against CIPFA Toolkit for Local Authority Audit Committees. The results showed that in the main the Committee meets the guidelines. Some areas were highlighted where existing arrangements can be strengthened. Training for the new Audit Committee after the Council elections will take place in June 2012.

Finance Function Review

In November 2010 approval was given to phase 2 of the Finance Function Review (FFR) (phase 1 being the review of Senior Management Structure for the Finance Division). The Phase 2 Review covered resources, capacity and capability to deliver the full range of financial services across the Council to meet current and future needs. It incorporated revised arrangements for Directorate Finance Teams to have a direct reporting line to the Head of Finance. Significant progress was made in implementing phase 2 of the review during 2011/12. Assimilation to posts in the new structure commenced and appointments have been made to vacant posts. Work will continue to complete the assimilation and remaining recruitment in 2012/13 and to embed the new structures. The completion of the FFR links directly to the CIPFA Role of the Chief Finance Officer, who must lead and direct a finance function that is resourced to be fit for purpose.

5. SIGNIFICANT GOVERNANCE ISSUES

WAO Improvement Report

The WAO Improvement Report issued in January 2012 included two recommendations:

- The Council should report more fully and regularly to the Executive Board on progress in delivering the HR Strategy and Single Status Agreement and ensure capacity and capability are available to achieve intended outcomes and timetables. Flintshire's response to this was '*quarterly reviews of the People Strategy will be reported to the Executive. The Single Status project plan was reported to Executive in March. The new Council will be fully informed of the project to enable it to reach an agreement in October 2012*'.
- The Council needs to complete its work in quantifying the financial benefits of its programme of efficiencies and organisational change by mid 2012-13, to determine the remaining funding gap (shortfall or surplus) and then establish clear plans to identify further savings and/or redirect resources to priorities.
  Flintshire's response to this was *'this work is in progress through the ongoing development of the MTFS and a review of the Flintshire Futures programme'*.

Single Status

Under the guidance of the Single Status Project Board significant progress has been made on the project. Renewed project governance and assurance arrangements are in place. The Council aims to adopt a local Single Status Agreement by the close of 2012.

Medium Term Financial Strategy and Medium Term Financial Plan
Significant progress was made in the development of the Medium Term Financial Strategy and Medium Term Financial Plan during the year, with the Medium Term Financial Strategy 2011-2015 being adopted by the Council in June 2011.

Strategic financial planning is critical to matching financial resources to Council priorities and improvement objectives and to ensuring the sustainability of service delivery. The Council recognises that there is a need to build on what it has achieved in 2011/12. The Council in responding to the formal recommendation of the Wales Audit Office's Annual Improvement Report 2011 is committed to develop and complete its work on the Medium Term Financial Plan (MTFP) by mid 2012/13 that will fully incorporate the financial implications of all efficiencies and savings programmes in order to determine the projected shortfalls (or surplus) for future annual budgets. This will include putting plans in place to meet any shortfalls and allocate resources to priorities.

Housing Stock Transfer
Under Welsh Government policy unitary Councils in Wales have been required to ballot their tenants on the option of transferring to a new registered social landlord or staying with the Council. A ballot was held between 20 February 2012 until 20 March 2012. The Council had taken a principled neutral stance on the ballot and did not seek to influence tenants one way or the other. The turnout was 71% which was the highest in Wales. 88% of the tenants voting voted no to a transfer with 12% voting yes. At meetings of the Executive and County Council on the 27 March 2012 the outcome of the ballot was accepted with a decision to engage with the Welsh Government over how to bridge the funding gap to achieve the Welsh Government policy on meeting the Welsh Housing Quality Standard within an acceptable timescale.

School Modernisation
During 2011/12 there has been an extensive consultation process on the Flintshire School Modernisation Strategy. Consultation meetings have been well attended and recognised by most school representatives as well conducted. The feedback received before the end of April 2012 has been included in a database ready for consideration by elected Members from June 2012. The Strategy provides a policy framework under which schools and communities can engage in discussions to help identify solutions to address demographic change and options for local educational change. The Strategy contains criteria for the review of schools including the percentage of surplus places. The initial stages of consultation are intended to provide Members with information to assess whether criteria for issuing a statutory proposal for school organisational change are met.

SARC
High Red Risks from the current Strategic Assessment of Risks and Challenges (SARC) are:

CD10a Leisure - Revenue Funding
Current funding levels for Leisure Services do not support the Leisure Strategy's 3 key strategic priorities.
The revised in-year overspend has reduced with Leisure Services offsetting some of the deficit through increased income generation. Further income is due to be generated through the completion of Phase 3 with Alliance Leisure.

CD20 School Buildings/ School Modernisation
Condition, suitability and sufficiency of education assets.
School Modernisation - A new phase of area reviews was re-commenced as agreed by the County Council towards the end of 2011 and a new strategy was introduced with criteria for the review of schools having significant surplus places. (See above)

School Buildings – The Education Asset Management Plan is being used in conjunction with the Corporate plan. The School Modernisation Strategy now being implemented to address some of the issues relating to school buildings. Progress with amalgamations, replacement of two schools with new is ongoing, with completions scheduled in September 2012 and September 2014.

CD38 Welfare Reform
The Welfare Reform Act when fully implemented will see the introduction of Universal Credit to provide a single streamlined national benefit scheme and the introduction of a replacement Council Tax Benefits Scheme which will be for local determination. The UK Government's intended objectives of welfare reform are to ensure that work pays. It will feature a stronger approach to reducing fraud and error with tough penalties for the most serious offences. It will reform disability living allowance and create a fairer approach to Housing Benefit and support changes to a new system of child support.

In preparation for this the Council is:

- Mitigating where possible the effects and actively supporting the implementation of the changes resulting from the Welfare Reform Act.
- Planning for the introduction of a replacement Council Tax Benefit Scheme from April 2013 following the cessation of the current national scheme.
- Understanding the implications of the Reform upon our communities so that we can respond to local priorities.
- Accessing key people in other agencies to support the implementation of the reform.
- Prioritising spending on those with the greatest need. This is a newly identified risk with many interdependencies for Flintshire and its Partners.

CG23 Data Protection
The Council being in breach of the Data Protection Act resulting in enforcement action by the Information Commissioner's office, including the imposition of financial penalties and adverse publicity.

In preparation for this the Council is minimising the potential for:

- financial penalties of any significant breach of the Data Protection Act.
- negative publicity of any significant breach of the Data Protection Act.
- the damage and harm caused of any significant breach of the Data Protection Act
  by ensuring that:
    - service areas regularly processing personal information have included Data Protection breach as a service risk in their service plans.
    - staff processing personal information have received appropriate training.
    - training is given to Members on their Data Protection responsibilities.
    - a register is maintained of all Data Protection complaints.
    - news items are regularly distributed on the Infonet and to Heads of Service as a reminder of the importance of complying with Data Protection.

The Information Commissioner's Office are undertaking a voluntary audit in early 2013. Their report should identify further actions to reduce the risk.

ANNUAL GOVERNANCE STATEMENT 2011/12
continued

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed……………………………………Leader of the Council

Signed……………………………………Chief Executive