

Pecyn Dogfen Gyhoeddus



Swyddog Cyswllt:
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At: Cyng Helen Brown (Cadeirydd)

Y Cynghorwyr: Glyn Banks, Jean Davies, Chris Dolphin, Andy Dunbobbin,
Paul Johnson and Arnold Woolley

Aelod Cyfetholedig:
Sally Ellis

Dydd Mawrth, 19 Medi 2017

Annwyl Gynghorydd

Fe'ch gwahoddir i fynychu cyfarfod Pwyllgor Archwilio a fydd yn cael ei gynnal am 10.00 am Dydd Mercher, 27ain Medi, 2017 yn Ystafell Bwyllgor Clwyd, Neuadd y Sir, Yr Wyddgrug CH7 6NA i ystyried yr eitemau canlynol.

R H A G L E N

1 YMDDIHEURIADAU

Pwrpas: I derbyn unrhyw ymddiheuriadau.

2 DATGAN CYSYLLTIAD (GAN GYNNWYS DATGANIADAU CHWIPIO)

Pwrpas: I derbyn unrhyw ddatganiad o gysylltiad a chynghori'r Aelodau yn unol a hynny.

3 COFNODION (Tudalennau 3 - 8)

Pwrpas: I gadarnhau, fel cofnod cywir gofnodion y cyfarfod ar 19 Gorffennaf 2017.

4 DATGANIAD CYFRIFON 2016/17 (Tudalennau 9 - 202)

Adroddiad Rheolwr Cyllid Corfforaethol - Arweinydd y Cyngor Aelod a'r Cabinet dros Gyllid

Pwrpas: Mae'r adroddiadau'n cyflwyno'r fersiwn wedi'i archwilio terfynol o Ddatganiad Cyfrifon 2016/17 i'r Aelodau ei argymhell i'r Cyngor, ac yn cynnwys hefyd adroddiad yr archwilwyr allanol.

5 ADRODDIADAU ASTUDIAETH SWYDDFA ARCHWILIO CYMRU

(Tudalennau 203 - 236)

Adroddiad Prif Weithredwr - Arweinydd y Cyngor Aelod a'r Cabinet dros Gyllid

Pwrpas: I'w sicrhau drwy adroddiadau Swyddfa Archwilio Cymru a chefnogaeth yr ymateb gweithredol.

6 ADRODDIAD GWELLIANT BLYNYDDOL ARCHWILYDD CYFFREDINOL CYMRU (Tudalennau 237 - 268)

Adroddiad Prif Weithredwr - Arweinydd y Cyngor Aelod a'r Cabinet dros Gyllid

Pwrpas: I'w sicrhau drwy adroddiad Swyddfa Archwilio Cymru a chefnogaeth yr ymateb gweithredol.

7 ADRODDIAD CYNNYDD ARCHWILIO MEWNOL (Tudalennau 269 - 314)

Adroddiad Rheolwr Archwilio Mewnol - Not Applicable

Pwrpas: Cyflwyno Diweddariad i'r Pwyllgor am gynnydd yr Adran Archwilio Mewnol.

8 OLRHAIN CAMAU GWEITHREDU (Tudalennau 315 - 324)

Adroddiad Rheolwr Archwilio Mewnol - Not Applicable

Pwrpas: Hysbysu'r Pwyllgor o'r camau gweithredu sy'n deillio o bwyntiau a godwyd yng nghyfarfodydd blaenorol y Pwyllgor Archwilio.

9 RHAGLEN GWAITH I'R DYFODOL (Tudalennau 325 - 332)

Adroddiad Rheolwr Archwilio Mewnol - Not Applicable

Pwrpas: Ystyried Rhaglen Gwaith I'r Dyfodol yr Adran Archwilio Mewnol.

Yn gywir



Robert Robins
Rheolwr Gwasanaethau Democraidd

Eitem ar gyfer y Rhaglen 3

PWYLLGOR ARCHWILIO 19 GORFFENNAF 2017

Cofnodion cyfarfod Pwyllgor Archwilio Cyngor Sir y Fflint a gynhaliwyd yn Ystafell Bwyllgora Clwyd, Neuadd y Sir, yr Wyddgrug, ddydd Mercher 19 Gorffennaf 2017.

YN BRESENNOL: Sally Ellis (Is-gadeirydd yn y Gadair)

Y Cynghorwyr: Glyn Banks, Jean Davies, Chris Dolphin, Andy Dunbobbin a Paul Johnson

YMDDIHEURIADAU: Y Cynghorwyr Helen Brown ac Arnold Woolley

HEFYD YN BRESENNOL: Y Cynghorydd Patrick Heesom

ARSYLWYR:

Y Prif Weithredwr; Rheolwr Archwilio Mewnol Dros Dro; Rheolwr Cyllid Corfforaethol; Rheolwr Cyllid - Cyfrifeg Dechnegol; a Swyddog Pwyllgorau

John Herniman a Matthew Edwards o Swyddfa Archwilio Cymru

16. DATGAN CYSYLLTIAD

Datganodd yr aelodau canlynol gysylltiad personol ag eitem 4 ar y rhaglen: 'Datganiad Cyfrifon Drafft 2016/17':

Sally Ellis – aelod a rhai o'i theulu'n aelodau o'r Gronfa Bensiynau; a'r Cynghorydd Glyn Banks – aelod o Fwrdd NEW Homes.

17. COFNODION

Cyflwynwyd cofnodion y cyfarfod a gynhaliwyd ar 12 Mehefin 2017.

PENDERFYNWYD:

Cymeradwyo'r cofnodion fel cofnod cywir a bod y Cadeirydd yn eu llofnodi.

18. DATGANIAD CYFRIFON DRAFFT 2016/17

Cyflwynodd Rheolwr Cyllid Corfforaethol a Rheolwr Cyllid - Cyfrifeg Dechnegol Ddatganiad Cyfrifon drafft 2016/17 (testun archwilio) er gwybodaeth. Roedd y rhain yn cynnwys y cyfrifon Grŵp - gan gynnwys yr is-gwmni sy'n eiddo iddo'n llawn, North East Wales (NEW) Homes - a Chronfa Bensiynau Clwyd. Byddai'r cyfrifon terfynol wedi'u harchwilio'n cael eu derbyn ar 27 Medi i'w cymeradwyo a'u hargymell i'r Cyngor Sir ar yr un diwrnod, cyn y dyddiad cau statudol ar gyfer cyhoeddi, sef 30 Medi. Roedd hon yn ddogfen gorfforaethol a luniwyd drwy waith sylweddol ar draws yr Awdurdod, yn enwedig gan y tîm Cyfrifeg Dechnegol yn Adran Cyllid Corfforaethol.

Rhoddwyd cyflwyniad yn trafod y meysydd canlynol:

- Pwrpas a chefnidir
- Cynnwys a throsolwg
- Cyfrifoldeb
- Cysylltiadau â monitro'r gyllideb
- Penawdau – Cronfa'r Cyngor, Cronfeydd Wrth Gefn ar Ddiwedd y Flwyddyn, Cyfrif Refeniw Tai a Chyfalaf
- Newidiadau i Ddatganiad Cyfrifon 2016/17
- Prif Ddatganiadau
- Grŵp Llywodraethu Cyfrifon
- Cynnydd wrth fynd i'r afael â materion y llynedd
- Amserlen a chamau nesaf
- Effaith dyddiadau cau cynt ar fateroliaeth

Eglurodd Mr John Herniman o Swyddfa Archwilio Cymru (SAC) y dull cyffredinol o ran yr archwiliad wrth gymryd golwg gyffredinol ar fateroliaeth i ddarparu gwybodaeth er mwyn barnu cywirdeb y cyfrifon ac nad yw'r adrodd anochel am gamfynegiannau, o reidrwydd, yn golygu bod angen diwygio. Croesawodd y trefniadau i'r Grŵp Llywodraethu Cyfrifon fod yn goruchwyllo'r broses. Nododd fod cyflwyno terfynau cyhoeddi statudol cynharach ar gyfer cyfrifon y dyfodol yn her sylweddol i bawb ac fe awgrymodd efallai y byddai'r Cyngor yn dymuno ystyried treialu hyn yn gynharach. Byddai effaith dyddiad cau buan yn golygu bod mwy o bwyslais ar ddata amcangyfrifedig ac, o bosib, fwy o fân wallau yn y cyfrifon, ond roedd y ffocws ar eu cywirdeb yn eu hanfod ac felly efallai na fyddai'r Cyngor am ddiwygio mân wallau.

Cadarnhaodd Mr Matthew Edwards o SAC eu bod wedi derbyn y cyfrifon drafft cyn y dyddiad cau a diolchodd i'r swyddogion Cyllid am ddarparu gwybodaeth i ategu'r cyfrifon a oedd yn cyfrannu tuag at effeithlonrwydd yr archwiliad. Byddai unrhyw faterion allweddol a godai o'r archwiliad yn cael eu crynhoi yn yr adroddiad a fyddai yn y cyfarfod nesaf.

Soniodd y Prif Weithredwr am rôl effeithiol y Grŵp Llywodraethu Cyfrifon o ran y gwaith cyfrifon. Wrth groesawu'r cyngor gan gydweithwyr o SAC ar her y dyddiadau cau cynharach, rhoddodd sicrwydd y byddai adnoddau o fewn y tîm Cyllid yn cael eu monitro i sicrhau eu bod yn ddigonol i gyflawni dyletswyddau statudol.

Mewn ymateb i bryderon a godwyd gan y Cynghorwyr Chris Dolphin a Glyn Banks, eglurodd Mr Herniman fod y newid arfaethedig i ddyddiadau cyhoeddi cyfrifon awdurdodau lleol Cymru'n benderfyniad gan Lywodraeth Cymru a oedd yn dilyn newidiadau a wnaed yn Lloegr, wedi'u cymell gan Drysorlys y DU i lunio Cyfrifon Llywodraeth Gyfan y DU yn gynt. Er cydnabod yr heriau, roedd mantais o fod â dealltwriaeth gynt o'r sefyllfa ar ddiwedd y flwyddyn. Mewn perthynas â'i sylwadau cynharach, eglurodd ei bod yn anochel bod cyfrifon yn cynnwys rhywfaint o ddata wedi'i amcangyfrif ac nad oedd mân bethau, ar y cyfan, yn effeithio ar y farn ynglŷn â'i gywirdeb yn ei hanfod, sef y brif ystyriaeth. Pan ofynnwyd iddo ynglŷn â'r posibilrwydd o weld y setliad dros dro ynghynt, dywedodd y Prif Weithredwr na fyddai hyn yn cael unrhyw effaith ar y cyfrifon.

Cododd y Cynghorydd Paul Jones bryderon nad oedd yr amserlen ar gyfer cyfrifon drafft 2020/21 yn caniatáu digon o amser i'r Aelodau oruchwylio'n ddemocrataidd, yn enwedig o ystyried y cyfnod cyn yr etholiad. Cyfeiriodd Mr Herniman at y drefn etholiadol a dywedodd y dylai'r Cyngor newydd ddal gael cyfle i ystyried y cyfrifon o fewn yr amserlen fyrrach. Dywedodd y Prif Weithredwr na fyddai'r cyfnod etholiadol yn effeithio ar lunio'r cyfrifon erbyn y dyddiad cau.

Gofynnodd y Cadeirydd ynglŷn ag effaith ymrwymadau pensiynau ar werth net yr awdurdod ac fe ddywedwyd wrthi fod yr ymrwymiad uwch o ganlyniad i newidiadau angenrheidiol a wnaed i ragdybiaethau cyfrifeg ariannol gan yr actiwari wrth gyfrifo'r ymrwymiad. Sicrhawyd yr aelodau bod trafodion cyfrifeg pensiynau'n angenrheidiol i gydymffurfio ag arferion cyfrifeg a dderbynnir yn gyffredinol, ond na chafwyd unrhyw effaith ar linell sylfaen y Cyngor o ran trafodion yn y Datganiad Incwm a Gwariant a'u bod wedi'u tynnu yn ôl o'r Datganiad ar Symudiadau yn y Cronfeydd Wrth Gefn. Mewn perthynas â phrisio anheddau'r Cyngor, eglurodd Rheolwr Cyllid nad oedd unrhyw effaith weithredol ac eglurodd gefndir y dull o gyfrifo'r gwerth a oedd wedi'i fabwysiadu i'w ddefnyddio yn y cyfrifon.

Wrth dderbyn cwestiynau pellach gan y Cadeirydd, soniodd Rheolwr Cyllid Corfforaethol am y gwahaniaeth rhwng cronfeydd wrth gefn wedi'u neilltuo a rhai heb eu neilltuo ac am y defnydd parhaus o gronfeydd Statws Sengl. Nododd y Prif Weithredwr fod lefel cronfeydd wrth gefn yn risg wrth iddynt barhau i ostwng ac na ellir dibynnu arnynt i'w defnyddio i wrthbwyso cyllideb y Cyngor yn ystod y cyfnod parhaus hwn o doriadau.

Pan ofynnodd y Cynghorydd Banks i Reolwr Cyllid Corfforaethol am lefelau cronfeydd wrth gefn at raid, dywedodd Rheolwr Cyllid Corfforaethol bod gan y Cyngor bolisi o gynnal lefel sylfaen o arian wrth gefn o tua 2% o drosiant, a ystyrid yn ddigon, a dywedodd fod cronfeydd wrth gefn yn cael eu hadolygu'n barhaus a datganiad blynyddol wedi'i gynnwys yn yr adroddiad blynyddol i'r Cyngor ar y gyllideb.

Ar y fantolen, holodd y Cadeirydd ynglŷn â'r cynnydd sylweddol o ran dyledwyr tymor byr ac fe gafodd wybod bod disgwyl symudiadau eithaf mawr mewn perthynas â dyledwyr a chredydwyr ac y gallai gael ei effeithio gan yr adeg y gwnaed taliadau cyllid grantiau. Roedd y symudiad penodol hwn yn bennaf o ganlyniad i'r benthyciad a roddwyd i NEW Homes, a oedd yn cael ei ystyried yn un 'tymor byr' gan ei fod ar y cam datblygu o adeiladu cartrefi fforddiadwy yn y Fflint. Rhoddwyd eglurhad hefyd ar yr addasiad cyfrifo ar gyfer 'absenoldebau wedi'u casglu' a oedd yn adlewyrchu'r gwyliau a oedd yn ddyledus i weithwyr heb unrhyw effaith weithredol.

Croesawyd graddau'r gwaith dadansoddi a wnaed gan y Pwyllgor gan Mr Herniman, a oedd yn cydnabod natur gymhleth cyfrifon llywodraeth leol.

Fel ymateb i ymholiad gan y Cadeirydd ar ddyfarniadau a rhagdybiaethau beirniadol, rhoddwyd eglurhad o'r modd yr ymdrinnir â Throsglwyddiadau Asedau Cymunedol a lesoedd corfforedig o fewn y contract gwasanaethau fflyd yn y cyfrifon.

Cyfeiriodd y Cynghorydd Andy Dunbobbin at y derminoleg a ddefnyddiwyd i egluro'r fethodoleg i brisio asedau gan bwysleisio mor bwysig oedd llunio dogfen gyhoeddus ddarllenadwy a dealladwy. Dywedodd Rheolwr Cyllid fod diffyg canllawiau cenedlaethol ar y fethodoleg brisio wedi'i nodi ac y gellid cyflwyno mwy o sylwadau. Wrth gydnabod y pwynt ynglŷn â therminoleg, cyfeiriodd at yr heriau wrth geisio bodloni gofynion cyfrifo a defnyddio iaith eglur yn y ddogfen.

Cyfeiriodd y Cadeirydd at gymariaethau â chyfrifon awdurdodau lleol eraill ac roedd yn canmol Sir y Fflint am gynnwys nodiadau eglurhaol. Dywedodd fod y cyflwyniad wedi helpu i roi trosolwg o'r pwyntiau allweddol.

Mewn perthynas â Throsoglwyddiadau Asedau Cymunedol, cyfeiriodd y Cynghorydd Dolphin at y risg a oedd yn parhau â'r Cyngor a dywedodd fod y risg hon yn cael ei rhannu gan grwpiau cymunedol a oedd yn derbyn yr asedau. Aeth yn ei flaen i ddweud y dylid cael mwy o aelodau i fod ar y Pwyllgor.

Mewn perthynas â dyledion digwyddiadol, holodd y Cynghorydd Johnson ynglŷn â'r achos cyfreithiol cenedlaethol ar ariannu gofal cymdeithasol ac fe ddywedwyd wrtho y byddai'r dyfarniad y disgwylid amdano'n sylweddol i gynghorau yng Nghymru a'r Byrddau lechyd a bod mesur costau posib' yn anodd. Cyfeiriodd y Prif Weithredwr at y risgiau a oedd yn gysylltiedig â rhai dyledion digwyddiadol eraill a oedd y tu hwnt i reolaeth y Cyngor.

Mewn ymateb i ymholiad gan y Cynghorydd Dunbobbin ar fenthycy gan Fwrdd Benthycy Gwaith Cyhoeddus, dywedodd Mr Edwards o SAC bod hyn yn rhan o'r dull ar sail risgiau o archwilio ac y byddai'r canlyniad yn cael ei adrodd ym mis Medi.

Eglurodd Mr Herniman na nodwyd unrhyw faterion o bryder yn y cyfrifon ar hyn o bryd.

Atgoffodd y Cadeirydd yr aelodau o'r cyfleoedd a oedd ar gael i gael eglurhad ynglŷn â materion yn y cyfrifon drafft, fel y maent wedi'u nodi yn yr adroddiad. Dywedodd y Prif Weithredwr y byddai ymatebion i ymholiadau a wnaed ynglŷn â'r cyfrifon drafft yn cael eu rhannu gyda'r holl aelodau cyn y camau terfynol.

PENDERFYNWYD:

- (a) Nodi Datganiad Cyfrifon drafft 2016/17 (sy'n cynnwys y Datganiad Llywodraethu Blynnyddol a gymeradwywyd gan y Pwyllgor yn ei gyfarfod fis Mehefin 2017); a
- (b) Bod y Pwyllgor yn cymeradwyo'r trefniadau ar gyfer y sesiynau 'galw heibio' sydd wedi'u trefnu yn gynnar ym mis Medi ac yn nodi'r gallu i drafod unrhyw agwedd o'r Datganiad Cyfrifon gyda swyddogion neu Swyddfa Archwilio Cymru drwy gydol mis Gorffennaf, Awst a Medi, cyn i'r fersiwn derfynol wedi'i harchwilio ddod yn ôl ger bron y Pwyllgor i'w hargymell i'r Cyngor er mwyn i'r Cyngor ei chymeradwyo'n derfynol ar 27 Medi 2017.

19. GWYBODAETH ARIANNOL ATODOL I DDATGANIAD CYFRIFON DRAFFT 2016/17

Cyflwynodd Rheolwr Cyllid Corfforaethol wybodaeth ariannol atodol i gydfynd â Datganiad Cyfrifon drafft 2016/17, yn unol â'r Rhybudd o Gynnig a gymeradwywyd yn 2013.

Roedd y wybodaeth ynglŷn â swyddi a oedd yn benodiadau dros dro'n dangos y symiau a dalwyd i sefydliadau am drefniadau o'r fath ac nid oedd yn adlewyrchu cyflogau'r rhai dan sylw. Roedd y gost am ymgynghorwyr a swyddi nad oeddent yn rhai parhaol ar draws y Cyngor yn cynnwys costau blynyddol damcaniaethol pe bai'r unigolion wedi'u cyflogi am y flwyddyn gyfan, yn ogystal â'r costau gwirioneddol a ysgwyddid.

Mewn perthynas â'r ail o'r rheini, eglurodd y Prif Weithredwr fod y rhain yn wasanaethau arbenigol na ellid sicrhau'r gallu i'w cyflawni o fewn y sefydliad.

PENDERFYNWYD:

Nodi'r adroddiad.

20. ADRODDIAD BLYNYDDOL RHEOLI'R TRYSORLYS 2016/17 A DIWEDDARIAD AR REOLI'R TRYSORLYS YN CHWARTER 1 2017/18

Cyflwynodd Rheolwr Cyllid - Cyfrifeg Dechnegol yr Adroddiad Blynyddol ar Bolisi, Strategaeth ac Arferion Rheoli Trysorlys y Cyngor 2016/17 i'w adolygu a'i argymhell i'r Cabinet.

Yn rhan o ddiweddariad ar weithgarwch rheoli'r trysorlys yn chwarter cyntaf 2017/18, adroddwyd cynnydd bychan yn y portffolio buddsoddi. Roedd y sefyllfa mewn perthynas â benthycu'n adlewyrchu'r strategaeth i ddefnyddio benthycu tymor byr ar gyfraddau is. Roedd graff yn dangos symudiadau ar fuddsoddiadau a balansau benthycu tymor byr rhwng mis Ebrill 2016 a Mehefin 2017. I ategu'r drefn adrodd ar gyfer 2017/18, byddai sesiwn hyfforddi gan yr ymgynghorwyr Rheoli'r Trysorlys, Arlingclose Ltd, yn cael ei threfnu ar gyfer yr holl aelodau'n gynnar ym mis Ionawr 2018.

Amlygodd y Cadeirydd yr angen am sicrwydd ar allu'r cyfrif refeniw i ymdopi â lefelau cynyddol y dyledion allanol ynghyd â chymhariaeth â chynghorau eraill. Cytunodd Rheolwr Cyllid i gynnwys hyn yn yr adroddiad diweddar nesaf. Tynnodd sylw at yr adroddiad Cabinet diweddar ar Ddangosyddion Darbodus a oedd yn cynnwys canran y costau refeniw a oedd yn mynd at ddyled tymor hir.

Mewn ymateb i ymholiadau gan y Cadeirydd, rhoddwyd eglurhad ar y gwasanaethau arbenigol a ddarparwyd gan Arlingclose ac ar broffil terfynau dyledion lle'r oedd uchafbwyntiau'n adlewyrchu'r benthyciadau a gymerwyd i roi diwedd ar y system cymorthdaliadau tai negyddol.

Holodd y Cynghorwyr Paul Johnson a Chris Dolphin ynglŷn â benthycu tymor byr rhwng cynghorau. Eglurodd Rheolwr Cyllid fod gwahaniaeth rhwng rheoli llif

arian y Cyngor a'r sefyllfa gyllidebol yr oedd cynghorau yn ei hadrodd ac fe gyfeiriodd at y graff a oedd yn dangos symudiadau yn y balansau arian wedi'u rheoli gan fuddsoddiadau tymor byr a benthyca tymor byr.

Mewn perthynas â sylw blaenorol y Cynghorydd Dolphin, roedd y Cynghorydd Glyn Banks yn teimlo bod nifer ddigonol yn y Pwyllgor. Cynigiodd y gallai'r Pwyllgor, yn enwedig aelodau mwy newydd, elwa o hyfforddiant ychwanegol cyn hyfforddiant Rheoli'r Trysorlys. Eiliwyd hyn gan y Cynghorydd Johnson. Awgrymodd hefyd y gallai Arlingclose ddarparu'r hyfforddiant drwy gyswllt fideo. Eglurodd Rheolwr Cyllid fod y contract gydag Arlingclose yn caniatáu un sesiwn hyfforddiant y flwyddyn, felly, efallai y byddai cost ychwanegol am hyfforddiant ychwanegol, neu fe ellid ystyried darparu hyfforddiant mewnol gan swyddogion.

Cyfeiriodd y Prif Weithredwr at fanteision aelodaeth arbenigol, lai yn y Pwyllgor ond fe ddywedodd y gellid adolygu maint y Pwyllgor yn y Cyfarfod Cyffredinol Blyneddol nesaf os oedd yr aelodau'n dymuno.

Gwahoddodd Rheolwr Archwilio Mewnol Dros Dro awgrymiadau am themâu penodol ar gyfer yr hyfforddiant, y gellid eu cynnwys ar Raglen Gwaith i'r Dyfodol.

PENDERFYNWYD:

- (a) Nodi Adroddiad Blyneddol drafft 2016/17 ar Reoli'r Trysorlys heb ddod ag unrhyw faterion at sylw'r Cabinet ar 26 Medi 2017.
- (b) Nodi Diweddariad Chwarter 1 2017/18 ar Reoli'r Trysorlys; a
- (c) Bod hyfforddiant ychwanegol yn cael ei drefnu ar gyfer y Pwyllgor cyn sesiwn hyfforddiant Rheoli'r Trysorlys.

21. PRESENOLDEB AELODAU O'R WASG A'R CYHOEDD

Roedd un aelod o'r wasg yn bresennol.

Dechreuodd y cyfarfod am 2pm a daeth i ben am 4.10pm

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Y Cadeirydd

Eitem ar gyfer y Rhaglen 4



AUDIT COMMITTEE

Date of Meeting	Wednesday 27 September 2017
Report Subject	Statement of Accounts 2016/17
Report Author	Corporate Finance Manager

EXECUTIVE SUMMARY

The report presents the;

- Final version of the Statement of Accounts 2016/17 incorporating those changes agreed with Wales Audit Office (WAO) during the course of the audit for Members recommendation to Council.
- WAO's reports in connection with the audit of the 2016/17 financial statements for Flintshire County Council and the Clwyd Pension Fund.
- Letters of Representation for Flintshire County Council and the Clwyd Pension Fund for Members recommendation to Council.

RECOMMENDATIONS

1	Members are requested to recommend to County Council the final version of the Statement of Accounts 2016/17.
2	Members are requested to consider WAO's reports; Audit of the Financial Statements – Flintshire County Council, and Audit of the Financial Statements – Clwyd Pension Fund.
3	Members are requested to recommend to County Council; the Letter of Representation - Flintshire County Council, and the Letter of Representation - Clwyd Pension Fund.

REPORT DETAILS

1.00	EXPLAINING THE STATEMENT OF ACCOUNTS
1.01	The Audit Committee received the draft Statement of Accounts 2016/17 on 19th July 2017 - for information only at that stage; the Accounts and Audit (Wales) Regulations 2014 specify the statutory deadline for the approval of the accounts, being 30th September.
1.02	The audit of the 2016/17 accounts is now substantially complete; the audit continues up until the point at which the accounts are signed off by the auditors.
1.03	A copy of the Statement of Accounts for 2016/17 incorporating those changes agreed with WAO during the course of the audit and up to the point of writing this report is attached at Appendix 1.
1.04	Various questions/queries were raised by Members in connection with the draft Statement of Accounts as presented at Audit Committee on 19th July. Responses to all matters raised have been provided by letter to all Members of the Council. There has also been an opportunity for Members to contact Officers to raise further queries or seek further explanation – no further questions were raised over the summer period.
1.05	In addition, Statement of Accounts ‘drop in’ sessions were held in early September, which provided an opportunity for Members to obtain any further required information regarding the draft accounts, or to raise questions prior to consideration of the final position at the end of September.
	<u>WAO’s audit of the Statement of Accounts</u>
1.06	Under the International Standards on Auditing (ISA) 260, WAO is required to communicate relevant matters relating to the audit of the final statements to those charged with governance, which for Flintshire is the County Council with responsibility for scrutiny delegated to the Audit Committee.
1.07	The WAO’s ISA 260 reports ‘Audit of the Financial Statements – Flintshire County Council’ and ‘Audit of the Financial Statements – Clwyd Pension Fund’ are attached at Appendix 2 and Appendix 3. Officers from the WAO will be in attendance to present their reports at the meeting.
1.08	Each WAO report includes details of significant issues arising from the audit, together with recommendations and a summary of corrections made to the draft financial statements for 2016/17. The reports also include appendices which restate the recommendations made in the 2015/16 financial audit which WAO have followed up as part of their 2016/17 work and reported their findings.
1.09	It is usual, within the course of the audit of any organisation, that items will be brought to the attention of the body being audited (in this case Flintshire County Council / Flintshire County Council – Administering Body of the Clwyd Pension Fund). The audit findings have been discussed in detail with

	the WAO, and where considered appropriate adjustments have been reflected in the Statement of Accounts.
1.10	The Letter of Representation requires the Council to confirm the accuracy of the audit. In this letter, the Council confirms to the WAO that all the information contained within the financial statements is true and accurate and that all information has been disclosed.
1.11	The Letter of Representation - Flintshire County Council, and the Letter of Representation - Clwyd Pension Fund, are included at Appendix 4 and Appendix 5 respectively.
	<u>The Council's response to the audit findings</u>
1.12	<p>It is pleasing that the WAO are reporting that the Council's draft Statement of Accounts were prepared to a good standard with comprehensive working papers (paragraph 15 in Appendix 2).</p> <p>The role of the Accounts Governance Group in overseeing the production of the Statement of Accounts has worked very effectively over the past few years and it will continue to operate in future years. This will be important in managing the risks and challenges posed by the impending change to statutory deadlines for preparing and publishing local government accounts. Earlier deadlines of the end of May for preparing and the end of July for publishing are being introduced by Welsh Government for financial year 2020/21.</p>
1.13	No significant issues have arisen during the audit of the 2016/17 Statement of Accounts. One misstatement was identified that has not been corrected within the Statement of Accounts. This is explained in full in the WAO's report (Appendix 2 paragraphs 10 – 12). The issue has been discussed at the Accounts Governance Group with the group deciding not to amend the accounts as the error was not material to the accounts and, did not impact on the Auditor's opinion. In addition the estimated figure included in the accounts will be corrected in for the 2017/18 accounts. The WAO are fully supportive of this course of action.
1.14	<p>The WAO's report highlights the positive progress made on the 3 issues raised during the 2015/16 financial audit (Appendix 4 within Appendix 2 to this report);</p> <ul style="list-style-type: none"> • Valuation method used to revalue Council Houses – this issue is now resolved. • Investigations into the Council's potential liabilities at former waste disposal sites – positive progress made on investigations in year. It is worth noting that due to the volume of investigations, their complexity and the length of time it takes to complete them that the risk of potential liabilities will continue into future years. • Accuracy of pension records within the Clwyd Pension Fund – positive progress has been made in year with the discrepancies between the Councils and the Pension Fund administrator significantly reduced.

	<u>The Clwyd Pension Fund's response to the audit findings</u>
1.15	The Pension Committee considered the WAO's audit findings and recommendations for the Clwyd Pension Fund at its meeting on 20 th September. A verbal update will provided at the meeting.

2.00	RESOURCE IMPLICATIONS
2.01	There are no direct resource implications as a result of this report.

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

4.00	RISK MANAGEMENT
4.01	Actions will be taken in year (2017/18) to address recommendations from the WAOs reports as outlined within the body of the report.

5.00	APPENDICES
5.01	<ol style="list-style-type: none"> 1. Statement of Accounts 2016/17 2. Audit of the Financial Statements – Flintshire County Council 3. Audit of the Financial Statements – Clwyd Pension Fund 4. Letter of Representation – Flintshire County Council 5. Letter of Representation – Clwyd Pension Fund

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

7.00	GLOSSARY OF TERMS
7.01	<p>Financial Audit: The annual external audit of the Council's Statement of Accounts.</p> <p>Financial Year: the period of 12 months commencing on 1 April</p> <p>Material: A concept used to inform judgements regarding the accuracy of the Council's Statement of Accounts. The basis could be quantitative with</p>

an assigned value or qualitative and affected by issues that are legal, regulatory, or politically sensitive.

Statement of Accounts / Final Accounts / Financial Accounts or Statements: The Council's annual finance report providing details of the Council's financial performance and position at the end of the financial year. The format is prescribed to enable external comparison with other public and private entities.

Wales Audit Office: works to support the Auditor General as the public sector watchdog for Wales. They aim to ensure that the people of Wales know whether public money is being managed wisely and that public bodies in Wales understand how to improve outcomes.

Mae'r dudalen hon yn wag yn bwrpasol

STATEMENT OF ACCOUNTS

2016-17



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NARRATIVE REPORT

INTRODUCTION

Flintshire County Council's Statement of Accounts for 2016/17 details the income and expenditure on service provision for the year 1st April 2016 to 31st March 2017 and the value of the Council's assets and liabilities as at 31st March 2017. The Group Accounts incorporates the Council's Financial Statements with that of its wholly owned subsidiary North East Wales Homes (NEW Homes).

The Accounts have been prepared in accordance with the requirements of the 2016/17 Code of Practice on Local Authority Accounting which is based on International Financial Reporting Standards (IFRS).

As always the production of this comprehensive and complex set of accounts has required an enormous effort from many people across the Council, both within finance and within service portfolio areas. However, the Council has still managed to prepare and submit the Accounts to the Council's External Auditors by the legislative deadline of 30th June 2017.

The Council set its budget for the 2016/17 financial year in the context of a continuing reduction in public sector funding and a rising demand for its services. Despite facing significant challenges in-year such as an underachievement of £964k on its programme of efficiencies, the Council was still able to limit spending to £2,039k less than its approved budget, due to a combination of one-off savings and good financial management and control. The most significant impact was a change in year to the Council's Minimum Revenue Provision Policy which had a positive effect of £2,886k.

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

In addition to meeting the statutory deadline for producing the Accounts, the finance service also aspires to develop a Statement of Accounts that is more accessible to users. Flintshire County Council is a large and diverse organisation and the information contained in these Accounts is technical and complex. The aim of this narrative statement, therefore, is to provide a general guide to the items of interest and highlights some of the more significant matters that have determined this position for the financial year ending 31 March 2017.

COUNCIL PERFORMANCE DURING THE YEAR

The Council's Improvement Plan for 2016/17 set the Council's priorities for the year; the areas where service change or focus was needed. The Plan has eight 'standing' priorities and a changing number of sub-priorities dependent upon the focus of attention for the year. The plan is published on the Council's website and is a user friendly document which clearly explains for each sub-priority why it is a priority, what we intend to achieve and how we will measure those achievements. A separate linked document is also published which describes in more detail the actual measures and 'milestones' in making improvements or change throughout the year.

Public reports which measure our progress against this document are published quarterly, with the latest report for Quarter 3 (September to December), reported to Cabinet in March 2017, available on the Council's website. The end of year report, available mid July 2017, alongside a fuller assessment of achievements for the year.

NARRATIVE REPORT

FINANCIAL PERFORMANCE DURING THE YEAR

The revenue budget is that which covers the Council's day-to-day expenditure and income on such items as salaries and wages, running costs of services and the financing costs of capital expenditure. The capital programme covers expenditure on the acquisition of significant assets which will be of use or benefit to the Council in providing its services beyond the year of account, such as the enhancement or replacement of roads, buildings and other structures.

Economic climate

Approximately 73% of the budget requirement for Council services comes from Welsh Government through Aggregate External Funding (Revenue Support Grant and Non Domestic Rates). In 2016/17, there was a decrease in funding of 1.7% which combined with significant cost pressures from factors outside of the Council's control from policy directions or new legislation from UK and Welsh Government. These unfunded pressures are expected to be met by the Council without extra funds being set aside by Government and include; inflation, demographic growth, additional workforce cost pressures and a general increase in demand for Council services. The impact of funding not keeping pace with increasing costs had significant consequences and will continue to do so in future years as this position is not expected to improve and this is reflected in our latest refresh of our Medium Term Financial Strategy.

Despite this financial challenge, portfolio business plans and corporate financing options enabled us to plan for £10,521k of new efficiencies in our 2016/17 budget, enabling the Council to invest in priorities such as school budgets, social care and providing resources to re-shape services.

Revenue outturn compared to budget

The Council Fund budget for 2016/17 was set at £251,991k and approved by Council on 16th February 2016. Budget monitoring information was reported to Cabinet on a monthly basis throughout the year, with final outturn reported on 18th July 2017.

The budget strategy for 2016/17 was based on an organisational strategy to reduce costs to shield and protect local services. It includes a package of measures and proposals which combine corporate financing options, portfolio level business plan proposals, review of pressures and workforce numbers, as well as maximisation of income generation and a review of reserves and balances.

Total net expenditure for 2016/17 amounted to £249,952k (expenditure of £250,396k reduced by £444k resources in excess of what was anticipated) against the budget of £251,991k.

NARRATIVE REPORT

	2016/17 Budget £000	2016/17 Actual £000	Variance £000
Corporate Services :			
Chief Executive	2,930	2,892	(38)
People and Resources	4,660	4,574	(86)
Governance	7,722	7,779	57
	<u>15,312</u>	<u>15,245</u>	<u>(67)</u>
Social Services	60,551	60,821	270
Community and Enterprise	12,492	12,312	(180)
Streetscene and Transportation	28,556	29,364	808
Planning and Environment	5,052	5,368	316
Education and Youth	99,140	98,947	(193)
Organisational Change	8,465	8,079	(386)
Net expenditure on services	229,568	230,136	568
Central loans and investment account	15,223	12,147	(3,076)
Central and Corporate Finance	8,623	9,536	913
Total net expenditure	253,414	251,819	(1,595)
Contribution from reserves	(1,423)	(1,423)	0
Budget requirement	251,991	250,396	(1,595)
Financed by			
Council tax (net of community council precepts expenditure)	67,241	67,685	(444)
General grants	138,899	138,899	0
Non-domestic rates redistribution	45,851	45,851	0
Total resources	251,991	252,435	(444)
Net variance - (underspend)	0	(2,039)	(2,039)

The underspend of £1,595k, increased to £2,039k by way of additional Council Tax income of £444k, served with other agreed funding transfers to produce year-end Council fund revenue reserves of £31,478k.

NARRATIVE REPORT

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

	2016/17 Budget £000	2016/17 Actual £000	Variance £000
Estate Management	1,530	1,531	1
Landlord Services	1,207	1,273	66
Repairs & Maintenance	8,252	7,974	(278)
HRA Projects	0	111	111
Finance & Support	1,246	1,019	(227)
Revenue contributions to fund Capital Expenditure	10,077	11,566	1,489
Net expenditure on services	22,312	23,474	1,162
Central loans and investment account	7,209	6,941	(268)
Support Services	1,062	913	(149)
Total net expenditure	30,583	31,328	745
Contribution from reserves	(80)	125	205
Budget requirement	30,503	31,453	950
Financed by			
Rents	29,824	30,175	(351)
Grants and Other Income	679	1,278	(599)
Total resources	30,503	31,453	(950)
Net variance	0	0	0

2016/17 was the second of a 6 year programme of capital schemes to improve the quality of its housing stock and achieve the Welsh Housing Quality Standard which is in part funded by revenue contributions. Overall, a decision was made during the year to increase the capital programme funded by additional revenue contributions. The ensuing planned overspend was more than mitigated by underspends on other budget headings and additional income generated, resulting in a net contribution to HRA reserves of £125k bringing the total HRA reserves as at 31st March 2017 to £1,642k.

Capital Programme Budget, Outturn and Financing

Each year the Council approves a programme of capital works, which provides for investment in assets such as land, buildings and road improvements. The 2016/17 Capital Programme was approved in the sum of £47,076k (Housing Revenue Account £25,933k and Council Fund £21,143k); this figure moved during the course of the year to a final programme total of £65,968k, (Housing Revenue Account £29,911k and Council Fund £36,057k). Capital Programme budget monitoring information was reported to Cabinet on a quarterly basis throughout the year, with final outturn reported on 18th July 2017.

NARRATIVE REPORT

Expenditure incurred is set out in the table below presented on the basis of those 'service blocks' used by Welsh Government in collecting capital data by way of the Capital Outturn Return (COR) form, for its published Local Government Finance Statistics. Schemes and projects include; investment in the Council's housing stock as part of the plan to achieve the Welsh Housing Quality Standard, and the 21st Century Schools building programme which includes building a new all through school for ages 3 to 16 at Holywell and a 'hub' for post 16 education in Deeside in partnership with Coleg Cambria.

	2017
	£000
Education	14,445
Social services	391
Transport	2,591
Housing	37,121
Agriculture and fisheries *	209
Sport and recreation	356
Other environmental services	8,380
Outturn	<u>63,493</u>

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

The programme was financed as follows -

	2017
	£000
Supported borrowing *	4,137
Other borrowing (including Salix loans)	27,068
Capital receipts	2,329
Capital grants and contributions	17,104
Capital reserves/capital expenditure funded from revenue account	12,855
Core financing	<u>63,493</u>

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

Strategic Housing and Regeneration Programme (SHARP)

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

During the year the first batch of new Council Housing, all funded through the Housing Revenue Account, was completed with 12 homes built and occupied at Custom House Lane, Connah's Quay. Substantial work was completed towards building 30 new properties at The Walks site in Flint (one of the former maisonette sites) and work began to develop another 40 homes on a further 5 sites in Mold, Leeswood and Connah's Quay. Total costs during the year totaled £4,817k (included within the housing figure in the Capital Outturn above). Agreement in principle was also given during the year for a further 195 properties on several sites.

NARRATIVE REPORT

Affordable homes are being developed through the Council's wholly owned subsidiary North East Wales Homes (NEW Homes) in partnership with the Council. During the year the NEW Homes board approved the development of 62 new affordable homes for rent at The Walks site in Flint (one of the former maisonette sites). Following a thorough appraisal of capital funding options available the board's preferred option was to seek approval to borrow the capital finance required directly from the Council. The Council approved the loan with £3,409k drawn down during the year (also included within the housing figure in the Capital Outturn).

Borrowing

No long term Public Works Loan Board (PWLB)/financial institution borrowing was undertaken during 2016/17 - the Council continues to use cash reserves to fund capital expenditure in place of new borrowing. The balance sheet (long term) borrowing total of £250,998k includes; the sum of £378k relating to interest free loans from Salix Finance Ltd. - an independent company funded by the Carbon Trust to help improve energy efficiency in the public sector buildings - with new loans taken out during the year to improve the energy efficiency of street lighting, and loans totaling £860k from Welsh Government for regeneration initiatives in Deeside under the Vibrant and Viable Places Scheme within the Capital Programme.

Financial Position at 31st March 2017

Reserves and Provisions

The Council sets funding aside to meet future liabilities and service developments in provisions and reserves held on the Balance Sheet at 31st March 2017.

Provisions are based on past events that places an obligation on the Council which is likely to result in a future financial liability, but there is uncertainty over the timing and precise value of the liability. Provisions are disclosed in Note 21.

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

	2017	Net	Other	2016
	£000	Underspend	£000	£000
Council fund (unearmarked) balance	10,953	2,039	(1,230)	10,144
Earmarked council fund reserves	18,969	0	(6,470)	25,439
Locally managed schools	1,556	0	(750)	2,306
Housing Revenue Account reserves	1,642	(62)	187	1,517
Total revenue reserves	33,120	1,977	(8,263)	39,406

Pension Liability

The liability recorded in the balance sheet (£395,050k) has increased by £86,371k during the year, mainly as a result of changes to the financial assumptions used by the pension fund Actuary. The main change relates to the decrease in the discount rate used to discount the future cash flows of the fund. These assumptions are determined by the Actuary and represent the market conditions at the balance sheet date. The Council relies and places assurance on the professional judgement of the Actuary and the assumptions used to calculate the liability. Disclosures in Note 45 are in accordance with International Accounting Standard 19 (IAS 19), accounting in full for the pension liability, that is the total projected deficit over the life of the fund. IAS 19 has no impact on Council tax levels or housing finance, but the liability does impact on the net worth of the Authority as reflected in the balance sheet total of £43,518k (£168,190k as at 31st March 2016).

NARRATIVE REPORT

Revaluation of Non-Current Assets

All non-current assets must be revalued every five years - the Council meets this requirement by revaluing a proportion of the total asset portfolio each year; during 2016/17 (the second year of the current cycle, commencing 1st April 2015) 13% of operational non-dwelling assets were revalued. The exception to this arrangement being Council Dwellings which were all valued in 2015/16. The overall impact of the 2016/17 revaluation process was a net decrease in the value of non-current property assets - property, plant and equipment, investment properties and the agricultural estate - recorded in the balance sheet (from £709,764k to £695,644k).

FINANCIAL OUTLOOK FOR THE COUNCIL

The Council has a Medium Term Financial Strategy (MTFS) which forecasts the amount of resource that the Council is likely to have over the next 3 years, identify any funding gap, and enable specific actions to be identified to balance the budget and manage resources.

The MTFS is under constant review to reflect budget developments at a national and local level. The Council has adopted a principled but high risk approach to finding solutions to the unprecedented level of budget savings to be found for 2017/18 and beyond and a revised version is due to be published later in 2017.

The Council was able to set a balanced budget for 2017/18 at its meeting in February 2017 although the latest forecast is that a further £12m will need to be found for 2018/19. This forecast continues to be developed, alongside the development of a refreshed medium term forecast over the next 3 to 5 years, to incorporate budget developments at a national and local level.

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

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

The Audit Committee receives a summary of the Council's strategic risks at both mid-year and end of year. The end of year risk register was reported to Audit Committee in June and is available on the Council's website.

CHANGES AND FUTURE CHANGES TO THE STATEMENT OF ACCOUNTS

During the year significant changes have been introduced to the Council's Statement of Accounts.

The format of the Comprehensive Income and Expenditure Statement has changed, the statement is now presented on the same basis as the Council's reporting segments (service portfolios) in revenue budget monitoring reports rather than standard prescribed categories. A new principal statement has been introduced called the Expenditure and Funding Analysis which is also produced per service portfolio and shows; annual expenditure incurred, how the expenditure has been funded from resources available to the Council. This is compared with the same information presented in the Comprehensive Income and Expenditure Statement in accordance with generally accepted accounting practices. The aim of the changes is to strengthen the link between in year budget monitoring reports and the year-end Statement of Accounts. As a result minor presentational changes have been made to the Movement in Reserves Statement.

NARRATIVE REPORT

Future changes affecting the Statement of Accounts:

- During the year the Council has approved the set-up of various alternative service delivery models which will impact on the Council's future Statements of Accounts and Group Accounts. A local authority trading company delivering Facility Management Services (Catering and Cleaning) will be established on 1st May 2017, and a Community Benefit Society to deliver Leisure and Library Services will be established on 1st July 2017.
- Welsh Government have consulted on proposed changes to the Accounts and Audit (Wales) Regulations during the year. The draft regulations have not yet come into force but are expected soon which would bring forward the timetable for preparing and publishing statement of accounts of all local authorities in Wales. The Council is actively preparing for having to produce its accounts earlier in conjunction with its external auditors. The draft regulations also remove the requirement for pension fund statements to be included in the administering bodies' accounts.

CHANGE IN ACCOUNTING POLICIES

Minor changes to accounting policies have been made during 2016/17 to reflect changes in the Code of Practice and the way in which Council services are delivered. The changes stem from changes made to the Comprehensive Income and Expenditure Statement referenced earlier. Costs of centrally provided support services and administrative buildings are no longer apportioned to standard prescribed services determined by the Service Reporting Code of Practice, they are charged to service portfolios as shown on the face of the Comprehensive Income and Expenditure Statements.

EXPLAINING THE ACCOUNTING STATEMENTS

The Statement of Accounts sets out the Council's income and expenditure for the year (2016/17) and provides details of the Council's financial position at 31st March 2017. The Statement is comprised of core and supplementary statements, together with disclosure notes. The information presented on pages 11 - 94 is in accordance with the requirements of the 2016/17 Code of Practice on Local Authority Accounting in the United Kingdom (the Code) based on International Financial Reporting Standards (IFRSs), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

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

At 31st March 2017 usable reserves were £47,803k and unusable reserves were negative £4,285k;

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

The 2016/17 deficit on the provision of services is £52,062k; which is carried into the movement in reserves statement.

NARRATIVE REPORT

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

The net worth of the Council was £43,518k as at 31st March 2017 representing a decrease from the balance sheet total of £168,190k as at 31st March 2016.

- **Cash Flow Statement** - the Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (ie borrowing) to the authority.
- The supplementary financial statements comprising of –
 - **The Housing Revenue Account Income and Expenditure Statement** – The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis on which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.

During 2016/17 the HRA balance moved from £1,517k to £1,642k

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

FURTHER INFORMATION

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

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

THE AUTHORITY'S RESPONSIBILITIES

The Authority is required to :-

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

Signed :

**Cllr Brian Lloyd
Chair to the County Council**

Date :

THE CHIEF FINANCE OFFICER'S RESPONSIBILITIES

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

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

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

The Chief Finance Officer has also :-

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

The statement of accounts presents a true and fair view of the financial position of the Authority at 31st March 2017, 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 2017 and the amount and disposition at that date of its assets and liabilities.

Signed :

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

Date :

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EXPENDITURE AND FUNDING ANALYSIS

for the year ended 31st March 2017

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

2016/17	Net Portfolio Final Outturn Reported £000	Adjustments for Movements (to)/from Earmarked Reserves £000	Chargeable to C F / HRA Reserves £000	Adjustments between Funding & Accounting Basis £000	Net Expenditure - CI&ES £000
Note	2	1			
Chief Executives	2,892	78	2,970	(74)	2,896
Community & Enterprise	11,868	192	12,060	532	12,592
Education & Youth	98,947	2,047	100,994	24,792	125,786
Governance	7,779	271	8,050	974	9,024
Organisational Change	8,079	276	8,355	5,462	13,817
People & Resources	4,574	63	4,637	(171)	4,466
Planning & Environment	5,368	(32)	5,336	2,255	7,591
Social Services	60,821	880	61,701	(810)	60,891
Streetscene & Transportation	29,364	625	29,989	5,213	35,202
Corporate & Central Finance	20,260	3,999	24,259	(17,824)	6,435
Housing revenue account (HRA)	0	(126)	(126)	11,702	11,576
Theatr Clwyd	0	(182)	(182)	(63)	(245)
Cost of services	249,952	8,091	258,043	31,988	290,031
Other Income and Expenditure	(251,991)	234	(251,757)	13,788	(237,969)
(Surplus)/deficit on the provision of services	(2,039)	8,325	6,286	45,776	52,062
Opening Council Fund / HRA Reserves			39,406		
In Year Revenue Surplus / Deficit					
Council Fund (CF)			(6,411)		
Housing Revenue Account (HRA)			125		
Closing Council Fund / HRA Reserves			33,120		
2015/16	Net Portfolio Final Outturn Reported £000	Adjustments for Movements (to)/from Earmarked Reserves £000	Chargeable to C F / HRA Reserves £000	Adjustments between Funding & Accounting Basis £000	Net Expenditure - CI&ES £000
Note	2	1			
Chief Executives	2,965	71	3,036	(43)	2,993
Community & Enterprise	11,822	(533)	11,289	2,294	13,583
Education & Youth	97,174	(285)	96,889	11,059	107,948
Governance	8,784	(261)	8,523	1,273	9,796
Organisational Change	8,661	(502)	8,159	6,361	14,520
People & Resources	4,496	(14)	4,482	(100)	4,382
Planning & Environment	5,512	(835)	4,677	287	4,964
Social Services	59,194	467	59,661	(108)	59,553
Streetscene & Transportation	29,360	(202)	29,158	4,880	34,038
Corporate & Central Finance	22,000	6,439	28,439	(18,911)	9,528
Housing revenue account (HRA)	293	(300)	(7)	123,883	123,876
Theatr Clwyd	0	2	2	(22)	(20)
Cost of services	250,261	4,047	254,308	130,853	385,161
Other Income and Expenditure	(251,457)	0	(251,457)	2,792	(248,665)
(Surplus)/deficit on the provision of services	(1,196)	4,047	2,851	133,645	136,496
Opening Council Fund / HRA Reserves			42,257		
In Year Revenue Surplus / Deficit					
Council Fund (CF)			(2,858)		
Housing Revenue Account (HRA)			7		
Closing Council Fund / HRA Reserves			39,406		

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COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

for the year ended 31st March 2017

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

		2017		Restated 2016			
	Note	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
		£000	£000	£000	£000	£000	£000
Service Expenditure Analysis							
Chief Executives		2,933	(37)	2,896	3,066	(73)	2,993
Community & Enterprise		64,710	(52,118)	12,592	64,401	(50,818)	13,583
Education & Youth		147,935	(22,149)	125,786	130,078	(22,130)	107,948
Governance		9,778	(754)	9,024	10,712	(916)	9,796
Organisational Change		23,757	(9,940)	13,817	23,122	(8,602)	14,520
People & Resources		4,797	(331)	4,466	4,650	(268)	4,382
Planning & Environment		10,894	(3,303)	7,591	8,680	(3,716)	4,964
Social Services		79,137	(18,246)	60,891	75,352	(15,799)	59,553
Streetscene & Transportation		46,391	(11,189)	35,202	45,281	(11,243)	34,038
Corporate & Central Finance		7,163	(728)	6,435	10,303	(775)	9,528
Housing revenue account (HRA)		43,751	(31,909)	11,842	39,778	(30,065)	9,713
Housing revenue account (HRA) - Settlement Payment	7	0	0	0	79,248	0	79,248
Housing revenue account (HRA) - Valuations Dwellings	7	(266)	0	(266)	34,915	0	34,915
Theatr Clwyd		5,768	(6,013)	(245)	4,589	(4,609)	(20)
Cost of services		446,748	(156,717)	290,031	534,175	(149,014)	385,161
Other Operating Expenditure	4			23,535			23,438
Financing and Investment Income and Expenditure	5			22,669			20,761
Taxation and Non-Specific Grant Income	6			(284,173)			(292,864)
(Surplus)/deficit on the provision of services	3			52,062			136,496
(Surplus)/deficit arising on revaluation of non-current assets				(7,949)			351
(Surplus)/deficit arising on revaluation of available-for-sale financial assets				0			0
Actuarial (gains) or losses on pension assets and liabilities				80,557			(33,827)
Total comprehensive income and expenditure				124,670			103,020

MOVEMENT IN RESERVES STATEMENT

for the year ended 31st March 2017

The movement in reserves statement shows the movement in the year on the different reserves held by the Council, analysed into Usable Reserves (those that can be applied to fund expenditure or reduce local taxation) and other (Unusable) Reserves.

The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the Council Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes.

The Increase / Decrease in the year shows the Statutory Council Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves as shown in Note 23.

	Council Fund Reserves	Housing Revenue Account Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves of the Authority
Note	£000	£000	£000	£000	£000	£000	£000
At 31st March 2016	37,889	1,517	7,969	3,336	50,711	117,479	168,190
In Year Movement in Reserves							
Total comprehensive income and expenditure	(36,713)	(15,349)	0	0	(52,062)	(72,608)	(124,670)
Adjustments between accounting and funding basis under	8 30,302	15,474	2,702	676	49,154	(49,154)	(0)
Increase/(decrease) in year	(6,411)	125	2,702	676	(2,908)	(121,763)	(124,670)
At 31st March 2017	31,478	1,642	10,671	4,012	47,803	(4,285)	43,518

	Council Fund Reserves	Housing Revenue Account Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves of the Authority
Note	£000	£000	£000	£000	£000	£000	£000
At 31st March 2015	40,747	1,510	6,764	4,814	53,835	217,375	271,210
In Year Movement in Reserves							
Total comprehensive income and expenditure	(7,729)	(128,767)	0	0	(136,496)	33,476	(103,020)
Adjustments between accounting and funding basis under	8 4,871	128,774	1,205	(1,478)	133,372	(133,372)	0
Increase/(decrease) in year	(2,858)	7	1,205	(1,478)	(3,124)	(99,896)	(103,020)
At 31st March 2016	37,889	1,517	7,969	3,336	50,711	117,479	168,190

BALANCE SHEET

as at 31st March 2017

	Note	£000	£000	£000	£000
NON-CURRENT ASSETS					
Property, Plant & Equipment	9				
Council dwellings		210,912		216,186	
Other land and buildings		271,556		259,963	
Vehicles, plant, furniture and equipment		15,918		14,962	
Surplus assets		9,008		8,693	
Infrastructure assets		151,232		153,549	
Community assets		4,721		4,711	
Assets under construction		3,789		21,089	
Total Property, Plant & Equipment			<u>667,136</u>	<u>679,153</u>	
Investment properties and Agricultural Estate	10		28,508		30,611
Intangible assets	12		110		227
Long term debtors	13		2,211		2,111
NON-CURRENT ASSETS TOTAL			<u>697,965</u>	<u>712,102</u>	
CURRENT ASSETS					
Inventories	14	1,075		1,069	
Short term debtors (net of impairment provision)*	15	40,266		31,902	
Short term investments	16	0		6,014	
Cash and cash equivalents	17	6,962		25,063	
Assets held for sale	11	4,243		3,556	
CURRENT ASSETS TOTAL			<u>52,546</u>	<u>67,604</u>	
CURRENT LIABILITIES					
Borrowing repayable on demand or within 12 months	18	(14,377)		(2,785)	
Short term creditors*	19	(32,404)		(30,801)	
Provision for accumulated absences	21	(2,651)		(1,891)	
Deferred liabilities	42	(565)		(580)	
Grants receipts in advance	20	(1,528)		(858)	
Provisions	21	(418)		(2,492)	
CURRENT LIABILITIES TOTAL			<u>(51,943)</u>	<u>(39,407)</u>	
NON-CURRENT LIABILITIES					
Long term creditors	19	(240)		(2,266)	
Long term borrowing	22	(250,998)		(251,901)	
Deferred liabilities	42	(5,386)		(5,951)	
Provisions	21	(994)		(1,042)	
Other long term liabilities	45	(395,050)		(308,679)	
Grants receipts in advance	20	(2,382)		(2,270)	
NON-CURRENT LIABILITIES TOTAL			<u>(655,050)</u>	<u>(572,109)</u>	
NET ASSETS			<u>43,518</u>	<u>168,190</u>	

*In producing the 2016-17 accounts it was noted that the 2015-16 NDR creditor balance of £2,580k had been incorrectly included in the debtor balance. Opening creditor and debtor balances have subsequently been amended.

BALANCE SHEET

		2017		2016	
	Note	£000	£000	£000	£000
USABLE RESERVES	23				
Capital receipts reserve		10,671		7,969	
Capital grants unapplied		4,012		3,336	
Council fund		10,953		10,144	
Earmarked reserves		20,525		27,745	
Housing revenue account		1,642		1,517	
USABLE RESERVES TOTAL			47,803		50,711
UNUSABLE RESERVES	24				
Revaluation reserve		59,697		55,016	
Capital adjustment account		340,435		380,112	
Financial instruments adjustment account		(6,814)		(7,177)	
Pensions reserve		(395,050)		(308,679)	
Deferred capital receipts		98		98	
Accumulated absences account		(2,651)		(1,891)	
UNUSABLE RESERVES TOTAL			(4,285)		117,479
TOTAL RESERVES			43,518		168,190

The Balance Sheet shows the value at the balance sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held. Reserves are reported in two categories –

- Usable Reserves - those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (e.g. the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt).
- Unusable Reserves - those reserves that the Authority is unable to use to provide services, including reserves that hold unrealised gains and losses (e.g. the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold, and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

CASH FLOW STATEMENT
for the year ended 31st March 2017

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

The cash flow statement is reported using the indirect method, whereby net surplus or deficit on the provision of services is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of revenue or expense associated with investing or financing cash flows.

	Note	2017		2016	
		£000	£000	£000	£000
Net surplus or (deficit) on the provision of services		(52,062)		(136,496)	
Adjustment to surplus or deficit on the provision of services for non-cash movements		68,900		92,716	
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		<u>(22,811)</u>		<u>(26,757)</u>	
Net cash flows from operating activities	25		(5,973)		(70,537)
Net cash flows from investing activities	26	(22,245)		(25,468)	
Net cash flows from financing activities	27	<u>10,117</u>		<u>78,389</u>	
Net increase or decrease in cash and cash equivalents			<u>(12,128)</u>		<u>52,921</u>
			(18,101)		(17,616)
Cash and cash equivalents at the beginning of the reporting period	17		25,063		42,679
Cash and cash equivalents at the end of the reporting period	17		6,962		25,063

NOTES TO THE CORE FINANCIAL STATEMENTS

for the year ended 31st March 2017

INTRODUCTION TO NOTES

The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code) and the Council's accounting policies. The notes that follow (1 to 45) set out supplementary information to assist readers of the accounts.

1. NOTE TO EXPENDITURE AND FUNDING ANALYSIS

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

Adjustments from Council Fund / HRA to arrive at CI&ES Amounts	2016/17			Total Adjustments £000
	Adjustments for Capital Purposes £000	Adjustments for Employee Benefit Purposes £000	Other Adjustments £000	
	a	b	c	
Chief Executives	0	(74)	0	(74)
Community & Enterprise	4,051	(208)	(3,311)	532
Education & Youth	26,748	(1,826)	(130)	24,792
Governance	1,218	(152)	(92)	974
Organisational Change	5,005	(470)	927	5,462
People & Resources	33	(204)	0	(171)
Planning & Environment	2,575	(237)	(83)	2,255
Social Services	213	(1,023)	0	(810)
Streetscene & Transportation	6,845	(478)	(1,154)	5,213
Corporate & Central Finance	1,147	136	(19,107)	(17,824)
Housing revenue account (HRA)	30,453	(210)	(18,541)	11,702
Theatr Clwyd	0	(63)	0	(63)
Cost of services	78,288	(4,809)	(41,491)	31,988
Other Income and Expenditure from the EFA	(16,166)	11,383	18,571	13,788
Differences between CF / HRA surplus / deficit and CI&ES surplus / deficit	62,122	6,574	(22,920)	45,776

Adjustments from Council Fund / HRA to arrive at CI&ES Amounts	2015/16			Total Adjustments £000
	Adjustments for Capital Purposes £000	Adjustments for Employee Benefit Purposes £000	Other Adjustments £000	
	a	b	c	
Chief Executives	0	(43)	0	(43)
Community & Enterprise	5,407	(118)	(2,995)	2,294
Education & Youth	13,802	(2,616)	(127)	11,059
Governance	1,555	(128)	(154)	1,273
Organisational Change	5,420	(324)	1,265	6,361
People & Resources	58	(157)	(1)	(100)
Planning & Environment	670	(149)	(234)	287
Social Services	336	(445)	1	(108)
Streetscene & Transportation	6,526	(406)	(1,240)	4,880
Corporate & Central Finance	1,145	832	(20,888)	(18,911)
Housing revenue account (HRA)	140,753	(124)	(16,746)	123,883
Theatr Clwyd	0	(23)	1	(22)
Cost of services	175,672	(3,701)	(41,118)	130,853
Other Income and Expenditure from the EFA	(24,695)	10,828	16,659	2,792
Differences between CF / HRA surplus / deficit and CI&ES surplus / deficit	150,977	7,127	(24,459)	133,645

NOTES TO THE CORE FINANCIAL STATEMENTS

a. Adjustments for Capital Purposes

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

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

b. Adjustments for Employee Benefit Purposes

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

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

c. Other Adjustments

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

2. SEGMENTAL INCOME AND EXPENDITURE

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

2016/17	CE £000	C&E £000	E&Y £000	Gov £000	OC £000	P&R £000	P&E £000	SS £000	S&T £000	Central and Corporate			Total £000
										Finance £000	Theatr Clwyd £000	HRA £000	
Revenues from External Customers	(16)	(3,124)	(2,326)	(560)	(10,953)	(331)	(1,859)	(9,611)	(7,469)	(695)	(4,178)	(31,809)	(72,931)
Revenues from Transactions with other Operating Segments	0	(95)	(3,455)	(935)	(3,772)	(7)	(164)	(153)	(934)	0	(41)	0	(9,556)
Interest Revenues	0	0	0	0	0	0	0	0	0	(224)	0	0	(224)
Interest Expense	0	0	0	0	0	0	0	0	0	7,774	0	4,815	12,589

2015/16	CE £000	C&E £000	E&Y £000	Gov £000	OC £000	P&R £000	P&E £000	SS £000	S&T £000	Central and Corporate			Total £000
										Finance £000	Theatr Clwyd £000	HRA £000	
Revenues from External Customers	(33)	(3,340)	(2,323)	(469)	(11,021)	(262)	(2,572)	(8,064)	(5,839)	(1,417)	(2,679)	(30,094)	(68,113)
Revenues from Transactions with other Operating Segments	0	(103)	(3,275)	(605)	(3,391)	(19)	(168)	(168)	(912)	0	(45)	0	(8,686)
Interest Revenues	0	0	0	0	0	0	0	0	0	(380)	0	0	(380)
Interest Expense	0	0	0	0	0	0	0	0	0	7,719	0	4,875	12,594

3. INCOME AND EXPENDITURE ANALYSED BY NATURE

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

Nature of Expenses	2016/17 £000	2015/16 £000
Expenditure		
Employee Benefit Expenses	177,470	175,937
Other Service Expenses	203,115	279,602
Depreciation, Amortisation & Impairment	78,524	90,270
Interest Payments	13,401	13,727
Precept and Levies	24,684	24,116
Gain or loss on disposal of fixed assets	(2,089)	(1,084)
Total Expenditure	495,105	582,568
Income		
Fees, Charges and Other Service Income	(72,006)	(65,939)
Grants and Contributions	(237,687)	(250,708)
Interest and Investment Income	(2,153)	(4,194)
Income from Council Tax and Non-Domestic Rates	(131,197)	(125,231)
Total Income	(443,043)	(446,072)
Surplus or Deficit on the Provision of Services	52,062	136,496

NOTES TO THE CORE FINANCIAL STATEMENTS

4. OTHER OPERATING EXPENDITURE

	2017	2016
	£000	£000
Precept - Office of North Wales Police and Crime Commissioner	15,070	14,596
Other preceptors - Community Councils	2,591	2,487
Levy - North Wales Fire and Rescue Authority	7,023	7,033
Net gain on the disposal of non-current assets	(2,089)	(1,084)
Admin. expenses on the net defined benefit liability	940	406
	23,535	23,438

5. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

An aggregate net financing and investment income and expenditure total of £22,669k (£20,761k in 2015/16), incorporates the investment losses and investment expenditure detailed below.

	2017	2016
	£000	£000
Interest payable and similar charges	13,401	13,727
Investment losses and investment expenditure	2,454	3,109
Net interest on the net defined benefit liability (see note 45)	10,443	10,422
Interest and investment income	(3,629)	(6,497)
	22,669	20,761

6. LOCAL TAXATION AND NON-SPECIFIC GRANT INCOME

	2017	2016
	£000	£000
Council tax income	(85,346)	(81,355)
Non-domestic rates	(45,851)	(43,876)
Non-ringfenced government grants	(138,899)	(144,022)
Capital grants and contributions	(14,077)	(23,611)
	(284,173)	(292,864)

Council Tax

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

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

The tax base is the total of all the properties in each band expressed as Band 'D' equivalent numbers and adjusted for exemptions, discounts and disregards. Allowances are also made within the tax base for bad or doubtful debts.

The tax base for 2016/17 was 62,759 band 'D' equivalent properties (61,993 in 2015/16) as calculated in the following table:

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NOTES TO THE CORE FINANCIAL STATEMENTS

	Valuation Band										Total			
	A -	A	B	C	D	E	F	G	H	I				
Chargeable Dwellings														
Number of chargeable dwellings		3,981	8,906	19,500	12,340	10,218	6,996	3,084	565	226	65,816			
Dwellings with disabled reliefs		15	48	112	101	125	78	37	9	19	544			
Adjusted chargeable dwellings	15	4,014	8,970	19,489	12,364	10,171	6,955	3,056	575	207	65,816			
Adjusted Chargeable Dwellings														
Dwellings with no discounts	8	1,312	4,879	12,648	8,687	7,716	5,708	2,616	481	178	44,233			
Dwellings with one discount	7	2,702	4,088	6,833	3,667	2,447	1,239	432	77	24	21,516			
Dwellings with two discounts	0	0	3	8	10	8	8	8	17	5	67			
Discounted chargeable dwellings	15	4,014	8,970	19,489	12,364	10,171	6,955	3,056	575	207	65,816			
Discounted Chargeable Dwellings														
Total discounted dwellings	13	3,339	7,947	17,777	11,442	9,555	6,641	2,944	547	199	-			
Ratio to band "D"	5/9	6/9	7/9	8/9	1	11/9	13/9	15/9	18/9	21/9	-			
Band "D" equivalent	7	2,226	6,181	15,802	11,442	11,679	9,593	4,907	1,095	463	63,393			
												Collection rate adjustment (at 1%)	(634)	
													Exempt properties adjustment	0
													Council Tax Base 2016/17	62,759

The Flintshire County Council precept for a band 'D' property in 2016/17 was £1,071.41 (£1,025.27 in 2015/16). Council tax bills were based on the following multipliers for bands A- to I :-

Band	A-	A	B	C	D	E	F	G	H	I
Multiplier	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	21/9

Other precepts added to 2016/17 Council Tax demand notices included the North Wales Police and Crime Commissioner precept in the sum of £15,070k (£14,596k in 2015/16) and 34 Town and Community Councils who collectively raised precepts totalling £2,591k (£2,487k in 2015/16).

Analysis of the net proceeds from Council tax:

	2017	2016
	£000	£000
Council tax collected	85,578	81,646
Increase/Decrease in bad debts provision	0	(5)
Less - Amounts written off to provision	(232)	(286)
	85,346	81,355
Less - Payable to North Wales Police and Crime Commissioner	(15,070)	(14,596)
	70,276	66,759

Non-Domestic Rates (NDR)

NDR is organised on a national basis. The government sets the rate poundage which in 2016/17 was 48.6p for all properties (48.2p in 2015/16). 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. 2016/17 NDR income paid into the pool was £65,805k after relief and provisions (£65,423k in 2015/16), based on a year end rateable value total of £154,991k (£153,296k in 2015/16).

NOTES TO THE CORE FINANCIAL STATEMENTS

Analysis of the net proceeds from non-domestic rates:

	2017	2016
	£000	£000
Non-domestic rates collected	65,973	65,040
Less - Paid into NDR pool	(65,805)	(65,423)
Less - Cost of collection	(341)	(338)
Increase/Decrease in bad debts provision	168	303
Relief Schemes	5	418
	<u>0</u>	<u>0</u>
Receipts from pool	45,851	43,876
	<u>45,851</u>	<u>43,876</u>

7. MATERIAL ITEMS OF INCOME AND EXPENDITURE

HRA Settlement Payment – 2015/16

On 2nd April 2015 all 11 stock (Council housing) retaining authorities in Wales signed a voluntary agreement with the UK and Welsh Governments to change the financing arrangements for council housing in Wales.

The negative subsidy system in operation, which required Flintshire to make annual payments of circa £6m in negative subsidy to Welsh Government and on to UK Treasury, ended. This was replaced with interest payments on Public Works Loan Board (PWLB) loans that the Council borrowed to exit the subsidy system as part of the agreement. The PWLB loans, called the settlement payment (a one-off lump sum payment classed as capital expenditure), was paid to Welsh Government (WG) and on to UK Treasury. For Flintshire this amounted to £79,248k, the payment is shown separately of the face of the Housing Revenue Account and the Comprehensive Income and Expenditure Statement as a material item of expenditure.

The agreement will generate revenue savings allowing the Council to increase its investment in existing stock, and support the delivery of additional supply of housing. It will also provide more local accountability to tenants.

HRA Valuations – Dwellings – 2015/16

During 2015/16 the Council's Housing Stock was revalued. The carrying net book value of the Council Dwellings decreased by £34,915k which was debited to the HRA line of the Comprehensive Income and Expenditure Account representing a downwards movement in the valuation of the Council's housing stock since the last revaluation on 1st April 2011. Shown on the face of the Housing Revenue Account and the Comprehensive Income and Expenditure Statement as a material item of expenditure.

NOTES TO THE CORE FINANCIAL STATEMENTS

8. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure. The debit adjustment for the year is £49,154k (£133,372k in 2015/16)

	Usable Reserves				Unusable Reserves
	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	
2016/17	£000	£000	£000	£000	£000
Adjustments involving the Capital Adjustment Account:					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES):					
Charges for depreciation and impairment of non current assets	19,980	30,716	0	0	(50,696)
Revaluation losses on Property, Plant and Equipment	18,764	(266)	0	0	(18,498)
Movements in the market value of Investment Properties	235	0	0	0	(235)
Amortisation of intangible assets	114	3	0	0	(117)
Capital grants and contributions applied	0	0	0	(17,104)	17,104
Revenue expenditure funded from capital under statute	8,978	0	0	0	(8,978)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	1,845	1,106	0	0	(2,951)
Inclusion of items not debited or credited to the CIES:					
Statutory provision for the financing of capital investment	(4,101)	(2,132)	0	0	6,233
Capital expenditure charged against the Council Fund and HRA balances	(1,289)	(11,566)	0	0	12,855
Adjustments involving the Capital Grants Unapplied Account:					
Capital grants and contributions unapplied credited to CIES	(17,780)	0	0	17,780	0
Adjustments involving the Capital Receipts Reserve:					
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	(2,262)	(2,778)	5,033	0	7
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(2,331)	0	2,331
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	(362)	(3)	0	0	365
Adjustments involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the CIES	29,204	1,623	0	0	(30,827)
Employer's pensions contributions and direct payments to pensioners payable in the year	(23,783)	(1,230)	0	0	25,013
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	759	1	0	0	(760)
Adjustments involving the Deferred Capital Receipts Account:					
Transfer from CIES to deferred Capital Receipts Reserve	0	0	0	0	0
Adjustments between accounting basis & funding basis under regulations	30,302	15,474	2,702	676	(49,154)

NOTES TO THE CORE FINANCIAL STATEMENTS

	Usable Reserves				Unusable Reserves
	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	
2015/16	£000	£000	£000	£000	£000
Adjustments involving the Capital Adjustment Account:					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES):					
Charges for depreciation and impairment of non current assets	18,672	26,197	0	0	(44,869)
Revaluation losses on Property, Plant and Equipment	3,338	35,305	0	0	(38,643)
Movements in the market value of Investment Properties	(905)	0	0	0	905
Amortisation of intangible assets	164	3	0	0	(167)
Capital grants and contributions applied	0	0	0	(28,982)	28,982
Revenue expenditure funded from capital under statute	12,750	79,248	0	0	(91,998)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	1,208	905	0	0	(2,113)
Inclusion of items not debited or credited to the CIES:					
Statutory provision for the financing of capital investment	(7,151)	(513)	0	0	7,664
Capital expenditure charged against the Council Fund and HRA balances	(348)	(11,288)	0	0	11,636
Adjustments involving the Capital Grants Unapplied Account:					
Capital grants and contributions unapplied credited to CIES	(27,504)	0	0	27,504	0
Adjustments involving the Capital Receipts Reserve:					
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	(1,733)	(1,463)	3,253	0	(57)
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(2,066)	0	2,066
Adjustments involving the Financial Instruments Adjustment Account:					
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(327)	(40)	0	0	367
Adjustments involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the CIES	31,213	1,554	0	0	(32,767)
Employer's pensions contributions and direct payments to pensioners payable in the year	(23,151)	(1,084)	0	0	24,235
Adjustment involving the Accumulated Absences Account:					
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(1,355)	(50)	0	0	1,405
Adjustments involving the Deferred Capital Receipts Account:					
Transfer from CIES to deferred Capital Receipts Reserve	0	0	18	0	(18)
Adjustments between accounting basis & funding basis under regulations	4,871	128,774	1,205	(1,478)	(133,372)

NOTES TO THE CORE FINANCIAL STATEMENTS

9. PROPERTY, PLANT AND EQUIPMENT

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

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

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

Movements 2016/17

	Council Dwellings & Garages	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Surplus Assets	Infrastructure Assets	Community Assets	Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
At 1st April, 2016	242,376	302,265	27,505	8,721	222,108	4,711	21,089	828,775
Additions and Acquisitions	26,232	13,711	4,329	20	3,397	10	3,419	51,118
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(14)	7,951	0	(230)	0	0	0	7,707
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	0	(14,697)	(346)	(209)	0	0	0	(15,252)
Assets Derecognised	0	(4,940)	(3,287)		0	0	0	(8,227)
Reclassifications	(874)	(4,714)	0	664	0	0	0	(4,924)
Other movements in cost or valuation	0	21,410	0	150	0	0	(20,719)	841
At 31st March 2017	<u>267,720</u>	<u>320,986</u>	<u>28,201</u>	<u>9,116</u>	<u>225,505</u>	<u>4,721</u>	<u>3,789</u>	<u>860,038</u>
Accumulated Depreciation and Impairment								
As At 1st April, 2016	(26,190)	(42,303)	(12,544)	(27)	(68,559)	0	0	(149,623)
Depreciation charge	(5,050)	(10,315)	(2,940)	(61)	(5,714)	0	0	(24,080)
Depreciation written out to the Revaluation Reserve	16	3,896	0	84	0	0	0	3,996
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	224	94	0	0	0	0	318
Impairments written out to the Revaluation Reserve	0	(260)	0	72	0	0	0	(188)
Impairments recognised in the Revaluation Reserve	0	(4,094)	0	(2)	0	0	0	(4,096)
Reversal of Impairments recognised in the Surplus/Deficit	0	2,167	0	121	0	0	0	2,288
Impairments written out to Surplus/Deficit on the Provision of Services	0	97	0	(121)	0	0	0	(24)
Impairments recognised in the Surplus/Deficit on the Provision of Services	(25,584)	(3,938)	(180)	(18)	0	0	0	(29,720)
Assets Derecognised	0	4,940	3,287	0	0	0	0	8,227
Assets reclassified (to)/from Held for Sale	0	156	0	(156)	0	0	0	0
At 31st March 2017	<u>(56,808)</u>	<u>(49,430)</u>	<u>(12,283)</u>	<u>(108)</u>	<u>(74,273)</u>	<u>0</u>	<u>0</u>	<u>(192,902)</u>
Balance Sheet at 31st March 2017	<u>210,912</u>	<u>271,556</u>	<u>15,918</u>	<u>9,008</u>	<u>151,232</u>	<u>4,721</u>	<u>3,789</u>	<u>667,136</u>
Balance Sheet at 1st April 2016	<u>216,186</u>	<u>259,962</u>	<u>14,961</u>	<u>8,694</u>	<u>153,549</u>	<u>4,711</u>	<u>21,089</u>	<u>679,152</u>
Nature of Asset Holding								
Owned	210,912	271,556	10,680	9,008	151,232	4,721	3,789	661,898
Finance Lease	0	0	5,238	0	0	0	0	5,238
At 31st March 2017	<u>210,912</u>	<u>271,556</u>	<u>15,918</u>	<u>9,008</u>	<u>151,232</u>	<u>4,721</u>	<u>3,789</u>	<u>667,136</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

Movements 2015/16

	Council Dwellings & Garages	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Surplus Assets	Infrastructure Assets	Community Assets	Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
At 1st April, 2015	305,413	307,228	27,252	7,946	219,685	4,543	3,771	875,838
Additions and Acquisitions	21,130	4,467	2,046	4	2,423	168	17,386	47,624
Revaluation increases / (decreases) recognised in the Revaluation Reserve	442	(1,407)	0	166	0	0	0	(799)
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	(84,143)	(3,497)	0	(2,802)	0	0	0	(90,442)
Assets Derecognised	0	(1,822)	(1,792)	0	0	0	0	(3,614)
Reclassifications	(466)	(3,286)	0	2,717	0	0	0	(1,035)
Other movements in cost or valuation	0	583	0	688	0	0	(68)	1,203
At 31st March 2016	242,376	302,266	27,506	8,719	222,108	4,711	21,089	828,775

Accumulated Depreciation and Impairment

As At 1st April, 2015	(49,067)	(35,532)	(10,980)	(520)	(62,904)	0	0	(159,003)
Depreciation charge	(5,060)	(8,734)	(3,357)	(23)	(5,655)	0	0	(22,829)
Depreciation written out to the Revaluation Reserve	35	1,181	0	8	0	0	0	1,224
Depreciation written out to the Surplus/Deficit on the Provision of Services	20,691	161	0	304	0	0	0	21,156
Impairments written out to the Revaluation Reserve	28	105	0	(8)	0	0	0	125
Impairments recognised in the Revaluation Reserve	0	(1,352)	0	0	0	0	0	(1,352)
Reversal of Impairments recognised in the Surplus/Deficit	0	650	0	36	0	0	0	686
Impairments written out to Surplus/Deficit on the Provision of Services	28,313	1,977	0	377	0	0	0	30,667
Impairments recognised in the Surplus/Deficit on the Provision of Services	(21,130)	(2,777)	0	(4)	0	0	0	(23,911)
Assets Derecognised	0	1,822	1,793	0	0	0	0	3,615
Assets reclassified (to)/from Held for Sale	0	196	0	(196)	0	0	0	0
At 31st March 2016	(26,190)	(42,303)	(12,544)	(26)	(68,559)	0	0	(149,622)
Balance Sheet at 31st March 2016	216,186	259,963	14,962	8,693	153,549	4,711	21,089	679,153
Balance Sheet at 1st April 2015	256,346	271,696	16,272	7,426	156,781	4,543	3,771	716,835

Nature of Asset Holding

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

NOTES TO THE CORE FINANCIAL STATEMENTS

Fair Value Measurement of Surplus Assets

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

	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair Value as at 31 March £000
2016/17 Surplus Assets	0	3,280	5,729	9,009
2015/16 Surplus Assets	0	3,019	5,674	8,693

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

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

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

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

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

(i) Market approach - use of prices and other relevant information and data generated by market transactions reflects the value of the asset payable by the market.

(ii) Income approach – use of this approach reflects the market expectation of the future cash flows receivable from that asset.

NOTES TO THE CORE FINANCIAL STATEMENTS

10. INVESTMENT PROPERTIES AND AGRICULTURAL ESTATE

	2017 £000	2016 £000
Cost or Valuation		
At 1st April	30,612	30,805
Reclassifications	(1,868)	(1,124)
Additions	46	1
Revaluation Increases/Decreases to Surplus/Deficit	(237)	930
Other Adjustments	1	0
At 31st March	28,554	30,612
Depreciation and Impairments		
At 1st April	1	0
Reclassifications	0	0
Reversal of Impairments recognised in the Surplus/Deficit	(1)	0
Impairment / Depn	46	1
At 31st March	46	1
Balance Sheet at 31st March	28,508	30,611

Fair Value Measurement of Investment Property

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

	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair Value as at 31 March £000
2016/17				
Commercial and Industrial Estates	0	0	17,018	17,018
Agricultural Estate - Farms	0	10,630	0	10,630
Agricultural Estate - Grazing Land	0	0	860	860
Total	0	10,630	17,878	28,508
2015/16				
Commercial and Industrial Estates	0	0	17,883	17,883
Agricultural Estate - Farms	0	11,820	0	11,820
Agricultural Estate - Grazing Land	0	0	908	908
Total	0	11,820	18,791	30,611

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

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

The fair value of the authority's investment property is measured annually at each reporting date. In 2016/17 the Council's farms and smallholdings were valued by an external valuer, with the remainder of the valuations carried out by the Council's internal valuers. All valuations are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors. The authority's valuation experts work closely with finance officers regarding valuation matters.

NOTES TO THE CORE FINANCIAL STATEMENTS

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

Significant Observable Inputs – Level 2

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

Significant Unobservable Inputs – Level 3

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

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

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

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

11. ASSETS HELD FOR SALE

	Council Dwellings & Garages £000	Other Property, Plant & Equipment £000	Investment Properties £000	Total £000
At 1st April 2016		956	2,600	3,556
Additions	0	100	0	100
Assets newly classified as held for sale	874	4,214	2,051	7,139
Assets declassified as held for sale	0	0	(347)	(347)
Net Reclassifications	874	4,214	1,704	6,792
Reversal of Impairments	0	0	0	0
Revaluation gains	0	374	178	552
Revaluation losses	0	(3,640)	(166)	(3,806)
Net Revaluations	0	(3,266)	12	(3,254)
Assets sold	(874)	(892)	(1,185)	(2,951)
At 31st March 2017	0	1,112	3,131	4,243

	Council Dwellings & Garages £000	Other Property, Plant & Equipment £000	Investment Properties £000	Total £000
At 1st April 2015	0	499	2,157	2,656
Additions	0	469	0	469
Assets newly classified as held for sale	466	568	1,123	2,157
Assets declassified as held for sale	0	0	0	0
Net Reclassifications	466	568	1,123	2,157
Impairments	0	(438)	0	(438)
Revaluation gains	0	716	350	1,066
Revaluation losses	0	(139)	(102)	(241)
Net Revaluations	0	577	248	825
Assets sold	(466)	(719)	(928)	(2,113)
At 31st March 2016	0	956	2,600	3,556

Fair Value Measurement of Assets Held for Sale

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

	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair Value as at 31 March £000
2016/17 Assets Held for Sale	0	710	3,533	4,243
2015/16 Assets Held for Sale	0	0	3,556	3,556

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

Significant Unobservable Inputs – Level 3

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

(i) Market approach - use of prices and other relevant information and data generated by market transactions reflects the value of the asset payable by the market.

(ii) Income approach – use of this approach reflects the market expectation of the future cash flows receivable from that asset.

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

12. INTANGIBLE ASSETS

	2017			2016		
	Software Licences £000	Development Expenditure £000	Total £000	Software Licences £000	Development Expenditure £000	Total £000
Balance at 1st April						
Gross carrying amounts	691	607	1,298	677	607	1,284
Accumulated amortisation	(517)	(553)	(1,070)	(423)	(467)	(890)
Net carrying amount	<u>174</u>	<u>54</u>	<u>228</u>	<u>254</u>	<u>140</u>	<u>394</u>
Additions	0	0	0	14	0	14
Amortisation for the period	(88)	(29)	(117)	(94)	(87)	(181)
Derecognition (Gross)	(244)	(405)	(649)	0	0	0
Derecognition (Amortisation)	244	405	649	0	0	0
Balance at 31st March	<u>86</u>	<u>25</u>	<u>111</u>	<u>174</u>	<u>53</u>	<u>227</u>
Comprising:						
Gross carrying amounts	447	202	649	691	607	1,298
Accumulated amortisation	(362)	(177)	(539)	(517)	(554)	(1,071)
Total	<u>85</u>	<u>25</u>	<u>110</u>	<u>174</u>	<u>53</u>	<u>227</u>

Intangible assets are amortised from the first full financial year following acquisition, in line with the related accounting policy. The amortisation of £117k charged to revenue in 2016/17 (£181k in 2015/16) is charged to Portfolio service headings in the Cost of Services.

NOTES TO THE CORE FINANCIAL STATEMENTS

13. LONG TERM DEBTORS

	2017	2016
	£000	£000
Other entities and individuals	2,211	2,111
Total	2,211	2,111

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

	2017	2016
	£000	£000
Renewal and improvement loans	1,923	1,807
First time buyer loans	100	100
Assisted car purchase loans	47	57
Affordable housing deposits	98	98
Private street works	43	45
Loan to NEW Homes	0	4
Total	2,211	2,111

14. INVENTORIES

The Council holds total inventories of £1,075k (£1,069k in 2015/16) in the balance sheet as at 31st March 2017.

	2017	2016
	£000	£000
Building Maintenance	120	112
Highways Maintenance	171	158
Fuel	27	40
Vehicle Maintenance	52	53
Rock Salt	438	431
Catering	121	122
Recycling Equipment	9	44
Leisure Centres	23	35
Miscellaneous	114	74
Total	1,075	1,069

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

	2017	2016
	£000	£000
Highways maintenance	476	474
Fleet fuel, grounds maintenance and vehicle maintenance	910	802
Total	1,386	1,276

NOTES TO THE CORE FINANCIAL STATEMENTS

15. SHORT TERM DEBTORS

	2017	*2016
	£000	£000
Central government bodies	16,231	12,790
Other local authorities	1,771	2,546
NHS bodies	2,513	1,654
Public corporations and trading funds	0	389
Other entities and individuals*	19,420	14,160
Council tax	2,714	2,767
	42,649	34,306
Less provision for impairment losses (note 21)	(2,383)	(2,404)
Total	40,266	31,902

*In producing the 2016-17 accounts it was noted that the 2015-16 NDR creditor balance of £2,580k had been incorrectly included in the debtor balance. Opening creditor (central government) and debtor balances (other entities and individuals) have subsequently been amended.

16. SHORT TERM INVESTMENTS

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

	2017	2016
	£000	£000
Investments (3 months – 365 days)	0	6,000
Accrued interest	0	14
Total	0	6,014

17. CASH AND CASH EQUIVALENTS

	2017		2016	
	£000	£000	£000	£000
Current Assets				
Temporary investments (call accounts)		0		1,200
Cash and cash equivalents	9,375		26,424	
Cash overdrawn	(2,413)		(2,561)	
		6,962		23,863
Total		6,962		25,063

18. BORROWING REPAYABLE ON DEMAND OR WITHIN 12 MONTHS

	2017	2016
	£000	£000
Accrued interest on long term external borrowing	2,722	2,731
Loan Maturing	1,600	0
Invest to Save loan (from Welsh Government)	0	0
Energy Efficiency Loans (from Salix Finance Ltd.)	54	54
Short Term external borrowing	10,000	0
Accrued interest on short term external borrowing	1	0
Total	14,377	2,785

NOTES TO THE CORE FINANCIAL STATEMENTS

19. CREDITORS

	2017	*2016
	£000	£000
Short Term		
Central government bodies*	8,009	6,573
Other local authorities	1,449	2,622
NHS bodies	596	354
Public corporations and trading funds	1	19
Other entities and individuals	22,349	21,233
Total	32,404	30,801
Long Term		
Central government bodies	0	1,719
Other local authorities	0	250
Other entities and individuals	240	297
Total	240	2,266

*In producing the 2016-17 accounts it was noted that the 2015-16 NDR creditor balance of £2,580k had been incorrectly included in the debtor balance. Opening creditor (central government) and debtor balances (other entities and individuals) have subsequently been amended.

20. GRANT INCOME

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

	2017	2016
	£000	£000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	138,899	142,543
Outcome Agreement Grant*	0	1,479
Total Non Ringfenced Government Grants	138,899	144,022
Welsh Government (WG):		
Major Repairs Allowance	5,050	5,060
General Capital Grant	2,545	2,598
21st Century Schools	1,330	11,771
Other WG Grants	3,247	3,735
Other Capital Grants and Contributions	1,905	447
Total Capital Grants and Contributions	14,077	23,611
Total	152,976	167,633

*Included in Revenue Support Grant 17/18

NOTES TO THE CORE FINANCIAL STATEMENTS

	2017	2016
	£000	£000
Credited to Services		
WG		
Supporting People	5,810	5,875
DELLS Post 16	5,012	5,786
Education Improvement Grant	6,408	6,642
Flying Start	2,955	2,967
Families First	1,533	1,689
Pupil Deprivation	3,416	2,925
Concessionary Fares	2,066	2,161
Sustainable Waste Management	2,822	2,968
Substance Misuse	540	398
Intermediate Care Fund	1,412	816
Independent Living Fund	1,558	1,214
Safer Communities	601	462
Acting for Younger People	428	390
Bus Services Support Grant	558	547
Other	3,898	4,456
Department of Work and Pensions	40,408	39,208
Arts Council Wales	2,031	1,941
Other Grants and Contributions	3,254	2,630
Total	84,710	83,075

Grants and Contributions Received in Advance

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

	2017	2016
	£000	£000
Short Term		
Revenue Grants	1,101	129
Capital Grants	0	0
Capital Contributions	322	285
Revenue Contributions	105	444
Total	1,528	858
Long Term		
Revenue Grants	0	107
Capital Grants	0	0
Revenue Contributions	324	376
Capital Contributions	2,058	1,787
Total	2,382	2,270

NOTES TO THE CORE FINANCIAL STATEMENTS

21. PROVISIONS

The amounts recognised as provisions are the best estimates of the expenditure required to settle present obligations. The provision total (non current and current) of £1,412k incorporates the following balances :-

	2017 £000	Additions £000	Expenditure Incurred £000	Amounts Reversed £000	Unwinding Discounting £000	2016 £000
Current Liabilities						
Single Status / Equal pay	0	0	(298)	(70)	0	368
MMI Scheme of Arrangement	0	0	(396)	0	0	396
Aftercare of former landfill sites	43	0	(1)	0	0	44
Employee Termination Benefits	336	341	(377)	(93)	0	465
Employment Tribunals	39	39	0	0	0	0
Orphaned Site - Sandycroft	0	0	(1,088)	(131)	0	1,219
Total	418	380	(2,160)	(294)	0	2,492
Non-Current Liabilities						
Claims (Employees)	0	0	0	(9)	0	9
Aftercare of former landfill sites	989	0	(277)	0	233	1,033
Remediation works at former landfill sites	5	5	0	0	0	0
Total	994	5	(277)	(9)	233	1,042

- The Single Status / Equal Pay provision provided funding for the small amount of residual costs associated with settling of historic equal pay cases all of which were paid during 2016/17.
- The provision in relation to the 'MMI Scheme of Arrangement' relates to decisions taken by the board of MMI.
MMI was the predominant insurer of public sector bodies prior to it ceasing to write insurance business from September 1992. In order to ensure an orderly run-off, a scheme of arrangement with its Creditors was put in place. In the event of it becoming clear that a solvent run-off was unlikely to be achieved then the scheme of arrangement would be triggered. All scheme Creditors would be subject to a percentage levy on all scheme liabilities paid to date and any future payments would be made at a reduced rate.
The scheme of arrangement was triggered on 13th November 2012 with an initial levy of 15% of claims paid to date set by the scheme administrator. Creditors were informed in March 2016 that the levy would increase to 25%, with payments due for the additional 10% of claims paid to date payable in April 2016. Flintshire, as the incumbent local government organisation, is responsible for paying the levy in relation to the former borough councils of Delyn and Alyn and Deeside, and its share of the former county council of Clwyd as agreed with the other North Wales Local Authorities. Payment was made in May 2016.
- The aftercare of former landfill sites provides for the environmental aftercare costs for the former waste disposal sites at Standard, Buckley and Brookhill, Buckley, split across a current liability and a non-current liability. The projected costs have been embodied in performance deeds with Natural Resources Wales (formerly the Environment Agency). These deeds form the basis of the Council's legal obligation to make financial provision for aftercare for 60 years from the date the landfill site was closed. The provision is revised by way of indexation each year in line with RPI, and reviewed for adequacy. The provision matches the legal obligation contained in the performance deeds.
- The Council's service Portfolios have business plans which include planned reductions to workforce numbers and costs in order to making recurring revenue savings. The Council was sufficiently committed with some proposals at the balance sheet date to warrant the creation of a provision in 2016/17 for the termination benefits of employees leaving the Council's employment in 2017/18.

NOTES TO THE CORE FINANCIAL STATEMENTS

- The employee claims provision covers the anticipated costs of employee claims against the Council.
- A pharmaceutical company abandoned their premises in Sandycroft leaving substantial quantities of chemicals on site. Subsequently the company went into liquidation. In the interest of protecting the public, the Council and other statutory partners had to intervene and implement a phased plan to remove the risk to the public and restore the site. Over the past 4 years the Council has removed the chemicals and begun to decontaminate the site. During the year the Council has disposed of the site along with all liabilities to a specialist chemical processing and site remediation company with the capability and technical knowledge to remediate the site safely, at their cost.
- In accordance with the requirements of Part 2A of the Environmental Protection Act 1990 and the Council's Contaminated Land Inspection Strategy, former waste disposal sites across the County will be considered with the condition of each assessed as necessary in due course. The Council has set aside a provision to fund its liabilities for any remediation works deemed necessary on a best estimate basis at the balance sheet date.

Current Provisions – Accumulated Absences

The provision for accumulated absences in 2016/17 is £2,651k (£1,891k in 2015/16).

	2017 £000	Movement Out £000	Movement In £000	2016 £000
Accumulated absences	2,651	0	760	1,891
Total	2,651	0	760	1,891

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

Current Provisions - Provision for Impairment Losses (Bad Debts)

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

	2017 £000	2016 £000
Housing rents	422	409
Council tax	802	802
Other debtors	1,159	1,193
Total	2,383	2,404

NOTES TO THE CORE FINANCIAL STATEMENTS

22. LONG TERM BORROWING

Analysis	Interest Rates		2017	2016
	Minimum %	Maximum %	£000	£000
By Loan Type (Fixed Rate)				
Salix Finance (Energy Efficiency)		Interest Free	378	81
Government (PWLB)	0.39	9.50	230,810	232,410
Other financial institutions	4.48	4.58	18,950	18,950
Welsh Government		Interest Free	860	460
Total			250,998	251,901
By Maturity				
Between 1 and 2 years			105	1,654
Between 2 and 5 years			13,362	10,027
Between 5 and 10 years			14,129	14,430
More than 10 years			223,402	225,790
Total			250,998	251,901

23. USABLE RESERVES

The Council maintains a number of reserves on the Balance Sheet. Some are held for statutory reasons, some are needed to comply with proper accounting practice and others have been set up voluntarily to earmark resources for future spending plans. Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement and in note 8.

Council Fund

The Council fund balance of £10,953k represents the value of unearmarked reserves available to the Authority (£10,144k in 2015/16).

Housing Revenue Account

The housing revenue account reserve cumulative balance of £1,642k (£1,517k in 2015/16) includes the 2016/17 HRA surplus of £125k (£7k (surplus) in 2015/16), as detailed on page 68.

Capital Receipts Reserve

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

Capital Grants Unapplied

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

NOTES TO THE CORE FINANCIAL STATEMENTS

Earmarked Reserves

Total earmarked reserves of £20,525k (£27,745k in 2015/16) include:

- Service balances – represents service departments carrying forward unspent funding for use in the subsequent financial year and other relevant specific income / underspends one-off in nature that extend over more than one year.
- School balances – this sum represents the element of balances released under the delegation of budgets to schools which remained unspent at the end of the financial year.
- Single status / equal pay – accumulated reserve to fund further one-off workforce costs along with the final phases of pay protection arising from implementation of the single status agreement.
- Investment in Organisational change – accumulated reserve to fund the costs of remodeling services and 'Invest to Save' type projects.
- Budget Strategy - accumulated reserve for use in balancing budgets over the medium term.
- Benefits Equalisation – this reserve was introduced to mitigate against the potential volatility in Housing Benefit Subsidy.
- County Elections – reserve to fund the costs of future elections
- Supporting people – this reserve has been established to mitigate the impact of proposed reductions in grant funding by Welsh Government.
- Unitary Development Plan – funding for costs associated with finalising, and then implementing, the Unitary Development Plan
- Waste Disposal – reserve used predominantly to fund Flintshire County Council's contribution to the North Wales Residual Waste Treatment Partnership.
- Winter Maintenance – reserve set up as a contingency in the event of severe weather conditions
- Insurance Reserves – various Insurance related reserves including the Council's fund to meet the costs of self-insurance as not all risks are externally insured.
- Flintshire Trainees – reserve to fund the Flintshire Trainee programme.
- Kitchen Refurbishment – reserve to fund kitchen refurbishments at various schools.
- Rent Income Shortfall – reserve created to mitigate loss of income from industrial property rent.
- Schools Kitchen Ventilation – reserve to fund feasibility works considering the need to upgrade kitchen ventilation systems at various schools.
- Customer Service Strategy – to enable the roll out of the Customer Services Strategy. This will include improvements to Connect Centres, improving self-service facilities and investment in new software.
- Capita One – a regional IT system holding management information for schools hosted by Flintshire. Any funds held at the end of the financial year in excess of costs incurred will be spent on delivering the service in future years.
- Public Sector Broadband (PSBA) – to assist in the introduction of Learning in Digital Wales.
- Supervision Fees – this reserve is used for work carried out by the Development Control Team in supervising works on housing developments in connection with the adoption of roads and/or other related work deemed necessary.
- Transportation Review – to fund a review of the way transport services are delivered.
- LMS Curriculum – funding is used for transitional costs relating to school modernisation for schools.
- Grants & Contributions – various grants and contributions from external providers that must be spent in accordance with associated restrictions on use.

NOTES TO THE CORE FINANCIAL STATEMENTS

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

	Balance at 31 March 2015 £000	Transfers Out 2015/16 £000	Transfers In 2015/16 £000	Balance at 31 March 2016 £000	Transfers Out 2016/17 £000	Transfers In 2016/17 £000	Balance at 31 March 2017 £000
Service balances	4,081	(4,150)	3,799	3,730	(3,545)	1,426	1,611
School balances	2,379	(3,054)	2,981	2,306	(4,139)	3,389	1,556
Single status/equal pay	12,864	(5,796)	481	7,549	(3,223)	159	4,485
Investment in Organisational Change	5,522	(5,027)	774	1,269	(541)	210	938
Budget Strategy	0	(1,000)	5,460	4,460	(1,575)	7	2,892
Benefits equalisation	213	(111)	91	193	(108)	34	119
County elections	154	(32)	72	194	(186)	130	138
Supporting people	1,511	(679)	0	832	(445)	0	387
Community equipment store	179	(179)	0	0	0	0	0
Unitary Development Plan (UDP)	0	(4)	651	647	(177)	10	480
Building control	98	(7)	0	91	(30)	61	122
Waste disposal	399	(28)	0	371	(337)	278	312
Countryside	191	(202)	11	0	0	0	0
Flintshire Enterprise Ltd	97	(24)	0	73	(6)	0	67
Design fees	120	(120)	200	200	0	0	200
Winter maintenance	250	0	0	250	(35)	0	215
Car Parking	217	(147)	16	86	(60)	0	26
Insurance Reserves	796	(685)	1,110	1,221	(585)	835	1,471
Cash Receipting Review	0	0	241	241	(163)	1	79
Flintshire Trainees	0	0	0	0	0	398	398
Kitchen Refurbishment	0	0	0	0	0	110	110
Rent Income Shortfall	0	0	0	0	0	300	300
Schools Kitchen Ventilation	0	0	0	0	0	200	200
Customer Service Strategy	0	0	0	0	0	129	129
Capita One	0	0	0	0	0	109	109
PSBA	0	0	0	0	0	530	530
Supervision Fees	0	0	0	0	0	141	141
Transportation Review	0	0	0	0	0	170	170
LMS Curriculum	1,161	(1,027)	1,161	1,295	(1,034)	524	785
Grants & Contributions	0	0	2,737	2,737	(821)	639	2,555
Total	30,232	(22,272)	19,785	27,745	(17,010)	9,790	20,525

24. UNUSABLE RESERVES

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

Reserves	2017 £000	2016 £000
Revaluation reserve	59,697	55,016
Capital adjustment account	340,435	380,112
Financial instruments adjustment account	(6,814)	(7,177)
Pensions reserve	(395,050)	(308,679)
Deferred Capital Receipt	98	98
Accumulated absences account	(2,651)	(1,891)
Total Unusable Reserves	(4,285)	117,479

NOTES TO THE CORE FINANCIAL STATEMENTS

Revaluation Reserve

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

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

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

	2017		2016	
	£000	£000	£000	£000
Balance at 1st April		55,016		57,858
Upward revaluation of assets	13,654		2,862	
Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services	(5,705)		(3,214)	
Surplus or deficit on revaluation of non-current assets not posted to the surplus/deficit on the provision of services		7,949		(352)
Difference between fair value depreciation and historical cost depreciation	(2,721)		(1,938)	
Accumulated gains on assets sold or scrapped	(547)		(552)	
Amount written off to the capital adjustment account		(3,268)		(2,490)
Balance at 31st March		59,697		55,016

NOTES TO THE CORE FINANCIAL STATEMENTS

Pensions Reserve

The pensions reserve is an adjustment account that absorbs the timing differences arising from different arrangements for post employment benefits and for funding benefits in accordance with statutory provisions.

The 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.

	2017	2016
	£000	£000
Balance at 1st April	(308,679)	(333,974)
Return on plan assets	84,251	(11,121)
Actuarial gains and losses	(164,808)	44,948
Net charges to surplus / deficit on provision of services	(30,827)	(32,767)
Employers' contributions payable to the scheme	25,013	24,235
Balance at 31st March	<u>(395,050)</u>	<u>(308,679)</u>

Accumulated Absences Account

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

	2017		2016	
	£000	£000	£000	£000
Balance at 1st April		(1,891)		(3,296)
Settlement or cancellation of accrual made at the end of the preceding year	1,891		3,296	
Amounts accrued at the end of the current year	<u>(2,651)</u>		<u>(1,891)</u>	
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		(760)		1,405
Balance at 31st March		<u>(2,651)</u>		<u>(1,891)</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

Capital Adjustment Account

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

Note 8 provides details of the source of all the transactions posted to the account, apart from those involving the revaluation reserve.

	2017		2016	
	£000	£000	£000	£000
Balance at 1st April		380,112		504,216
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement:				
- Charges for depreciation and impairment of non-current assets		(50,695)		(44,870)
- Revaluation losses on PP&E		(18,498)		(38,643)
- Amortisation of intangible assets		(117)		(181)
- Revenue expenditure funded from capital under statute		(8,978)		(91,998)
- Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement		(2,951)		(2,113)
- Movements in the market value of investment properties debited or credited to the Comprehensive Income & Expenditure Statement		(235)		906
		(81,474)		(176,899)
Adjusting amounts written out of the revaluation reserve		3,268		2,490
Net written out amount of the cost of non-current assets consumed in the year		(78,206)		(174,409)
Capital financing applied in the year:				
- Use of the capital receipts reserve		2,329		2,066
- Capital grants and contributions credited to the Comprehensive Income & Expenditure statement that have been applied to capital financing		17,104		28,982
- Intangible Assets - Additions		0		14
- Statutory provision for the financing of capital investment charged against the Council Fund and HRA balances		6,232		7,664
- Capital expenditure charged against the council fund and HRA balances		12,855		11,636
Long term debtors adjustments - Loan Repayments		7		(57)
		38,529		50,305
Balance at 31st March		340,435		380,112

NOTES TO THE CORE FINANCIAL STATEMENTS

Financial Instruments Adjustment Account

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

	2017		2016	
	£000	£000	£000	£000
Balance at 1st April		(7,177)		(7,545)
Premiums incurred in the year and charged to the comprehensive income and expenditure statement	0		0	
Proportion of premiums incurred in previous financial years to be charged against the Council Fund balance in accordance with statutory requirements	<u>363</u>		<u>368</u>	
Amount by which finance costs charged to the Comprehensive income and expenditure statement are different from finance costs chargeable in the year in accordance with statutory requirements		363		368
Balance at 31st March		<u>(6,814)</u>		<u>(7,177)</u>

Deferred Capital Receipts

Deferred capital receipts are loans that the Council has made to individuals on the affordable homes register. The loan is the individual's deposit to assist in the purchase of an affordable home in the county. The loan is repayable on the earlier of, when the house is sold or 25 years. The reserve holds the recognised future receipt.

	2017	2016
	£000	£000
Affordable homes deposits	<u>98</u>	<u>98</u>
	<u>98</u>	<u>98</u>

25. CASH FLOW STATEMENT - OPERATING ACTIVITIES

The net cash flows from operating activities of £6,027k outflow (£70,537k inflow in 2015/16) include the following interest elements:

	2017	2016
	£000	£000
Interest received	155	391
Interest paid	(13,159)	(14,852)

NOTES TO THE CORE FINANCIAL STATEMENTS

26. CASH FLOW STATEMENT - INVESTING ACTIVITIES

	2017 £000	2016 £000
Purchase of property, plant & equipment, investment property and intangible assets	(50,997)	(48,108)
Purchase of short term and long term investments	0	(4,000)
Other payments for investing activities	(109)	(196)
Proceeds from the sale of property, plant & equipment, investment property and intangible assets	5,031	3,271
Proceeds from short term and long term investments	6,000	(4,000)
Other receipts from investing activities	17,830	27,565
Net cash flows from investing activities	(22,245)	(25,468)

27. CASH FLOW STATEMENT - FINANCING ACTIVITIES

	2017 £000	2016 £000
Cash receipts of short term and long term borrowing	10,697	79,370
Other receipts from financing activities	0	0
Cash payments for the reduction of the outstanding liability relating to finance leases	(580)	(529)
Repayment of short term and long term borrowing	0	(452)
Other payments for financing activities	0	0
Net cash flows from financing activities	10,117	78,389

28. OFFICERS' REMUNERATION

Senior Employee Emoluments

The Accounts and Audit (Wales) Regulations 2014 requires disclosure (in £5,000 bandings) of the number of employees whose remuneration - all sums paid to or receivable by the employee including payments on termination of employment, expense allowances chargeable to tax, and the money value of benefits - exceeded £60,000. The band values do not include employer pension contributions. Columns for schools include all maintained schools including Voluntary Aided and Foundation Schools.

Remuneration Band	2017		2016	
	Non-Schools	Schools	Non-Schools	Schools
	No.	No.	No.	No.
£60,000 - £64,999	2	16	3	12
£65,000 - £69,999	1	9	1	8
£70,000 - £74,999	0	9	1	6
£75,000 - £79,999	0	3	1	2
£80,000 - £84,999	0	1	0	2
£85,000 - £89,999	0	1	0	1
£90,000 - £94,999	0	2	0	2
£95,000 - £99,999	0	1	0	1
	3	42	6	34

NOTES TO THE CORE FINANCIAL STATEMENTS

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

The Accounts and Audit (Wales) Regulations 2014 also requires disclosure of the individual remuneration details for senior employees by post where the salary is between £60,000 and £150,000 and by name where the salary exceeds £150,000. Senior employees for the purpose of the disclosure are the chief executive, chief officers, statutory officers and persons for whom the chief executive is directly responsible.

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

Post Title	Note	2016/17		2015/16	
		Remuneration £	Employer's Pension Contributions £	Remuneration £	Employer's Pension Contributions £
Chief Executive	1	132,545	33,680	131,233	31,704
Chief Officer Governance	1	87,567	22,251	83,640	20,375
Chief Officer Education & Youth	2	93,236	23,691	95,691	23,310
Chief Officer Social Care	2	93,236	23,691	95,691	23,310
Chief Officer Community & Enterprise		91,688	23,298	86,700	21,120
Chief Officer Planning & Environment		87,567	22,251	83,640	20,375
Chief Officer Streetscene & Transportation		87,567	22,251	83,640	20,375
Chief Officer Organisational Change 1		87,567	22,251	83,640	20,375
Chief Officer Organisational Change 2		87,567	22,251	83,640	20,375
Corporate Finance Manager (Section 151 Officer)		73,336	18,635	58,734	14,308
Senior Manager (HR & OD)		63,890	16,235	56,281	14,301
		985,766	250,485	942,530	229,928

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

- a) Returning Officer and Deputy Returning Officer roles at elections (costs for national elections reimbursed by respective Government) and
- b) Clerk and Deputy Clerk roles to the North Wales Fire and Rescue Authority (costs reimbursed).

Note 2 : Former Directors receiving pay protection under the Council's Organisational Change policy.

The Accounts and Audit (Wales) Regulations 2014 also require disclosure of the ratio of remuneration between the Chief Executive and the median full time equivalent earner (£17,169); for 16/17 this was 1:7.72 (for 2015/16 this was 1:7.73).

NOTES TO THE CORE FINANCIAL STATEMENTS

Exit Packages

The Council is required to disclose (in £20k bandings up to £100k with £50k bandings thereafter) the numbers of exit packages agreed and the cost of the packages to the authority in the financial year. Exit costs arising in 2016/17 which the authority is committed to incurring at the 31st March 2017, but paid after this date, are also included in the disclosure. Information is included for all maintained schools including Voluntary Aided and Foundation Schools.

The totals disclosed are made up of redundancy payments made to the individual and any payments made by the Council to the pension fund when an employee retires early without actuarial reduction in pension in accordance with the Council's Discretionary Compensation Policy. The costs of which have been met from an earmarked reserve set up specifically to fund the costs of organisational change.

Exit Package Cost Band	Compulsory Redundancies		Other Departures Agreed		Total Exit Packages by Cost Band		Total Exit Packages in Each Band	
	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16
	No.	No.	No.	No.	No.	No.	£	£
£0 - £20,000	58	44	21	63	79	107	548,945	633,710
£20,001 - £40,000	14	12	15	15	29	27	845,785	733,521
£40,001 - £60,000	3	3	3	1	6	4	282,107	175,121
£60,001 - £80,000	0	1	2	3	2	4	139,848	280,348
£80,001 - £100,000	0	1	0	3	0	4	0	342,382
£100,001 - £150,000	0	0	1	1	1	1	110,647	112,995
	<u>75</u>	<u>61</u>	<u>42</u>	<u>86</u>	<u>117</u>	<u>147</u>	<u>1,927,332</u>	<u>2,278,077</u>

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

29. MEMBERS' ALLOWANCES

Allowances totaling £1,339k were paid directly to members of the Council, and on their behalf in 2016/17 (£1,340k in 2015/16).

	2017	2016
	£000	£000
Basic allowance	929	927
Special responsibility allowance	247	247
Employer's national insurance	84	79
Employer's superannuation	63	68
Members' expenses	16	19
	<u>1,339</u>	<u>1,340</u>

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

NOTES TO THE CORE FINANCIAL STATEMENTS

The allowances paid fall into the following bands :-

Allowance Band	2017 Number of Members	2016 Number of Members
£0 - £9,999	0	0
£10,000 - £14,999	39	39
£15,000 - £19,999	12	12
£20,000 - £24,999	8	8
£25,000 - £29,999	3	3
£30,000 - £34,999	5	4
£35,000 - £39,999	1	2
£40,000 - £44,999	1	1
£45,000 - £49,999	0	0
£50,000 - £54,999	0	0
£55,000 - £59,999	0	0
£60,000 - £64,999	1	1
	70	70

30. RELATED PARTIES

The Council is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have the ability to limit another party's ability to bargain freely with the Authority.

Welsh and Central Government

Welsh Government exerts significant influence through legislation and grant funding – it is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties such as council tax bills and housing benefits. Grants received from Welsh and other Government departments are set out in notes 6 and 20.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members allowances paid in 2016/17 is shown in note 29.

The Council appoints members to some external charitable and voluntary bodies, or Members have disclosed a link to organisations, public bodies and authorities. The total transactions with bodies under this heading during 2016/17 are as follows:

• Payments	£801k	(£598k in 2015/16)
• Receipts	£21k	(£29k in 2015/16)
• Amounts owed by the Council	£54k	(£1k in 2015/16)
• Amounts owed to the Council	£0k	(£1k in 2015/16)

Members have declared an interest or relationship in companies or businesses which may have had dealings with the Council. The total payments made to companies under this heading during 2016/17 and amounts outstanding at 31st March are as follows:

• Payments	£110k	(£135k in 2015/16)
• Receipts	£0k	(£0k in 2015/16)
• Amounts owed by the Council	£21k	(£27k in 2015/16)

NOTES TO THE CORE FINANCIAL STATEMENTS

No Members have declared personal transactions with the Council in 2016/17. The total transactions under this heading during 2015/16 were receipts of £20k.

A Member has submitted a 'Candidate Site' for inclusion within the Local Development Plan. The Council undertook a 'Call for Candidate Sites' whereby any interested persons could put forward land to be considered by the Council as potential sites for inclusion within the Plan. There is no guarantee that the site will be included within the Plan.

The personal interests of all members are recorded in the Public Register of Members' Interests, in accordance with the law and the Council's Code of Conduct. The Register is available for public inspection by contacting Chief Officer Governance at Flintshire County Council, County Hall, Mold.

Officers

Senior Officers have declared, as required and where appropriate, an interest or relationship in companies, voluntary, charitable, or public bodies which receive payments from the Council. The total transactions with such bodies during 2016/17 are as follows:

- Payments £392k (£374k in 2015/16)
- Amounts owed by the Council £0k (£24k in 2015/16)

Community Asset Transfer (CAT)

A number of Members and Senior Officers have declared interests in local community groups involved in the Council's CAT scheme. The scheme involves leasehold transfer (at nominal value) of specific Council assets to organisations with a social purpose who plan to use the assets for the benefit of the local community. The assets have remained on the Council's balance sheet and have a combined net book value of £10,184k. In some circumstances the Council has, or plans to, issue capital grants for any necessary capital works. Transactions with these groups during 2016/17 are:

- Grants awarded £95k
- Grants paid in advance £33k
- Payments £44k
- Amounts owed by the Council £4k

Other Public Bodies

Clwyd Pension Fund

The Council is the administering authority for the Clwyd Pension Fund. Details of transactions with the Clwyd Pension Fund are provided within the Pension Fund accounts on page 95 onwards.

Teachers Pensions Agency

The pension costs charged are the contribution rate set by the Department for Education on the basis of a notional fund. Teacher's pension details are set out in note 45.

North Wales Police and Crime Commissioner and North Wales Fire Authority

Police and Crime Commissioners and Fire and Rescue Authorities set their own charges to council tax payers which are then included in the council tax bill – these charges are known as the precept. Total precepts and levies paid to the Office of the North Wales Police and Crime Commissioner and the North Wales Fire and Rescue Authority amounted to £22,093k (£21,629k in 2015/16).

Community / Town Councils

Total precepts paid to the 34 community/town councils amounted to £2,591k (£2,487k in 2015/16).

NOTES TO THE CORE FINANCIAL STATEMENTS

Betsi Cadwaladr University Local Health Board:

Transactions with Betsi Cadwaladr University Local Health Board for related healthcare activities during 2016/17 were as follows:

• Payments	£1,710k	(£4,930k in 2015/16)
• Receipts	£6,424k	(£1,577k in 2015/16)
• Amounts owed by the Council	£505k	(£350k in 2015/16)
• Amounts owed to the Council	£2,531k	(£137k in 2015/16)

Welsh Joint Education Committee:

• Payments	£341k	(£521k in 2015/16)
• Receipts	£10k	(£6k in 2015/16)
• Amounts owed by the Council	£340k	(£0k in 2015/16)
• Amounts owed to the Council	£0k	(£1k in 2015/16)

Welsh Local Government Association:

• Payments	£101k	(£104k in 2015/16)
• Receipts	£10k	(£6k in 2015/16)
• Amounts owed by the Council	£1k	(£0k in 2015/16)
• Amounts owed to the Council	£0k	(£3k in 2015/16)

31. AUDIT FEES

Total audit and inspection fees due during the year amounted to £363k (£394k in 2015/16). External audit services were provided by Wales Audit Office.

	2017	2016
	£000	£000
Fees for the Statement of Accounts	210	219
Fees for the Local Government Measure	100	103
Fees for grants	53	72
	<u>363</u>	<u>394</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

32. AGENCY SERVICES

Flintshire County Council is one of six partners within the North Wales Trunk Road Agency (NWTRA), the other partners being Anglesey, Conwy, Denbighshire, Gwynedd and Wrexham Councils. The Streetscene & Transportation Portfolio within Flintshire County Council undertakes trunk road work on behalf of NWTRA for the Welsh Government. Reimbursement for work carried out under the Trunk Road Agency Agreement amounted to £2,481k (£1,971k in 2015/16).

The six North Wales councils act as agents of Welsh Government in providing recyclable loans under the Houses into Homes Scheme in perpetuity, for the repair of properties which have been long term vacant, with the aim of bringing them back into use. Flintshire County Council is the lead/banker authority for the North Wales region and responsible for administering the fund. No further income was received from Welsh Government during 2016/17 (£0k in 2015/16) with gross payments against the brought forward sum amounting to £355k (£405k in 2015/16), with repayments of £325k made during the year, combining to a net total payments of £30k. Of which Flintshire County Council received and issued £280k of loans (£155k in 2015/16) with £325k being repaid (£25k in 2015/16).

Welsh Government has provided funding to Flintshire County Council to provide additional recyclable loan products which are treated as agency arrangements in the Council's accounts. The first product is a second Houses into Homes scheme with the funding to be returned in 14 years' time, the purpose is the same purpose as outlined above. £0k was received in 2016/17 (£313k 2015/16) and no loans have been issued so far. The second product, called Home Improvement Loans, for works in making a residential properties safe warm and/or secure, again with the funding to be returned in 14 years' time. £0k was received in 2016/17 (£313k 2015/16). £17k has been granted in loans in year (£31k in 2015/16).

Flintshire County Council acts as an agent on behalf of Welsh Government in receiving and distributing various grants for the North Wales region. Bus Services Support Grant to support bus and community transport services in the region. Total received was £6,748k, of which £593k was Flintshire's share included in Flintshire's accounts (£6,710k in 2015/16, £582k in Flintshire's accounts). Similarly the Young Person's Travel Discount Scheme total received £2,400k with £90k being Flintshire's share included in Flintshire's accounts (£1,198k in 2015/16, £58k in Flintshire's accounts) also a grant for Restoration of Key Local Bus Routes total received £300k with £155k being Flintshire's share included in Flintshire's accounts (new arrangement in 1617). Single point of access grant a regional programme for ease of customer access to Social and Health Care services. Total received was £230k with £55k being Flintshire's share included in Flintshire's accounts (£200k in 2015/16, £59k in Flintshire's accounts).

Flintshire County Council acts as agents on behalf of water companies collecting water and sewerage charges from tenants living in Council owned dwellings in 2016/17 £3,473k was collected (£3,453k 2015/16). The Council also acts as agent in arranging and collecting household contents insurance for tenants belongings on their behalf if they wish, in 2016/17 £101k was collected (£104k in 2015/16), and collects heating charges from tenants living in Council owned communal buildings, in 2016/17 £161k was collected (£205k in 2015/16).

33. NATIONAL HEALTH SERVICES (WALES) ACT 2006

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

Partnership	2017 £000	2016 £000
Gross expenditure	1,034	1,129
Gross income	(1,100)	(1,185)
(Surplus) / deficit for year	(66)	(56)

Contribution to Budget

Flintshire County Council	288	319
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NOTES TO THE CORE FINANCIAL STATEMENTS

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

	Gross £000	Net £000	%
Flintshire County Council	508	498	50.25
Wrexham County Borough Council	503	493	49.75
	1,011	991	100.00

34. JOINT ARRANGEMENTS

Flintshire County Council is involved in various joint arrangements/partnerships with neighbouring North Wales Councils, being :-

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

Flintshire County Council is the host partner for the North East Wales Community Equipment Service (details of which are provided in note 33), the North East Wales Sensory Support Service, the North Wales Residual Waste Treatment Project (NWRWTP), and the North Wales Emergency Planning Service.

Separate (joint committee) financial statements are prepared for NWRWTP (www.nwrwtp.org), GWE (www.gwynedd.gov.uk) and Clwydian Range & Dee Valley AONB (www.denbighshire.gov.uk). The 2016/17 joint committee statements record:-

	2017	2016		FCC Share	
	£000	£000		Expenditure - allocation basis	2017
Gross Expenditure				£000	£000
NWRWTP	413	288	Equal shares	83	58
GWE	15,833	14,073	Pro rata to pupil population	3,589	3,168
Clwydian Range & Dee Valley AONB	498	465	Management costs - equal shares	50	27
			Activity costs - geographical area		

Flintshire County Council's share of the income and expenditure for NWRWTP is recorded in the Net Cost of Services in the Comprehensive Income and Expenditure Statement in line with the accounting policy for Joint Committees.

NOTES TO THE CORE FINANCIAL STATEMENTS

35. OTHER FUNDS ADMINISTERED BY THE AUTHORITY

The Council administers a trust fund on behalf of Optec D.D. (UK) Limited. The fund provides financial support to the youth exchange scheme between Flintshire County Council and Murata and Kuga Cho in Japan. The fund balance at 31st March 2017 was £61k (£74k in 2015/16) and is not included in the balance sheet.

Flintshire County Council acts as lead authority in the administration of the Welsh Church Acts Fund on behalf of Denbighshire, Flintshire and Wrexham. Income received from investments, net of central management expenses, is apportioned to each authority to be used to give grants which accord with the stated objectives. At 31st March 2017 the fund balance was £570k (£546k in 2015/16).

The Social Services portfolio - Social Services for Adults Section maintain individual bank accounts for service users living in the community who are unable to cope with their financial affairs; 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 2017 was £3,912k in 408 separate accounts (£4,148k in 415 accounts in 2015/16).

36. CONTINGENT LIABILITIES

- In accordance with the provisions of Part 2A of the Environmental Protection Act 1990 and the Council's Contaminated Land Inspection Strategy, former waste disposal sites within the county, will be considered and the condition of each assessed in due course. The assessments may conclude that liability for carrying out some or all of any necessary remediation works will be the Council's responsibility.
- Further to the provision in relation to the 'MMI Scheme of Arrangement' in Note 21, the Council recognises that any future payments made by MMI will be made at the reduced rate of 75% and has created an earmarked reserve to fund the 25% that the Council in any future claim settled will need to fund. The projection of future claims is uncertain because of the latent nature of many of the claims that MMI is still receiving. The levy is subject to review at least once every 12 months by the scheme administrator. Despite the revision of the levy upwards to an aggregate level of 25%, when modelling projected outcomes for the solvent run-off of MMI, the administrator indicated that the levy could range between 15% and 34%.
- Flintshire is the legislative successor body in respect of all abuse claims relating to the former Clwyd County Council. A number of claims continue to be brought by former children in care. In some cases the Council's insurers were not on cover and so the Council may need to fund any such claim that is successful.
- An employee is claiming against the Council in an Employment Tribunal which will be heard in the next financial year. Based on the outcomes of the cases the Council could have to pay all, some or none of the claim.
- The Council along with other Welsh Local Authorities was an 'interested party' in a national legal case brought by a group of care home providers against 21 out of 22 Local Health Boards in relation to their costs in providing nursing care and the mechanism for funding care. The case was complex and an appeal to the Supreme Court was heard in April 2017, the judgement (issued in August 2017) ruled that the NHS must retake their decision on rates of pay paid to nursing care providers and that the NHS must pay for any social or personal care provided as part of nursing care. As a result the Council won't have to pay any part of the claim.

37. CONTINGENT ASSETS

Section 106 of the Town and Country Planning Act 1990 allows legal agreements as part of planning approval that commits the developer to undertake works or in-kind contributions towards a variety of infrastructure or services. An affordable housing scheme called 'Shared Equity' is one such commitment, the developer makes a number of properties available for purchase by those on the affordable housing register at 70% of the market value. The remaining 30% share in the properties is transferred to the Council in the form of a legal charge against the property. At any point in the future the homeowner can; redeem the Council's 30% share, or sell the property. The first call being a sale to others on the affordable housing register, if after a set period the property does not sell it can be sold on the open market. It is probable that the Council will benefit in the form of capital receipts in the future from these agreements, however the receipt must be used for the provision of affordable housing in the legal agreement.

NOTES TO THE CORE FINANCIAL STATEMENT

38. CRITICAL JUDGEMENTS AND ASSUMPTIONS MADE

In preparing the Statement of Accounts, the Council has had to make judgements, estimates and assumptions for certain items that affect the application of its policies and reported levels of assets, liabilities, income and expenses. The estimates and associated assumptions have been based on historical experience, current trends and other relevant factors that are considered to be reasonable and are used to inform the basis for judgements about the carrying values of assets and liabilities, where these are not readily available from other sources. However, because these cannot be determined with certainty, actual results could be materially different from those assumptions and estimates made.

The significant accounting estimates within the Statement of Accounts relate to non-current assets and the impairment of financial assets. Estimates and underlying assumptions are regularly reviewed. Changes in accounting estimates are adjustments of the carrying amount of an asset or a liability, or the amount of the periodic consumption of an asset, that results from the assessment of the present status of, and expected future benefits and obligations associated with assets and liabilities. Changes to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The critical accounting judgements made by the Council which have a significant effect on the financial statements are:

- Future Levels of Government Funding and Levels of Reserves – The future levels of funding for local authorities has a high degree of uncertainty. The Council has set aside amounts in provisions, working balances and reserves which it believes are appropriate based on local circumstances including its overall budget size, risks, robustness of budget estimates, major initiatives being undertaken, budget assumptions, other earmarked reserves and provisions and the Council's track record in financial management. The Council has published a Medium Term Financial Strategy which can be found on the Council's website.
- Provisions – The Council is required to exercise judgement in assessing whether a potential liability should be accounted for as a provision or contingent liability. In calculating the level of provisions the Council also exercises judgement; they are measured at the Council's best estimate of the costs required to settle the obligation at the Balance Sheet date.
- Investment Properties – The Council classifies investment properties in accordance with the requirements of the Code of Practice, that being that assets are held solely for rental income or capital appreciation. Assessment of such properties involves exercising judgement, which could be subject to a difference in interpretation.
- Asset Valuations – The Council values its Housing Stock by estimating the 'Existing Use Value – Social Housing'. The valuation methodology applied is the Adjusted Vacant Possession Value (known as the Beacon Approach). There is currently no guidance in Wales that specifically defines the components within the methodology, some of which rely on professional judgments particular to local circumstances.

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

- Retirement Benefit Obligations – The Council recognises and discloses its retirement benefit obligation in accordance with the measurement and presentational requirements of IAS 19 “Employee Benefits”. The estimation of the net pension liability depends on a number of complex judgements and estimates relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. Changes in these assumptions can have a significant effect on the value of the Council's retirement benefit obligation. Further detail assessing the sensitivities of estimates can be found in Note 45.
- Impairment of Financial Assets – The Council provides for the impairment of its receivables based on the age, type and recoverability of each debt. A reasonable estimate of impairment for doubtful debts is provided for within the Council's accounts at the Balance Sheet date, however in the current economic climate it is not certain that such an allowance would be sufficient.
- Property, Plant and Equipment – Assets are depreciated over their useful life and reflect such matters as the level of repairs and maintenance that will be incurred in relation to individual types of asset, cost of replacement and assuming prudent maintenance, an estimate of the unexpired useful life of the asset.
- Valuation techniques are used to determine the fair value of surplus assets, assets held for sale and investment properties. This involves developing estimates and assumptions consistent with how market participants would value such assets. As far as possible, assumptions are based on observable data. If observable data is not available the best information available is used. Thus, estimated fair values may vary from actual prices that would be achieved in an arm's length transaction at the reporting date.

39. 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 2016/17 were as follows:-

	2017	2016
	£000	£000
Total minimum revenue provision	6,233	7,664
Recharge to housing revenue account	<u>(2,132)</u>	<u>(513)</u>
	<u>4,101</u>	<u>7,151</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

40. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

	2017	2016
	£000	£000
Capital Investment		
Property, plant and equipment	50,997	48,094
Intangible assets	0	14
REFCUS	12,496	92,193
	<u>63,493</u>	<u>140,301</u>
Sources of Finance		
Capital receipts	(2,329)	(2,066)
Capital grants and contributions	(17,104)	(28,982)
Capital reserves / CERA	(12,855)	(11,649)
	<u>(32,288)</u>	<u>(42,697)</u>
Increase/(decrease) in capital financing requirement	<u>31,205</u>	<u>97,604</u>
Increase in supported borrowing	4,137	4,316
Increase in other (unsupported) borrowing	27,068	93,288
	<u>31,205</u>	<u>97,604</u>

41. FUTURE CAPITAL COMMITMENTS

At 31st March 2017, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2017/18 and future years. Major commitments (over £1,000k) are:

Contract Details	Contract Sum
	£000
SHARP - Former Ysgol Delyn site, Mold	2,198
Total Commitments	<u><u>2,198</u></u>

NOTES TO THE CORE FINANCIAL STATEMENTS

42. 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:

	2017	2016
Asset Classification	£000	£000
Vehicles, plant and equipment	5,238	5,871

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 £565k is due to be paid during the next 12 months (£580k equivalent for the previous financial year).

	2017	Repaid	New	2016
	£000	£000	£000	£000
Finance lease liabilities (net present value of the minimum lease payments):				
Current	565	15	0	580
Non-current	5,386	565	0	5,951
	5,951	580	0	6,531
Finance costs payable in future years	2,885	579	0	3,464
Minimum lease payments	8,836	1,159	0	9,995

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	
	2017	2016	2017	2016
	£000	£000	£000	£000
Not later than one year	1,084	1,159	565	580
Later than one year and not later than five years	4,501	4,768	2,661	2,679
Later than five years	3,251	4,068	2,725	3,272
	8,836	9,995	5,951	6,531

Operating Leases

In 2016/17, operating lease rentals paid amounted to £1,811k (£989k in 2015/16).

	2017	2016
Asset Classification	£000	£000
Land	45	40
Buildings	139	118
EFS Fleet Contract	925	0
Vehicles, plant and equipment	702	831
	1,811	989

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NOTES TO THE CORE FINANCIAL STATEMENTS

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

	Land £000	Buildings £000	EFS Fleet Contract £000	Vehicles, Plant & Equipment £000	Total £000
Not later than one year	24	141	2,807	286	3,258
Later than one year and not later than five years	90	414	11,964	190	12,658
Later then five years *	959	952	4,557	0	6,468
	1,073	1,507	19,328	476	22,384

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

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

Lessor Rentals

Operating Leases

The Council leases out property under operating leases largely for economic development purposes. In 2016/17, lease rentals receivable amounted to £3,008k (£2,843k in 2015/16).

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

	Land £000	Buildings £000	Total £000
Not later than one year	58	2,593	2,651
Later than one year and not later than five years	135	9,556	9,691
Later then five years *	453	13,677	14,130
	646	25,826	26,472

* 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.

43. ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

The Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 has not introduced any changes, amendments and interpretations to existing standards which are mandatory for the Council's accounting periods beginning on or after 1st April 2017 or later periods and would require changes to accounting policies in next years' accounts.

NOTES TO THE CORE FINANCIAL STATEMENTS

44. FINANCIAL INSTRUMENTS

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

	Long-Term		Current	
	2017	2016	2017	2016
	£000	£000	£000	£000
Financial liabilities at amortised cost				
Principal	250,998	251,901	11,654	54
Accrued Interest	0	0	2,723	2,731
Borrowing	<u>250,998</u>	<u>251,901</u>	<u>14,377</u>	<u>2,785</u>
Cash overdrawn	0	0	2,413	2,561
Cash & Cash Equivalents	<u>0</u>	<u>0</u>	<u>2,413</u>	<u>2,561</u>
Finance Leases	5,386	5,951	565	580
Deferred Liabilities	<u>5,386</u>	<u>5,951</u>	<u>565</u>	<u>580</u>
Trade Payables	0	0	24,694	26,101
Within Creditors	<u>0</u>	<u>0</u>	<u>24,694</u>	<u>26,101</u>
Total financial liabilities	<u>256,384</u>	<u>257,852</u>	<u>42,049</u>	<u>32,027</u>
Financial assets at amortised cost				
Principal	0	0	0	6,000
Accrued Interest	0	0	0	14
Investments	<u>0</u>	<u>0</u>	<u>0</u>	<u>6,014</u>
Cash & Cash Equivalents	0	0	9,375	27,594
Accrued Interest	0	0	1	30
Cash & Cash Equivalents	<u>0</u>	<u>0</u>	<u>9,376</u>	<u>27,624</u>
Trade Receivables	2,211	2,111	22,061	29,759
Within Debtors	<u>2,211</u>	<u>2,111</u>	<u>22,061</u>	<u>29,759</u>
Total financial assets	<u>2,211</u>	<u>2,111</u>	<u>31,437</u>	<u>63,397</u>

Short term Creditors (note 19) includes a further £5,980k (2015/16 £4,700k) that does not meet the definition of a trade payable.

Short term Debtors (note 15) includes a further £16,277k (2015/16 £4,548k) that does not meet the definition of a trade receivable.

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

	2017	2016
	Net	Net
	Total	Total
	£000	£000
Financial Assets - Bank Accounts in Credit	9,375	27,624
Financial Liabilities - Cash Overdraft	(2,413)	(2,561)
Net Position reported on Balance Sheet	<u>6,962</u>	<u>25,063</u>

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NOTES TO THE CORE FINANCIAL STATEMENTS

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

	2017			2016		
	Financial Liabilities	Financial Assets	Total	Financial Liabilities	Financial Assets	Total
	Liabilities Measured at Amortised Cost	Loans and Receivables		Liabilities Measured at Amortised Cost	Loans and Receivables	
	£000	£000	£000	£000	£000	£000
Interest expense	(13,401)		(13,401)	(13,727)	0	(13,727)
Interest payable and similar charges	(13,401)	0	(13,401)	(13,727)	0	(13,727)
Interest income		141	141	0	290	290
Interest and investment income	0	141	141	0	290	290
Net gain/(loss) for the year	(13,401)	141		(13,727)	290	

Fair Value of Assets and Liabilities Carried at Amortised Cost

Financial assets classified as loans and receivables and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values in the table below have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2017, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The value of "Lender's Option Borrower's Option" (LOBO) loans have been increased by the value of the embedded options. Lenders' options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps. Borrower's contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31st March.
- The fair values of finance lease liabilities have been calculated by discounting the contractual cash flows at the appropriate AA-rated corporate bond yield.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

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

	Fair Value Level	2017		2016	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
		£000	£000	£000	£000
Financial Liabilities					
PWLB	2	230,810	352,221	232,410	320,864
LOBOs	2	18,950	29,163	18,950	26,380
Lease payables	3	5,951	5,432	6,531	5,653
		<u>255,711</u>	<u>386,816</u>	<u>257,891</u>	<u>352,897</u>
Financial Assets					
Certificates of Deposits	2	0	0	3,006	3,008

NOTES TO THE CORE FINANCIAL STATEMENTS

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

Disclosure of Nature and Extent of Risks Arising from Financial Instruments

The Council manages its Treasury Management risk by adoption of the CIPFA Treasury Management in the Public Services - Code of Practice 2011, the Prudential Code for Capital Finance in Local Authorities, and an Annual Investment Strategy as issued by Welsh Government under section 15 (1) (a) of the Local Government Act 2003. The Authority must prepare (as a minimum) a Policy and Strategy Statement (a mid-year report) and an annual outturn report for submission to Cabinet, in accordance with Financial Procedure Rules. The Welsh Government also requires investment limits on specified (investments offering high security and liquidity), non-specified investments (investments with greater potential risk) and investments committed for more than one year. In addition, key prudential indicators must be set and Treasury Management Practices documented. These practices include financial risks such as Credit Risk, Liquidity Risk and Market Risk.

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the authority
- Liquidity risk – the possibility that the authority might not have funds available to meet its commitments to make payments
- Market risk – the possibility that financial loss might arise for the authority as a result of changes in such measures as interest rates and stock market movements.

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

Risk - Liabilities

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

- PWLB – The majority of this debt is fixed rate, hence there is interest rate risk. If rates fall in the future, the Council will be paying higher than the current market rate, however, it is considered more beneficial to have budget certainty on future payments of interest in a low interest rate environment; as at 31st March 2017, 4.3% of PWLB debt was variable rate, reducing the interest rate risk but increasing budget uncertainty. There is an option in the Treasury Management Strategy to have £60m variable debt if deemed appropriate. Liquidity risk is managed through the debt maturity profile and a prudential indicator which does not allow any more than 10% of debt to reach maturity in any one year.
- LOBOs - All LOBOs have a fixed rate of interest for a period of between 12 and 23 months followed by a further fixed rate for the period of the loan, however the loan can be recalled by the lender after a certain fixed period of time. LOBOs are used because they have an interest rate lower than PWLB and this is balanced against the risks of rates rising and the loan having to be repaid which results in re-financing risk at a time of higher interest rates. The amount of LOBOs is restricted to £60m of long term borrowing.

Analysis shows that if interest rates rose by 1% the financial effect would be an increase in variable rate debt costs of £290k.

NOTES TO THE CORE FINANCIAL STATEMENTS

Risk - Loans and Receivables

Long Term Investments -

- Investments of more than 1 year are referred to as non-specified investments because of the additional interest rate risk. There is a limit of £5m for long term investments and additional procedures for authorisation by the Corporate Finance Manager.
- Deposits with banks and building societies do carry some credit risk and this is managed by using three rating agencies. The Council uses the following criteria, and investments are made subject to the monetary and time limits shown.

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

Analysis shows that if interest rates rose by 1% the financial effect would be an increase in investment income of £86k. If rates fell by 1%, there would be a loss of income for the same amount.

Bonds -

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

NOTES TO THE CORE FINANCIAL STATEMENTS

Other Receivables -

Customers are required to make arrangements to pay outstanding monies due to the Council, based on their ability to pay. Customers are requested to complete a financial assessment form and are required to confirm in writing the amount agreed and the start date of the arrangement, and to make the Council fully aware of any circumstances surrounding their ability to pay which they wish to be taken into account in making the assessment.

45. PENSIONS

Pensions - Teachers

Teachers employed by the Council are members of the Teachers' Pension Scheme a multi-employer defined benefit scheme, providing teachers with specified benefits upon their retirement. For accounting purposes it is treated as a defined contribution scheme as the Council is unable to identify its share of assets and liabilities with sufficient reliability. The scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate.

The Council contributes to the scheme by making contributions based on a percentage of teachers' pensionable salaries. In 2016/17 the Council paid £8,334k (£7,944k in 2015/16), which represents 16.48% (average) of teachers' pensionable pay (15.48% in 2015/16). The contributions due in 2017/18 are estimated to be £7,662k, 16.21% of teachers' pensionable pay.

The Council is not liable to the scheme for any other entities obligations under the plan.

In addition, the Council is responsible for all pension payments relating to the award of discretionary post-retirement benefits on early retirements (also known as added years) it has awarded, together with the related increases, outside of the terms of the teachers' scheme, are accounted for on a defined benefit basis as detailed in the following section.

Pensions - Other Employees

As part of their terms and conditions of employment of its officers the Council makes contributions towards the costs of post-employment benefits. Officers employed by the Council are members of the Local Government Pension Scheme, the Clwyd Pension Fund, administered locally by Flintshire County Council. This is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets.

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

The Clwyd Pension Fund is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Clwyd Pension Fund Panel. Policy is determined in accordance with the Pension Fund Regulations.

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme.

Further information regarding the Clwyd Pension Fund accounts is provided on pages 95 to 120, and in the Clwyd Pension Fund Annual Report which is available from www.clwydpensionfund.org.uk.

NOTES TO THE CORE FINANCIAL STATEMENTS

Transactions Relating to Retirement Benefits

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2017 £000	2016 £000	2017 £000	2016 £000
Comprehensive Income and Expenditure Statement				
Service Expenditure Analysis -				
Current service cost	18,725	20,950	0	0
Past service cost/(gain)	46	1	0	0
Curtailments/settlements	673	988	0	0
Other Operating Expenditure -				
Administration expenses	940	406	0	0
Financing and Investment Income and Expenditure				
Net interest expense	8,987	8,990	1,456	1,432
Net charge to surplus / deficit on the provision of services -	<u>29,371</u>	<u>31,335</u>	<u>1,456</u>	<u>1,432</u>
Other Comprehensive Income and Expenditure				
Remeasurement of the net defined benefit liability -				
Return on plan assets	84,251	11,121	0	0
Actuarial gains and losses - financial assumptions	(154,635)	(43,559)	(10,173)	(1,389)
Net charge to other comprehensive income and expenditure -	<u>(70,384)</u>	<u>(32,438)</u>	<u>(10,173)</u>	<u>(1,389)</u>
Net charge to Comprehensive Income and Expenditure -	<u>(41,013)</u>	<u>(1,103)</u>	<u>(8,717)</u>	<u>43</u>
Movement in Reserves Statement				
Reversal of net charges made to surplus / deficit on the provision of services for retirement benefits in accordance with IAS 19	(29,371)	(31,335)	(1,456)	(1,432)
Actual amount charged against the Council fund balance for pensions in the year				
Employers' contributions payable to scheme	21,805	20,937	3,208	3,298
Net debit/(credit) to the movement in reserves statement	<u>(7,566)</u>	<u>(10,398)</u>	<u>1,752</u>	<u>1,866</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

Pensions Assets and Liabilities in Relation to Retirement Benefits Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plans is as follows:-

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2017	2016	2017	2016
	£000	£000	£000	£000
Present value of liabilities	(930,122)	(751,269)	(51,576)	(43,155)
Fair value of assets	586,648	485,745	0	0
Surplus/deficit in the scheme	<u>(343,474)</u>	<u>(265,524)</u>	<u>(51,576)</u>	<u>(43,155)</u>

The liabilities total reflects the underlying long-term commitments that the Authority has in respect of retirement benefits due. The net liability of £395,050k is included as part of the unusable reserves total on the Balance Sheet.

Reconciliation of present value of the scheme liabilities:-

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2017	2016	2017	2016
	£000	£000	£000	£000
1st April	751,269	766,703	43,155	46,410
Current service cost	18,725	20,950	0	0
Interest cost	26,652	24,993	1,456	1,432
Contributions by scheme participants	4,996	4,984	0	0
Actuarial gains and losses - Financial assumptions	154,635	(43,559)	10,173	(1,389)
Benefits paid	(26,874)	(23,791)	(3,208)	(3,298)
Past service costs	46	1	0	0
Past service gains	0	0	0	0
Curtailments/settlements	673	988	0	0
31st March	<u>930,122</u>	<u>751,269</u>	<u>51,576</u>	<u>43,155</u>

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

	2017	2016
	£000	£000
1st April	485,745	479,139
Interest income	17,665	16,003
Administration Expenses	(940)	(406)
Return on plan assets	84,251	(11,121)
Employer contributions	23,437	22,619
Contributions by scheme participants	4,996	4,984
Benefits paid	<u>(28,506)</u>	<u>(25,473)</u>
31st March	<u>586,648</u>	<u>485,745</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

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

	2017		2016	
	£000	£000	£000	£000
Equity investments:				
UK Quoted*	0		0	
Global Quoted*	45,172		34,488	
Global Unquoted	0		0	
US*	0		0	
Japan*	0		0	
Europe*	0		0	
Emerging Markets*	36,372		27,687	
Frontier*	0		9,229	
Far East*	0		0	
		81,544		71,404
Bonds:				
Overseas Other	69,811		59,747	
LDI*	136,689		110,750	
		206,500		170,497
Property:				
UK*	26,399		14,572	
Overseas	13,493		23,802	
		39,892		38,374
Cash:				
Cash Accounts*	5,280		4,858	
		5,280		4,858
Alternatives:				
Hedge Funds	51,625		49,060	
Private Equity	58,665		52,946	
Infrastructure	10,560		9,715	
Timber & Agriculture	9,973		9,229	
Commodities	0		0	
DGF	122,609		79,662	
		253,432		200,612
		586,648		485,745

* Denotes classes of assets that have a quoted market price in an active market.

The scheme maintains positions in a variety of financial instruments which exposes it to a variety of financial risks including credit risk, counterparty risk, liquidity risk, market risk and exchange rate risk. Risk management procedures are annually reviewed and focus on the unpredictability of financial markets and implementing restrictions to minimize these risks. The current policy is to lower risk by diversifying investments across asset classes, investment regions and fund managers.

NOTES TO THE CORE FINANCIAL STATEMENTS

Basis for Estimating Assets and Liabilities

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2017	2016	2017	2016
Mortality Assumptions				
Longevity at 65 for current pensioners -				
Men	23yrs	23.5 yrs	24yrs	23.5 yrs
Women	25.5yrs	26.0 yrs	26.6yrs	26.0 yrs
Longevity at 65 for future pensioners -				
Men	25.6yrs	26.4 yrs	n/a	n/a
Women	28.2yrs	29.4 yrs	n/a	n/a
Rate of inflation (Consumer Prices Index)	2.3%	2.0%	2.3%	2.0%
Rate of increase in salaries	3.6%	3.5%	n/a	n/a
Rate of increase in pensions	2.3%	2.0%	2.3%	2.0%
Rate for discounting scheme liabilities	2.5%	3.6%	2.5%	3.4%

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below are calculated by altering relevant assumptions by the amount specified, whilst assuming that all other variables remain the same. This approach is not necessarily realistic, since some assumptions are related; for example, if the scenario is to show the effect of higher than expected inflation, it might be reasonable to expect that nominal yields on corporate bonds will be higher too. However, the analysis isolates one effect from another.

	Impact of Increase on Defined Benefit Obligation	Impact of Decrease on Defined Benefit Obligation
	£000	£000
Longevity (increase / decrease in 1 year)	(19,593)	19,593
Rate of inflation (increase / decrease by 0.1%)	(17,629)	17,629
Rate of increase in salaries (increase / decrease by 0.1%)	(3,814)	3,814
Discount Rate (increase / decrease by 0.1%)	17,317	(17,317)

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

Impact on Cash Flows

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

The total contributions expected to be made to the LGPS by the Council in the year to 31st March 2018 is £23.7m.

The duration of the defined benefit obligation for LGPS is 18.5 years, 2016/17 (19 years 2015/16).

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

for the year ended 31st March 2017

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with the legislative framework; this may be different from the accounting cost. The increase or decrease in the year, on the basis on which rents are raised, is shown in the Movement on the Housing Revenue Statement.

	2017		2016	
	£000	£000	£000	£000
Expenditure				
Repairs and maintenance		7,189		6,723
Management and supervision		3,701		4,733
Specialist Services		1,654		1,392
Rents, rates, taxes and other charges		125		111
Depreciation and impairment of non-current assets		30,719		26,426
Settlement Payment		0		79,248
Valuations - Dwellings		(266)		34,914
Debt management costs		33		47
Increase in bad debt provision		330		346
Total expenditure		43,485		153,940
Income				
Dwelling rents (gross)	30,200		28,917	
Non-dwelling rents (gross)	352		497	
		30,552		29,414
Charges for services and facilities		719		651
Reimbursement of Costs		638		0
Total income		31,909		30,065
Net cost of HRA services as included in the whole authority Comprehensive Income and Expenditure Statement		11,576		123,875
Other Operating Expenditure				
Net (gain) / loss on the disposal of non-current assets		(1,672)		(559)
Admin. expenses on the net defined benefit liability		53		22
Financing and Investment Income and Expenditure				
Interest payable and similar charges		4,841		4,907
Net interest on the net defined benefit liability (see note 45)		551		522
Total (surplus) / deficit for the year on HRA services		15,349		128,767

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)	2017 £000	2016 £000
At 1st April		1,517	1,510
Surplus/(deficit) on the HRA income and expenditure statement		(15,349)	(128,767)
Total comprehensive income and expenditure		(15,349)	(128,767)
Adjustments between accounting and funding basis under regulations	8	15,474	128,774
Increase/(decrease) in year on the HRA		125	7
At 31st March		1,642	1,517

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NOTES TO THE HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

1. LEGISLATION

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

2. HOUSING STOCK

The type and number of dwellings at 31st March 2017 were:-

Type	2017 No.	2016 No.
Houses	4,029	4,039
Flats	1,355	1,353
Maisonettes	10	10
Bungalows	1,795	1,796
	<u>7,189</u>	<u>7,198</u>

3. RENT ARREARS

The rents total of £1,094k (£1,124k in 2015/16) includes, in addition to the basic rent element, amounts due in respect of water/sewerage rates, heating charges, household insurance, communal television licences and value added tax on some garage rentals. These individual rent elements cannot be separately identified from the whole.

Analysis of arrears	2017 £000	2016 £000
Rents		
Current tenants	953	966
Former tenants	141	158
	<u>1,094</u>	<u>1,124</u>
Provision for impairment losses (bad debts)	£000	£000
Opening provision	409	428
Written off in year	(290)	(349)
Increase in provision	303	330
	<u>422</u>	<u>409</u>

NOTES TO THE HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

4. NON-CURRENT ASSET ACCOUNTING

Capital Expenditure and Financing

Housing revenue account capital expenditure of £29,911k was incurred as follows; £100k - Land, £25,966k - Council Dwellings, £3,058k - Assets Under Construction £787k – equipment, (£99,626k in 2015/16) . Financed as follows :-

	Capital Receipts £000	Capital Grants & Contributions £000	Revenue Contributions £000	Borrowing £000	Total £000
Capital financing	836	5,485	11,566	12,024	29,911
	836	5,485	11,566	12,024	29,911

Major Repairs Allowance (MRA)

Included within the capital grants and contributions total (£5,485k) is the 2016/17 MRA allocation figure of £5,050k (£5,060k in 2015/16). 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 2016/17 in financing qualifying capital expenditure.

Capital Receipts

Gross capital receipts of £2,801k (£1,493k in 2015/16) were realised by way of the disposal of dwellings, land sales, and shared ownership sales :-

	2017 £000	2016 £000
Council dwellings	1,724	1,028
Shared Ownership Sales	130	0
Land sales	947	465
	2,801	1,493

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 £5,132k (£5,139k in 2015/16) is based on the 2016/17 opening net balance sheet valuations (valuation list less cumulative depreciation), with assumed nil residual values.

	2017 £000	2016 £000	
Dwellings	5,030	5,043	(equating to the value of MRA)
Garages	20	17	
Plant and equipment	82	79	
	5,132	5,139	

Impairment Losses and Revenue Expenditure Funded from Capital Under Statute

A HRA impairment adjustment total of £25,584k was accounted for in 2016/17 (£21,186k in 2015/16). £24,307k relating to capital expenditure on dwellings that did not have an impact on the valuation of the housing stock and £1,277k of capital expenditure incurred in building 12 new council houses that have now been included within the housing stock valuation (split £383k land £894k buildings). No revenue expenditure funded from capital under statute was accounted for in 2016/17 (£79,248k in 2015/16) which is explained further on the next page.

NOTES TO THE HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

5. MATERIAL ITEMS OF INCOME AND EXPENDITURE

HRA Settlement Payment – 2015/16

On 2nd April 2015 all 11 stock (Council housing) retaining authorities in Wales signed a voluntary agreement with the UK and Welsh Governments to change the financing arrangements for council housing in Wales.

The negative subsidy system in operation, which required Flintshire to make annual payments of circa £6m in negative subsidy to Welsh Government and on to UK Treasury, ended. This was replaced with interest payments on Public Works Loan Board (PWLB) loans that the Council borrowed to exit the subsidy system as part of the agreement. The PWLB loans, called the settlement payment (a one-off lump sum payment classed as capital expenditure), was paid to Welsh Government (WG) and on to UK Treasury. For Flintshire this amounted to £79,248k, the payment is shown separately on the face of the Housing Revenue Account and the Comprehensive Income and Expenditure Statement as a material item of expenditure.

The agreement will generate revenue savings allowing the Council to increase its investment in existing stock, and support the delivery of additional supply of housing. It will also provide more local accountability to tenants.

HRA Valuations – Dwellings – 2015/16

During 2015/16 the Council's Housing Stock was revalued. The carrying net book value of the Council Dwellings decreased by £34,914k which was debited to the HRA line of the Comprehensive Income and Expenditure Account representing a downwards movement in the valuation of the Council's housing stock since the last revaluation on 1st April 2011. Shown on the face of the Housing Revenue Account and the Comprehensive Income and Expenditure Statement as a material item of expenditure

6. HRA SHARE OF CONTRIBUTIONS TO / FROM PENSIONS RESERVE

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

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

	2017		2016	
	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement				
Service Expenditure Analysis -				
Current service cost	982		1,004	
Curtailments/settlements	<u>37</u>		<u>6</u>	
Other Operating Expenditure -		1,019		1,010
Administration expenses	<u>53</u>		<u>22</u>	
Financing and Investment Income and Expenditure		53		22
Net interest expense	<u>551</u>		<u>522</u>	
Total HRA Charge		<u>1,623</u>		<u>1,554</u>
Movement in Reserves Statement				
Reversal of net charges made to surplus / deficit on the provision of services for retirement benefits in accordance with IAS 19		(1,623)		(1,554)
Actual amount charged against the HRA balance for pensions in the year:				
Employers' contributions payable to scheme		1,230		1,084

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STATEMENT OF ACCOUNTING POLICIES

General Principles

The Statement of Accounts summarises the Council's transactions for the 2016/17 financial year and its position at the year end of 31 March 2017. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (Wales) Regulations 2014 which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code) supported by International Financial Reporting Standards (IFRS). The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

Accruals of Income and Expenditure

The revenue and capital accounts of the Council are prepared on an accruals basis. Sums are included in the final accounts to cover income or expenditure attributable to the year of account for goods received or work done, but for which payment has not been received/made by 31st March 2017. Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. In particular:-

Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet.

An exception to this policy relates to annual payments which are charged when paid rather than being apportioned across financial years. The policy is applied consistently each year and therefore have no material effect on a single year's accounts.

Borrowing Costs

The Council has elected to adopt the adaptation by the Code in respect of IAS 23 which allows borrowing costs in respect of qualifying assets to be expensed rather than capitalised. Therefore, all borrowing costs are recognised as an expense as they are incurred.

Capital Receipts

Capital receipts arise from the disposal of property assets and the repayment of advances, and are accounted for on an accruals basis; amounts not exceeding £10k from any disposal are treated as revenue income, in accordance with capital regulations. The balance of receipts which has not been used for capital financing purposes is included in the Balance Sheet as usable capital receipts.

Carbon Reduction Commitment Scheme

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. The scheme is currently in the third year of the second phase running from 1st April 2014 to 31st March 2019.

The Council is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability on the Balance Sheet and an expense within the cost of services line of the Comprehensive Income and Expenditure Statement are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date.

STATEMENT OF ACCOUNTING POLICIES

Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Balance Sheet and Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

Charges to Revenue for Non Current Assets

Service Portfolios are charged with the following amounts to record the cost of holding fixed assets during the year:-

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- Amortisation of intangible fixed assets attributable to the service.
- The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation are, therefore, replaced by the contribution in the Council Fund Balance – Minimum Revenue Provision (MRP) - by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

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

- 2% of debt outstanding for the housing revenue account
- 2% of council fund debt outstanding fixed at 31st March 2016, on capital expenditure incurred before 1st April 2008 and capital expenditure funded by supported borrowing between 1st April 2008 and 31st March 2016.
- Capital expenditure incurred on or after 1st April 2008 funded by prudential borrowing, and all future debt funded capital expenditure will be repaid based on the expected useful life of the asset using equal annual instalments.

In addition, the Council may pay off or replace loans earlier than originally planned as part of its debt management strategy, dependent upon prevailing market conditions, risk and financial benefit. A breakdown of MRP charged for the year is disclosed in Note 39.

Employee Benefits

Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. flexi time, time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year.

STATEMENT OF ACCOUNTING POLICIES

The accrual is charged to Surplus or Deficit on the Provision of Services, (but then reversed out through the Movement in Reserves Statement) so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. They are charged on an accruals basis when the Council can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructure.

When termination benefits involve the enhancement of pensions, statutory provisions require the Council Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

Employees of the Council are members of two separate pension schemes:-

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
- The Local Government Pension Scheme, Clwyd Pension Fund (administered by Flintshire County Council).

The schemes provide defined benefits to members (retirement lump sums and pensions) earned as employees work for the Council.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is, therefore, accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Education and Youth's Portfolio Service line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:-

- The liabilities of the pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit credit actuarial cost method – an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the market yields at the reporting date on high quality corporate bonds.
- The assets of Clwyd pension fund attributable to the Council are included in the Balance Sheet at their fair value.

STATEMENT OF ACCOUNTING POLICIES

- The change in the net pensions liability is analysed into seven components:
 - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
 - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Corporate and Central Finance Service Portfolio.
 - Gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Corporate and Central Finance Service Portfolio.
 - Net Interest on the net defined benefit liability – the net interest expense for the Council, the change during the period that arises from the passage of time – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. Calculated as interest on pension liabilities less the interest on assets. The value of liabilities is calculated by discounting the expected future benefit payments for the period between the expected payment date and the date at which they are being valued. Interest on assets is the interest on assets held at the start of the period and cashflows occurring during the period, calculated using the discount rate at the start of the year.
 - Administration expenses – the costs of running the fund attributable to the Council, does not include investment management expenses – debited to Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.
 - Return on plan assets – excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve.
 - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve.
 - Contributions paid to the Clwyd pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the Council Fund / HRA balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards.

In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the Council Fund / HRA of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

STATEMENT OF ACCOUNTING POLICIES

Events After the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:-

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Fair Value Measurement

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

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

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

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

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

Financial Instruments

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

Financial Liabilities

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

STATEMENT OF ACCOUNTING POLICIES

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, for interest payable, are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. This means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

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

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

Financial Assets

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

Financial assets are classified into two types:-

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

Loans and Receivables:

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument, and are initially measured at fair value. They are subsequently measured at their amortised cost.

Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, for interest receivable, are based on the carrying amount of the asset, multiplied by the effective rate of interest of the financial instrument. This means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest), and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year, as determined in the loan agreement.

Available-for-Sale Assets:

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial instrument, and are initially measured and carried at fair value.

STATEMENT OF ACCOUNTING POLICIES

Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable, are based on the amortised cost of asset multiplied by the effective rate of interest for the instrument.

Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:-

- Instruments with quoted market prices – the market price.
- Other instruments with fixed and determinable payments - discounted cash flow analysis.
- Equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain / loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets.

The exception is where impairment losses have been incurred - these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain / loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired, because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

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

Government Grants and Contributions

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

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

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

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

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

STATEMENT OF ACCOUNTING POLICIES

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

Heritage Assets

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

Historical Buildings

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

Operational

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

Non-Operational

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

Collections:-

County Archives

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

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

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

STATEMENT OF ACCOUNTING POLICIES

County Museum

The County's museum collection consists of about 6,800 items or groups of items. Of these approximately 260 are displayed at Mold Museum, 200 at Buckley Museum and a group of about 580 items are on loan to Greenfield Valley Trust. The remainder is held in an off-site store. The majority of the collection items have been donated. The vast majority of the collection cannot be valued because of its diverse and unique nature. Conventional valuation approaches lack sufficient reliability and the cost of obtaining the valuations for these items would be disproportionate in terms of the benefit derived. As with the County Archives collection, the Council does not recognise these assets on the Balance Sheet.

Intangible Assets

Intangible assets are non-monetary assets without physical substance. Expenditure on intangible assets is capitalised only where it is expected that future economic benefits will flow to, or service potential be provided to, the Council and where the cost of the asset can be measured reliably.

Development expenditure, or purchased software licences may meet the definition of intangible assets when access to the future economic benefits that they represent is controlled by the Council, either through custody or legal protection; a de minimis expenditure level of £20k below which the requirements of capital accounting will not be applied is in place.

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

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

	Years
Software licences	5
Development expenditure	7

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

Interest Charges

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

Inventory

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

- | | |
|---|---------------------------|
| • Halkyn Depot (highways maintenance and rock salt) | Weighted average |
| • Alltami Depot (grounds & vehicle maintenance and rock salt) | Weighted average |
| • Alltami Depot (fleet fuel) | FIFO (first in first out) |
| • Canton Depot (building maintenance) | FIFO |

All other stock is measured at cost.

STATEMENT OF ACCOUNTING POLICIES

Investments

Investments are shown in the balance sheet at fair value (market value) for each class of financial instrument.

Short term deposits and investments are included in the cash and cash equivalents rather than short term investments if they mature within 3 months of the acquisition date, under IAS 7.

Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset investment properties are measured at highest and best use.

Properties are not depreciated but are revalued annually reflecting market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the Council Fund Balance. The gains and losses are, therefore, reversed out of the Council Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account (and for any sale proceeds greater than £10k, the Capital Receipts Reserve).

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the Council Fund Balance.

Joint Committees

The Council recognises on the Balance Sheet the assets that it controls and the liabilities that it incurs from the activity of any service delivered in conjunction with other parties, and reflects within the Comprehensive Income and Expenditure Statement the expenditure it incurs, and the share of income it earns from such.

Leases

Finance Leases

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

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

STATEMENT OF ACCOUNTING POLICIES

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

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

The property, plant and equipment acquired under finance leases are depreciated over the life of the asset as per the depreciation accounting policy. The asset and liability are recognised at the inception of the lease, and are de-recognised when the liability is discharged, cancelled or expires.

The annual rental is split between the repayment of the liability and a finance cost. The annual finance cost is calculated by applying the implicit interest rate to the outstanding liability.

Operating Leases

Leases that do not meet the definition of finance leases are accounted for as operating leases. Operating lease rentals are charged to revenue accounts, on an accruals basis, on a straight-line basis over the term of the lease.

Property leases are classified and accounted for as separate leases of land and buildings.

Overheads and Support Services

The costs of centrally provided corporate and support services including administrative buildings have been charged to service Portfolios as shown on the face of the Comprehensive Income and Expenditure Statement in line with the Council's internal reporting arrangements for financial performance and accountability.

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

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

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

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

Property, Plant and Equipment

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

STATEMENT OF ACCOUNTING POLICIES

Recognition

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

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

Measurement

Assets are initially measured at cost, comprising:-

- The purchase price
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

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

- Council dwellings – current value, determined using the existing use value for social housing (EUV – SH).
- Infrastructure assets – depreciated historical cost.
- Vehicles, plant, furniture and equipment – depreciated historical cost.
- All other operational assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).
- Community assets – historical cost and not depreciated.
- Surplus assets – current value measurement is based on fair value, estimated at highest and best use from a market participant's perspective
- Assets under construction – historical cost.

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

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

Revaluation

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. The Council meets this requirement by revaluing a proportion of the total asset portfolio as at 1 April each year; in 2016/17 approximately 13% of operational non-dwelling assets were revalued. Valuations are undertaken in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards Global and UK Edition (January 2014). Valuations are carried out by the Council's in-house RICS valuers wherever possible, but in some cases external valuers are used.

STATEMENT OF ACCOUNTING POLICIES

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

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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

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

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

Impairment

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

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

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

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

Depreciation

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

STATEMENT OF ACCOUNTING POLICIES

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

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

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

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

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

Componentisation

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

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

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

Derecognition of Property, Plant and Equipment

An item of property, plant or equipment is derecognised by disposal or when no future economic benefit or service potential is expected from its use.

Disposals and Non-Current Assets Held for Sale

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

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

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

STATEMENT OF ACCOUNTING POLICIES

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

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

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10k are categorised as Capital Receipts. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the Council Fund Balance in the Movement in Reserves Statement.

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

Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

STATEMENT OF ACCOUNTING POLICIES

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

Schools

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

Non-current Assets - Schools

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

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

Subsidiaries

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

In the Council's single entity accounts, the interests in subsidiaries is recorded at cost.

Reserves

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

Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year.

STATEMENT OF ACCOUNTING POLICIES

Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the Council Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the levels of council tax or rent.

Examples of REFCUS expenditure are Disabled Facilities grants, grants to businesses and private property enhancement schemes.

Value Added Tax

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

GROUP ACCOUNTS

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

For Group Accounts purposes the Council has consolidated the accounts of North East Wales Homes Limited (NEW Homes), a wholly owned subsidiary of the Council.

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

The Group Accounts include:

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

NEW Homes

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

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

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

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

NEW Homes balance sheet shows that it owns non-current assets, these currently equate to 31 properties in total donated by private developers for £1 each under section 106 agreements to provide affordable housing. These agreements between developers and local planning authorities are negotiated as part of a condition of planning consent and enable local authorities to negotiate contributions towards a range of infrastructure and services, including affordable housing. The total value of these properties in the NEW Homes Balance Sheet is £4.6m.

The Council and NEW Homes enter into a nomination rights agreement in respect of each property, which entitles the Council to select every tenant, and uses this to house people from the Flintshire affordable housing register.

In addition, as set out in the Narrative Report, NEW Homes are in the process of developing a further 62 new affordable homes for rent at The Walks site in Flint. £3.8m of expenditure had been incurred by 31 March, which is included within Assets under Construction in the NEW Homes Balance Sheet.

Accounting Policies

The accounting policies for the Group follow those adopted by Flintshire County Council in the single entity statements, as detailed on pages 72 to 88. Where NEW Homes accounting policies are different, adjustments have been made on consolidation to align any differences in accounting treatment.

GROUP MOVEMENT IN RESERVES STATEMENT

for the year ended 31st March 2017

	Council Fund Reserves £000	Other Useable Reserves £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves of the Authority £000	Subsidiary Reserves £000	Total Group Reserves £000
At 31st March 2016	37,889	12,822	50,711	117,479	168,190	2,489	170,679
Total comprehensive income and expenditure	(36,892)	(15,349)	(52,241)	(72,608)	(124,849)	1,276	(123,573)
Adjustments between group accounts and authority accounts	179	0	179	0	179	(179)	0
Net increase/(decrease) before transfers	(36,713)	(15,349)	(52,062)	(72,608)	(124,670)	1,097	(123,573)
Adjustments between accounting and funding basis under regulations	30,302	18,852	49,154	(49,154)	0	0	0
Increase/(decrease) in year	(6,411)	3,503	(2,908)	(121,762)	(124,671)	1,097	(123,574)
At 31st March 2017	31,478	16,325	47,803	(4,283)	43,518	3,586	47,104

GROUP MOVEMENT IN RESERVES STATEMENT

for the year ended 31st March 2016

	Council Fund Reserves £000	Other Useable Reserves £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves of the Authority £000	Subsidiary Reserves £000	Total Group Reserves £000
At 31st March 2015	40,747	13,088	53,835	217,375	271,210	1,731	272,941
Total comprehensive income and expenditure	(7,806)	(128,767)	(136,573)	33,476	(103,097)	835	(102,262)
Adjustments between group accounts and authority accounts	77	0	77	0	77	(77)	0
Net increase/(decrease) before transfers	(7,729)	(128,767)	(136,496)	33,476	(103,020)	758	(102,262)
Adjustments between accounting and funding basis under regulations	4,871	128,501	133,372	(133,372)	0	0	0
Increase/(decrease) in year	(2,858)	(266)	(3,124)	(99,896)	(103,020)	758	(102,262)
At 31st March 2016	37,889	12,822	50,711	117,479	168,190	2,489	170,679

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

for the year ended 31st March 2017

	Note	2017		Restated 2016			
		Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
		£000	£000	£000	£000	£000	
Service Expenditure Analysis							
Chief Executives		2,933	(37)	2,896	3,066	(73)	2,993
Community & Enterprise		64,869	(52,295)	12,574	64,461	(50,861)	13,600
Education & Youth		147,935	(22,149)	125,786	130,078	(22,130)	107,948
Governance		9,781	(754)	9,027	10,712	(916)	9,796
Organisational Change		23,757	(9,940)	13,817	23,122	(8,602)	14,520
People & Resources		4,799	(256)	4,543	4,650	(268)	4,382
Planning & Environment		10,894	(3,303)	7,591	8,680	(3,716)	4,964
Social Services		79,137	(18,246)	60,891	75,352	(15,799)	59,553
Streetscene & Transportation		46,391	(11,189)	35,202	45,281	(11,243)	34,038
Corporate & Central Finance		7,163	(721)	6,442	10,303	(775)	9,528
Housing revenue account (HRA)		43,769	(31,909)	11,860	39,778	(30,065)	9,713
Housing revenue account (HRA) - Settlement		0	0	0	79,248	0	79,248
Housing revenue account (HRA) - Valuations		(266)	0	(266)	34,915	0	34,915
Theatr Clwyd		5,768	(6,013)	(245)	4,589	(4,609)	(20)
Cost of services		446,930	(156,812)	290,118	534,235	(149,057)	385,178
Other Operating Expenditure				23,535			23,438
Financing and Investment Income and Expenditure				22,685			20,761
Taxation and Non-Specific Grant Income				(284,173)			(292,864)
(Surplus)/deficit on the provision of services				52,165			136,513
Tax expenses of subsidiary				(5)			5
Group (Surplus)/deficit				52,160			136,518
(Surplus)/deficit arising on revaluation of non-current assets				(9,144)			(429)
(Surplus)/deficit arising on revaluation of available-for-sale financial assets				0			0
Actuarial (gains) or losses on pension assets and liabilities				80,557			(33,827)
Total comprehensive income and expenditure				123,573			102,262

GROUP BALANCE SHEET

as at 31st March 2017

	Note	2017		2016	
		£000	£000	£000	£000
NON-CURRENT ASSETS					
Property, Plant & Equipment					
Council dwellings		210,912		216,186	
Other land and buildings		276,057		263,041	
Vehicles, plant, furniture and equipment		15,918		14,962	
Surplus assets		9,009		8,693	
Infrastructure assets		151,232		153,549	
Community assets		4,721		4,711	
Assets under construction		7,633		21,089	
Total Property, Plant & Equipment	1	675,482		682,231	
Investment properties and Agricultural Estate		28,508		30,611	
Intangible assets		110		227	
Long term investments		0		0	
Long term debtors		2,211		2,102	
NON-CURRENT ASSETS TOTAL		706,311		715,171	
CURRENT ASSETS					
Inventories		1,075		1,069	
Short term debtors (net of impairment provision)*		36,642		31,841	
Short term investments		0		6,014	
Cash and cash equivalents		7,173		25,197	
Assets held for sale		4,243		3,556	
Current tax asset		5		0	
CURRENT ASSETS TOTAL		49,138		67,677	
CURRENT LIABILITIES					
Borrowing repayable on demand or within 12 months		(14,377)		(2,785)	
Short term creditors*		(32,836)		(30,825)	
Provision for accumulated absences		(2,651)		(1,891)	
Deferred liabilities		(565)		(580)	
Grants receipts in advance		(1,528)		(858)	
Provisions		(418)		(2,492)	
Current Tax Liability		0		(5)	
CURRENT LIABILITIES TOTAL		(52,375)		(39,436)	
NON-CURRENT LIABILITIES					
Long term creditors		(240)		(2,266)	
Long term borrowing		(250,998)		(251,901)	
Deferred liabilities		(5,386)		(5,951)	
Provisions		(994)		(1,042)	
Other long term liabilities		(395,050)		(308,679)	
Grants receipts in advance		(2,382)		(2,270)	
Deferred Tax Liability		(921)		(624)	
NON-CURRENT LIABILITIES TOTAL		(655,971)		(572,733)	
NET ASSETS		47,103		170,679	

*In producing the 2016-17 accounts it was noted that the 2015-16 NDR creditor balance of £2,580k had been incorrectly included in the debtor balance. Opening creditor and debtor balances have subsequently been amended.

GROUP BALANCE SHEET
as at 31st March 2017

	2017		2016	
Note	£000	£000	£000	£000
USABLE RESERVES				
Capital receipts reserve	10,671		7,969	
Capital grants unapplied	4,012		3,336	
Council fund	10,774		10,067	
Earmarked reserves	20,525		27,745	
Housing revenue account	1,642		1,517	
Profit and Loss Reserve	178		112	
USABLE RESERVES TOTAL		47,802		50,746
UNUSABLE RESERVES				
Revaluation reserve	63,283		57,470	
Capital adjustment account	340,435		380,112	
Financial instruments adjustment account	(6,814)		(7,177)	
Pensions reserve	(395,050)		(308,679)	
Deferred capital receipts	98		98	
Accumulated absences account	(2,651)		(1,891)	
UNUSABLE RESERVES TOTAL		(699)		119,933
TOTAL RESERVES		<u>47,103</u>		<u>170,679</u>

GROUP CASH FLOW STATEMENT
for the year ended 31st March 2017

	Note	2017		2016	
		£000	£000	£000	£000
Net surplus or (deficit) on the provision of services		(52,098)		(136,513)	
Adjustment to surplus or deficit on the provision of services for non-cash movements		69,026		92,786	
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		<u>(10,811)</u>		<u>(26,757)</u>	
Net cash flows from operating activities			6,117		(70,484)
Net cash flows from investing activities		(34,250)		(25,468)	
Net cash flows from financing activities		<u>10,109</u>		<u>78,385</u>	
Net increase or decrease in cash and cash equivalents			<u>(24,141)</u>		<u>52,917</u>
			<u>(18,024)</u>		<u>(17,567)</u>
Cash and cash equivalents at the beginning of the reporting period			25,197		42,764
Cash and cash equivalents at the end of the reporting period			7,173		25,197

NOTES TO THE GROUP ACCOUNTS

1. PROPERTY, PLANT AND EQUIPMENT

	Flintshire County		
	Council	NEW Homes	Group
	£000	£000	£000
Net Book Value at 31 March 2017			
Council Dwellings	210,912	0	210,912
Other land and buildings	271,556	4,502	276,058
Vehicles, plant, furniture and equipment	15,918	0	15,918
Surplus assets	9,008	0	9,008
Infrastructure assets	151,232	0	151,232
Community assets	4,721	0	4,721
Assets under construction	3,789	3,844	7,633
	667,136	8,346	675,482

CLWYD PENSION FUND ACCOUNTS

for the year ended 31st March 2017

THE MANAGEMENT AND MEMBERSHIP OF THE CLWYD PENSION FUND

The Clwyd Pension Fund is administered by Flintshire County Council on a lead authority basis. The administration and investment strategy of the Fund is set annually by the Clwyd Pension Fund Committee, consisting of eight elected Members and one employee representative, each with equal voting rights, access to training and to information. The Fund's core investment management arrangements were implemented by eight investment managers during 2016/17.

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

The Clwyd Pension Fund operates a defined benefit scheme whereby retirement benefits are funded by contributions and investment earnings. Contributions are made by active members in accordance with the LGPS Regulations 2013, as amended, and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31st March 2017. Employee contributions are added to employer contributions which are set based on triennial actuarial funding valuations. The benefits of the scheme are also prescribed nationally by the 2013 Regulations (as amended). The last valuation was at 31st March 2016, the findings of which became effective on 1st April 2017. The valuation showed that the funding level increased from the previous valuation (31st March 2013) from 68% to 76%. The employers' contribution rates are structured to achieve a gradual return to 100% funding level over a 15 year period from April 2017. This implies an average employer contribution rate of 15.3% and a total initial recovery payment of approximately £51.5m (which also includes allowance for some employers to phase in any increases and allowance for some employers to prepay three years contributions in April 2017). The LGPS (Management and Investment of Funds) Regulations 2016 requires administering authorities to produce and maintain an Investment Strategy Statement which documents how the investment strategy for the fund is determined and implemented. The 2016 Regulations replaced the LGPS (Management and Investment of Funds) Regulations 2009 (as amended) and came into force on 1st November 2016.

Membership of the LGPS is voluntary and organisations participating in the Clwyd Pension Fund include:

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

The membership of the Fund as at 31st March 2017 and 2016 is shown below:

	2017	2016
	No.	No.
Active Members	15,748	15,989
Pensioners & Survivors		
Ex employees	10,314	9,862
Survivors	1,671	1,616
Other		
Preserved benefits/ Undecided	14,502	13,176
Frozen Refund	1,177	1,022
	<u>43,412</u>	<u>41,665</u>

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CLWYD PENSION FUND ACCOUNTS

The scheduled bodies which contributed to the Fund during 2016/17 are:

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

The admitted bodies contributing to the Fund are:-

Other: Careers Wales, Cartref y Dyffryn Ceiriog, Chartwells, Bodelwyddan Castle Trust, Civica UK, Denbigh Youth Group, Wrexham Commercial Services, Freedom Leisure, Glyndwr Students' Union, Embrace, Cymrhyd Rhan, Grosvenor Ltd.

Further information is available in the Clwyd Pension Fund Annual Report and Investment Strategy Statement which are presented to the Annual Joint Consultative Meeting for employers and member representatives that is held annually.

BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Statement of Accounts summarises the Fund's transactions for the 2016/17 financial year and its position at year end as at 31st March 2017. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is disclosed at Note 16 of these accounts.

In summary, accounting policies adopted are detailed as follows:

- Contributions, benefits and investment income due are included on an accruals basis.
- Investments are included in the accounts at market value, usually bid price.
- Debtors and creditors are raised for all amounts outstanding at 31st March.
- Individual Transfer values received and paid out have been accounted for on a cash basis.
- Bulk Transfer values paid out are accounted for on an accruals basis.
- The financial statements do not take account of liabilities to pay pensions and other benefits after the reported accounting period.
- Investment management expenses are accounted for on an accruals basis and include the fees paid and due to the fund managers and custodian, actuarial, performance measurement and investment consultant fees.
- Administration expenses are accounted for on an accruals basis. All Flintshire County Council staff costs are charged direct to the Fund and management, accommodation and other support service costs are apportioned to the Fund in accordance with Council policy.
- Acquisition costs of investments include all direct transaction costs and sales receipts are net of all direct transaction costs.
- Cash comprises cash in hand and demand deposits and includes amounts held by the fund's external managers. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of change in value.

CLWYD PENSION FUND ACCOUNTS

			2017		2016	
	Note	£000	£000	£000	£000	£000
Contributions and Benefits						
Contributions receivable :						
From employers (Normal)	1	(32,257)		(30,488)		
From employers (Deficit)	1	(28,562)		(27,277)		
From employees or members	1	<u>(14,429)</u>		<u>(14,471)</u>		
			(75,248)			(72,236)
Transfers in		(2,797)		(1,691)		
Other income		<u>(1,191)</u>		<u>(3,077)</u>		
			<u>(3,988)</u>			<u>(4,768)</u>
				(79,236)		(77,004)
Benefits payable :						
Pensions	1	54,744		52,922		
Lump sums (retirement)	1	10,413		14,029		
Lump sums (death grants)	1	<u>1,560</u>		<u>2,247</u>		
			66,717			69,198
Payments to and on account of leavers :						
Refunds of contributions		106		121		
Transfers out (individual)		5,212		1,936		
Transfers out (bulk)	2	0		3,889		
Other		268		129		
Expenses borne by the scheme	3	<u>17,475</u>		<u>17,621</u>		
			<u>23,061</u>			<u>23,696</u>
				89,778		92,894
NET (ADDITIONS) WITHDRAWALS				<u>10,542</u>		<u>15,890</u>
Returns on Investments						
Investment income	5		(7,432)		(5,863)	
Change in market value of investments (Realised and Unrealised) [(Increase)/Decrease]	5		(310,601)		4,706	
NET RETURNS ON INVESTMENT				<u>(318,033)</u>		<u>(1,157)</u>
NET DECREASE/(INCREASE) IN THE FUND				<u>(307,491)</u>		<u>14,733</u>
OPENING NET ASSETS OF THE SCHEME				<u>1,380,675</u>		<u>1,395,408</u>
CLOSING NET ASSETS OF THE SCHEME				<u>1,688,166</u>		<u>1,380,675</u>

CLWYD PENSION FUND ACCOUNTS

	Note	2017 £000		2016 £000
Net Assets Statement				
Investment Assets :	5/6			
Fixed Interest Securities		198,621		170,331
Managed overseas equity funds		237,485		202,826
Managed multi strategy funds		349,095		227,037
Property funds		114,714		109,233
Infrastructure funds		31,761		27,351
Timberland / Agricultural funds		29,103		25,937
Private equity funds		152,423		139,582
Hedge Fund		127,279		139,221
Liability Driven Investment		393,858		315,530
Opportunistic Funds		<u>17,966</u>		<u>8,240</u>
			1,652,305	1,365,288
Cash	8	<u>33,623</u>		<u>15,034</u>
			33,623	15,034
Current Assets :				
Due within 1 year	9	<u>4,545</u>		<u>5,349</u>
			4,545	5,349
Current liabilities				
Due within 1 year	9	<u>(2,307)</u>		<u>(4,996)</u>
			(2,307)	(4,996)
NET ASSETS AT 31st MARCH		<u>1,688,166</u>		<u>1,380,675</u>

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

1. ANALYSIS OF CONTRIBUTIONS RECEIVABLE/BENEFITS PAYABLE

Contributions represent those amounts receivable from various employing authorities in respect of their own contributions and those of eligible pensionable employees. The total contributions received during 2016/17 amounted to £60.819m (£57.765m in 2015/16) from employers and £14.429m (£14.471m in 2015/16) from employees.

The employers total comprised an amount of £32.257m (£30.488m in 2015/16) relating to the common contribution rate average of 13.8% paid by all employers and £28.562m (£27.277m in 2015/16) relating to 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:

	2017		2016	
	Benefits Payable	Contributions Receivable	Benefits Payable	Contributions Receivable
Scheduled Bodies	£000	£000	£000	£000
Flintshire County Council	25,206	26,434	23,903	25,215
Wrexham County Borough Council	20,009	22,778	21,199	22,438
Denbighshire County Council	14,442	18,230	16,632	17,525
Fund apportionment with:				
Gwynedd and Powys County Councils	2,202	0	2,317	0
Educational Organisations	2,967	4,490	3,191	4,215
Town and Community Councils	251	292	124	298
Others - scheduled bodies	734	1,670	888	1,478
Others - admitted bodies	906	1,354	944	1,067
	<u>66,717</u>	<u>75,248</u>	<u>69,198</u>	<u>72,236</u>

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

2. BULK TRANSFER

No bulk transfers were made during 2016/17.

3. EXPENSES BOURNE BY THE FUND

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

The cost of pension administration and investment management is shown in the following table. The main increase in oversight and governance expenses relates to additional costs incurred as a result of the formation of the Wales Pension Partnership. Other elements include a light-touch review and implementation of the Fund's investment strategy. The consultancy fees also reflect the ongoing monitoring of the Long Term Management of Funding Risk mandate together with a review of the funding risk management framework.

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

	2017	2016
	£000	£000
Oversight & Governance		
Employee Costs	236	225
Support Services	26	31
Supplies and Services	58	54
Miscellaneous Income	(11)	0
Consultancy & Actuarial	1,226	818
Audit	39	39
Legal	59	35
	1,633	1,202
Investment Management Fees		
Net Fund Management Fees	14,386	14,971
Custody Fees	31	28
Performance Monitoring Fees	57	30
	14,474	15,029
Administration Costs		
Employee Costs	648	603
Support Services	94	146
Outsourcing	260	404
Supplies & Services	366	237
	1,368	1,390
Total Fees	17,475	17,621

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

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

The Fund Management Fees shown overleaf show the fees for 2016/17 and 2015/16. Total expenses include Annual Management Charges from Fund Managers and also any additional costs such as operational, administrative and legal costs.

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

	2017	2016
	£000	£000
Fund Management Fees		
Core		
Total Expenses including AMC	4,495	5,578
Performance Fees	0	219
Transaction Fees	83	105
Non-Core		
Total Expenses including AMC	6,648	6,132
Performance Fees	2,976	2,557
Transaction Fees	184	380
	14,386	14,971

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

Total fees as a percentage of the net asset value of the fund was 0.87% for 2016/17 (1.09% 2015/16).

4. INVESTMENTS AND PERFORMANCE

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

The Council uses the investment performance services of JLT Consultants. Their report for the financial year 2016/17 showed that the Fund achieved an overall return of 21.5% from its investments (-0.1% in 2015/16). This compares with the Fund's benchmark return of +16.7% (+1.4% 2015/16) for the year.

5. ANALYSIS OF TRANSACTIONS AND RETURN ON INVESTMENTS

Overview

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

Transactions and Return on Investments

Details of the 2016/17 investment transactions and the net profit on sales of £64.203m (£4.840m in 2015/16) together with investment income of £7.432m (£5.863m in 2015/16) are set out below. The unrealised profit for 2016/17, because of the change in the market value of investments, amounted to £246.398m (£9.546m loss in 2015/16). Therefore, the increase in market value of investments (realised and unrealised) is £310.601m (£4.706m decrease in 2015/16).

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

	Market Value 2015/16 £000	Purchases £000	Sales £000	Realised Gain (Loss) £000	Unrealised Gain (Loss) £000	Market Value 2016/17 £000	Investment Income £000
Fixed Interest Securities	170,331	80,140	(63,140)	2,151	9,139	198,621	0
Liability Driven Investment	315,530	0	(80,000)	41,386	116,942	393,858	0
Overseas Equities Active	202,826	29	(30,126)	3,238	61,518	237,485	0
Multi Strategy	227,037	87,518	0	0	34,540	349,095	0
Property	109,233	7,968	(10,774)	2,875	5,412	114,714	2,501
Infrastructure	27,351	2,281	(5,227)	727	6,629	31,761	1,584
Timber & Agriculture	25,937	219	(1,632)	0	4,579	29,103	0
Private Equity	139,582	24,770	(37,149)	14,135	11,085	152,423	2,537
Opportunistic	8,240	8,520	(446)	332	1,320	17,966	699
Hedge Fund	139,221	0	0	0	(11,942)	127,279	0
	1,365,288	211,445	(228,494)	64,844	239,222	1,652,305	7,321
Cash	15,034	0	0	0	0	33,623	38
Fees within Pooled Vehicles	0	0	0	0	7,176	0	0
Interest	0	0	0	0	0	0	73
Currency	0	0	0	(641)	0	0	0
	15,034	0	0	(641)	7,176	33,623	111
Total 2016/17	1,380,322	211,445	(228,494)	64,203	246,398	1,685,928	7,432
2015/16	1,392,365	432,832	(398,421)	4,840	(9,546)	1,380,322	5,863

	Market Value 2014/15 £000	Purchases £000	Sales £000	Realised Gain (Loss) £000	Unrealised Gain (Loss) £000	Market Value 2015/16 £000	Investment Income £000
Fixed Interest Securities	172,749	0	0	0	(2,418)	170,331	0
Liability Driven Investment	329,101	0	0	0	(13,571)	315,530	0
Overseas Equities Active	247,289	19,909	(50,115)	995	(15,252)	202,826	0
Multi Strategy	205,260	179,620	(148,422)	4,103	(13,524)	227,037	0
Property	103,522	7,192	(10,544)	1,663	7,400	109,233	2,741
Infrastructure	34,128	78	(10,509)	12	3,642	27,351	1,125
Timber & Agriculture	26,207	782	(2,306)	0	1,254	25,937	94
Commodities	24,962	0	(25,703)	(12,246)	12,987	0	0
Private Equity	142,808	21,935	(40,980)	9,669	6,150	139,582	1,644
Opportunistic	9,998	4,036	(496)	93	(5,391)	8,240	201
Hedge Fund	48,750	199,280	(109,346)	692	(155)	139,221	0
	1,344,774	432,832	(398,421)	4,981	(18,878)	1,365,288	5,805
Cash	47,591	0	0	0	0	15,034	0
Fees within Pooled Vehicles	0	0	0	0	9,332	0	0
Interest	0	0	0	0	0	0	58
Currency	0	0	0	(141)	0	0	0
	47,591	0	0	(141)	9,332	15,034	58
Total 2015/16	1,392,365	432,832	(398,421)	4,840	(9,546)	1,380,322	5,863
2014/15	1,212,810	142,377	(149,070)	57,213	127,416	1,392,365	5,345

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NOTES TO THE CLWYD PENSION FUND ACCOUNTS

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

The book cost of the investments as at 31st March 2017 is £1,171.084m (£1,123.290m in 2015/16). The market value of investments as at 31st March 2017 is £1,652.305m (£1,365.288m in 2015/16); this can be analysed as follows:

By Continent

The UK holdings as at 31st March 2017 account for 31% of total investments at market value:

	2017 £000	2016 £000
UK	519,585	429,081
Europe	105,514	103,471
North America	114,726	93,321
Emerging/ Frontier markets	106,336	104,121
Global Investments	806,144	635,294
	1,652,305	1,365,288

By Fund Manager

	2017 £000	%	2016 £000	%
Wellington	106,336	6	77,877	6
Aberdeen	0	0	26,244	2
Insight	393,858	24	315,530	23
Investec	214,023	13	155,632	11
Stone Harbor	198,621	12	170,331	12
Pyrford	82,747	5	60,992	5
Man FRM	127,279	8	139,221	10
Consultant "Best Ideas"	183,474	11	109,118	8
Property	114,714	7	109,233	8
Infrastructure	31,761	2	27,351	2
Timber / Agriculture	29,103	2	25,937	2
Private Equity	152,423	9	139,582	10
Opportunistic	17,966	1	8,240	1
	1,652,305	100	1,365,288	100

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

By Listed /Managed

	2016			2015		
	Listed Managed £000	Listed £000	Unlisted £000	Listed Managed £000	Listed £000	Unlisted £000
Fixed Interest Securities	0	0	170,331	0	0	172,749
Overseas Equities	202,826	0	0	196,990	0	50,299
Multi Strategy	227,037	0	0	205,260	0	0
Property	38,988	0	70,245	36,018	0	67,504
Infrastructure	0	11,417	15,934	0	6,712	27,416
Timber / Agriculture	0	0	25,937	0	0	26,207
Commodities	0	0	0	0	0	24,962
Private Equity	0	1,998	137,584	0	1,969	140,839
Hedge Fund	0	0	139,221	21,977	0	26,773
Opportunistic	0	0	8,240	0	0	9,998
Liability Driven Investment	315,530	0	0	329,101	0	0
	<u>784,381</u>	<u>13,415</u>	<u>567,492</u>	<u>789,346</u>	<u>8,681</u>	<u>546,747</u>
			<u>1,365,288</u>			<u>1,344,774</u>

	2017			2016		
	Listed Managed £000	Listed £000	Unlisted £000	Listed Managed £000	Listed £000	Unlisted £000
Fixed Interest Securities	0	0	198,621	0	0	170,331
Overseas Equities	237,485	0	0	202,826	0	0
Multi Strategy	349,095	0	0	227,037	0	0
Property	39,919	0	74,795	38,988	0	70,245
Infrastructure	0	13,043	18,718	0	11,417	15,934
Timber / Agriculture	0	0	29,103	0	0	25,937
Private Equity	0	1,013	151,410	0	1,998	137,584
Hedge Fund	0	0	127,279	0	0	139,221
Opportunistic	0	0	17,966	0	0	8,240
Liability Driven Investment	393,858	0	0	315,530	0	0
	<u>1,020,357</u>	<u>14,056</u>	<u>617,892</u>	<u>784,381</u>	<u>13,415</u>	<u>567,492</u>
			<u>1,652,305</u>			<u>1,365,288</u>

7. FAIR VALUE OF INVESTMENTS

Financial Instruments

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

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

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

Fair Value – Valuation Bases

Investments are shown in the accounts at fair value as at 31st March 2017 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 2017.
- Unit trusts are valued at the bid market price.
- Other pooled vehicles are valued at the bid point of the latest process quoted by their respective managers or fund administrators at 31st March 2017. Where a bid price is not available the assets are priced at the net asset value provided.
- Property funds are valued at the bid market price, which is based upon regular independent valuation of the pooled vehicles' underlying property holdings.
- Private equity holdings are interests in limited partnerships. It is important to recognise the highly subjective nature of determining the fair value of these investments. They are inherently based on forward looking estimates and judgments involving many factors. These holdings are valued based upon the Fund's share of the net assets of the partnership according to the latest financial statements published by the respective managers. Where these valuations are not at the Fund's balance sheet date, the valuations are adjusted having due regard to the latest dealings, asset values and other financial information available at the time of preparing these statements in order to reflect the Fund's balance sheet date. The managers' valuation statements are prepared in accordance with the European Private Equity and Venture Capital Association (EVCA) Guidelines, net of carried interest. These incorporate the US-based FAS157 protocol on valuation approaches –
 - Market – uses prices and other relevant data generated by market transactions involving identical or comparable assets/liabilities (e.g. money multiples)
 - Income – uses valuation techniques to convert expected future amounts to a single present amount (discounted cash flows or earnings)
 - Cost – based upon the amount that currently would be required to replace the service capacity of an asset (adjusted for obsolescence)

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

- Infrastructure investments are generally carried at the lower of cost and fair value, except where there are specific upward or downward valuations. In estimating fair value, managers use their judgment, having regard to the EVCA guidelines noted above for valuing unquoted investments. Upward valuations are considered only where there is validation of the investment objectives and such progress can be demonstrated. Downward valuations are enacted regardless of the investment stage where the manager considers that there is impairment to the underlying investment.
- Timberland investments are carried at net asset value as determined by the General Partner. In most cases fair value is derived from the audited financial statements provided by underlying managers or vehicles. In circumstances where audited financial statements are not available to 31st March, the valuations are derived from unaudited quarterly reports from the underlying managers or vehicles. Where the timber investments are direct rather than through underlying managers, valuations are based upon regular independent valuation of these holdings.

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

- Hedge funds are valued monthly to create a net asset value on the basis of the Fund's proportionate share of the value of underlying pools on a manager by manager basis. Generally the fair value of the Fund's investment in a related pool represents the amount that the Fund could be reasonably expected to receive from the pool if the Fund's investment was redeemed at the date of valuation, based upon information reasonably available at the time that the valuation was made and that the fund believes to be reliable.
- Diversified Growth and Multi Strategy funds invest for the most part in markets that are not exchange-based. These include OTC or "interdealer" markets and leverage is utilised 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.

Sensitivity of Assets Valued at Level 3

The valuation methods described above are likely to be accurate within varying ranges dependent on the asset concerned. An indication of the possible impact of these fluctuations on the closing value of the investments is shown in the following table.

	Assessed Valuation Range (+/-)	Market Value 2016/17 Level 3 £000	Value on Increase £000	Value on Decrease £000
Liability Driven Investment	10%	12,768	14,045	11,491
Property	10%	74,795	82,275	67,316
Infrastructure	10%	18,718	20,590	16,846
Timber & Agriculture	10%	29,103	32,013	26,193
Private Equity	15%	151,410	174,122	128,699
Hedge Fund	10%	9,634	10,597	8,671
Opportunistic Funds	10%	17,966	19,763	16,169
		314,394	353,405	275,385

Fair Value – Hierarchy

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

Level 1

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

Level 2

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

Level 3

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

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

The following tables show the position of the Fund's assets at 31st March 2017 and 31st March 2016 based upon this hierarchy.

	Market Value 2016/17 £000	Level 1 £000	Level 2 £000	Level 3 £000
Fixed Interest Securities	198,621	0	198,621	0
Liability Driven Investment	393,858	18,137	362,953	12,768
Overseas Equities Active	237,485	234,467	3,018	0
Multi Strategy	349,095	82,747	266,348	0
Property (1)	114,714	0	39,919	74,795
Infrastructure (1)	31,761	13,043	0	18,718
Timber & Agriculture (1)	29,103	0	0	29,103
Private Equity (2)	152,423	1,013	0	151,410
Hedge Fund	127,279	3,554	114,091	9,634
Opportunistic Funds (2)	17,966	0	0	17,966
	1,652,305	352,961	984,950	314,394
Cash	33,623	33,623	0	0
Total 2016/17	1,685,928	386,584	984,950	314,394

(1) Property/ Infrastructure/ Timber and Agriculture - Various valuation bases are used. Direct fund holdings are valued based upon independent valuations, these have been classified as level 2, and some funds also often hold joint venture and partnership interests that are subject to a variety of valuation methodologies. To be conservative, these funds have been classified Level 3 unless the fund itself is quoted.

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

Within the investments shown above as (1) or (2), whilst a small proportion are listed, the majority of the holdings are in unquoted investments; £331.911m compared to £296.928m in 2015/16. These are valued at a fair value by the fund managers, using an appropriate basis of valuation. The valuations are reliant upon a significant degree of judgment, and due to the subjectivity and variability of these valuations there is an increased likelihood that the valuations included in the financial statements would not be realised in the event of a sale. The difference could be materially lower or higher.

	Market Value 2015/16 £000	Level 1 £000	Level 2 £000	Level 3 £000
Fixed Interest Securities	170,331	0	170,331	0
Liability Driven Investment	315,530	0	0	315,530
Overseas Equities Active	202,826	60,073	142,753	0
Multi Strategy	227,037	170,110	56,927	0
Property (1)	109,233	0	38,988	70,245
Infrastructure (1)	27,351	11,417	0	15,934
Timber & Agriculture (1)	25,937	0	0	25,937
Private Equity (2)	139,582	1,998	0	137,584
Hedge Fund	139,221	3,889	127,319	8,013
Opportunistic Funds (2)	8,240	0	0	8,240
	1,365,288	247,487	536,318	581,483
Cash	15,034	15,034	0	0
Total 2015/16	1,380,322	262,521	536,318	581,483

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

8. INVESTMENT RISKS

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

Procedures for Managing Risk

The principal powers to invest are contained in the LGPS (Management and Investment of Funds) Regulations 2016, effective from 1st November 2016, and which require administering authorities to formulate an Investment Strategy Statement (ISS) in accordance with guidance issued by the Secretary of State. This replaces the requirement to produce and maintain a Statement of Investment Practice. The Administering Authority's overall risk management procedures focus on the unpredictability of financial markets and implementing restrictions to minimise these risks. The Fund will annually review its ISS 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 ISS and FSS are on the Fund's website (www.clwydpensionfund.org.uk).

The Fund carries out a formal review of its structure at least every 4 years, usually every 3 years. The last full review was carried out in 2014 at which the Fund's Consultants, JLT Group determined that the resulting asset mix coupled with the requirements for certain fund managers to outperform their market indices should produce long-term returns of 7.2% with a volatility of around 11%. A light-touch review was undertaken during 2016 that reduced the long-term expected annual return to 6.5% taking account of changes in long-term market trends but also the Government's guidance on infrastructure investment by increasing the Fund's exposure from 2% to 8% over the medium term. A key element in this review process was the consideration of risk and for many years now the Fund has pursued a policy of lowering risk by diversifying investments across asset classes, investment regions and fund managers. Furthermore, alternative assets are subject to their own diversification requirements and some examples are given below.

- private equity – by stage, geography and vintage where funds of funds are not used
- property – by type, risk profile, geography and vintage (on closed-ended funds)
- infrastructure – by type (primary/secondary), geography and vintage
- hedge funds – bespoke funds via a managed account platform

The Fund invests in a Long Term Management of Risk mandate. The strategy provides a framework to enable the Fund to effectively reduce risk when market conditions become more favourable (i.e. bonds become cheaper). The framework includes both market yield based triggers. In particular, the manager makes use of Liability Driven Investment (LDI) techniques to increase the level of hedging within the Fund. This is achieved through the physical purchase of gilts along with repurchase agreements (repo). These allow the fund to gain unfunded exposure to gilts. The manager also replicates the Fund's developed passive equity allocation using Equity Total Return Swaps (TRS). During 2016/17 the Fund's Committee approved a review of the Flightpath framework to improve its efficiency to the long term benefit of the Fund and this was completed on 3rd March with an expected net gain of £36.5m over the term of the bonds held. It was also agreed in principle to implement 'equity options' to protect against the impact on employer contributions of material falls in the equity element of the current mandate and take the opportunity to update the interest rate and inflation triggers and potential actions within the flightpath structure if the funding position improves further. The outcome of this review is currently being implemented.

Roll risk

The LDI manager has the facility to use repurchase agreements, once these agreements mature, they need to be replaced with other contracts to maintain the relevant exposure (known as "rolling" the contract). This involves managing the operational risks raised to ensure sufficient resources are in place to arrange the trades and manage the process. In addition, as a contract matures, the underlying market for repo may become illiquid and at the extreme, the manager may not be able to roll the position. This is mitigated by structuring the overall repo over a range of maturity dates and diversifying counterparty exposure.

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

Manager Risk

The Fund is also well diversified by manager with no single manager managing more than 24% 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. A formal annual update is required from each manager to discuss their mandates and their performance on them; on-going performance management is also undertaken. 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 are 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 expected standards are maintained.

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

Subject to cash flow requirements, cash can be deposited in one of the following:

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

The Fund believes it has managed its exposure to credit risk and has no experience of default or uncollectible deposits in the last three financial years. The Fund's cash holdings as at 31st March 2017 were £33.623m (£15.034m at 31st March 2016). This was held as follows:

	Rating	2017 £000	2016 £000
Money Market Funds			
BlackRock	AAA	0	0
Bank of New York Mellon	AAA	20,000	1,395
Bank Deposit Accounts			
National Westminster Bank PLC	BBB+	13,603	13,619
Bank Current Accounts			
National Westminster Bank PLC	BBB+	20	20
		33,623	15,034

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 2017, the Fund's exposure to non-investment grade paper was £93.153m or 46.9% of the fixed interest portfolio (36.5% at 31st March 2016).
- On private equity and infrastructure the Fund's investments are almost entirely in the equity of the companies concerned.

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

Liquidity Risk

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

Specifically on investments, the Fund holds through its managers a mixture of liquid, semi-liquid and illiquid assets. Whilst the Fund's investment managers have substantial discretionary powers regarding their individual portfolios and the management of their cash positions, they hold within their pooled vehicles a large value of very liquid securities, such as equities and bonds quoted on major stock exchanges, which can easily be realised. Traditional equities (including synthetic equity exposure) and bonds now comprise 50.2% of the Fund's total value and, whilst there will be some slightly less liquid elements within this figure (emerging market equities and debt for example), the funds investing in these securities offer monthly trading at worst – often weekly or fortnightly.

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

The table below analyses the value of the Fund's investments at 31st March 2017 by liquidity profile.

	Market Value 2016/17 £000	1 Month £000	2 - 3 Months £000	3 - 6 Months £000	6 - 12 Months £000	Closed - ended £000	Locked £000
Fixed Interest Securities	198,621	198,621	0	0	0	0	0
Liability Driven Investment	393,858	393,858	0	0	0	0	0
Overseas Equities Active	237,485	237,485	0	0	0	0	0
Multi Strategy	349,095	349,095	0	0	0	0	0
Property	114,714	0	39,919	0	0	74,795	0
Infrastructure	31,761	13,043	0	0	0	18,718	0
Timber & Agriculture	29,103	0	0	0	0	29,103	0
Private Equity	152,423	1,013	0	0	0	151,410	0
Hedge Fund	127,279	101,836	15,809	0	0	0	9,634
Opportunistic Funds	17,966	0	0	0	0	17,966	0
	<u>1,652,305</u>	<u>1,294,951</u>	<u>55,728</u>	<u>0</u>	<u>0</u>	<u>291,992</u>	<u>9,634</u>

It should be noted that different quoted investments are subject to different settlement rules but all payments/receipts are usually due within 7 days of the transaction (buy/sell) date. Because the Fund uses pooled vehicles for quoted investments these are often subject to daily, weekly, 2-weekly or monthly trading dates. All such investments have been designated "within 1 month" for the purposes of liquidity analysis. Open-ended property funds are subject to redemption rules set by their management boards. Many have quarterly redemptions but these can be held back in difficult markets so as not to force sales and disadvantage continuing investors. For liquidity analysis purposes, a conservative approach was applied and all such investments have been designated "within 2-3 months".

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

Closed-ended funds have been designated illiquid for the purposes of liquidity analysis. However, these closed-ended vehicles have a very different cash flow pattern to traditional investments since the monies committed are only drawn down as the underlying investments are made (usually over a period of 5 years) and distributions are returned as soon as underlying investments are exited (often as early as year 4).

In terms of cash flow, therefore, the net cash flow for such a vehicle usually only reaches a maximum of about 60-70% of the amount committed and cumulative distributions usually exceed cumulative draw-downs well before the end of the specified period, as these vehicles regularly return 1½ to 2½ times the money invested. At the same time, it has been the Fund's practice to invest monies on a regular annual basis so the vintage year of active vehicles ranges from 1997 to 2017. 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 78% of the portfolio is realisable within 1 month.

Market Risk

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

Market risk is comprised of two elements:

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

The following table sets out an analysis of the Fund's market risk positions at 31st March 2017 by showing the amount invested in each asset class and through each manager within each main asset class, the index used as a benchmark, the target set for managers against this benchmark and managers' maximum target volatility (or risk) against index in achieving this. This expected risk is based on 10 year historic returns and volatility.

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

	Manager	Market Value 2016/17 £000	Benchmark	Target (Net)	Risk (<) %
Fixed Interest Securities	Stone Harbor	198,621	1 Month LIBOR	+1.0%	6.0
Liability Driven Investment	Insight	393,858	Liability / FTSE	Match	21.0
Foreign equities–active	Investec	131,149	MSCI AC World NDR	+2.5%	14.0
	Wellington	106,336	MSCI EM Free	+1.5%	21.0
Multi strategy funds	Custodian "Best Ideas"	183,474	UK CPI	+3.0%	9.0
	Investec	82,874	UK CPI	+4.6%	9.0
	Pyrford	82,747	RPI	+4.5%	9.0
Hedge Fund	Man FRM	127,279	3 Month LIBOR	+3.5%	6.0
Property funds	Various	114,714	IPD Balanced PUTs	Exceed	5.0
Infrastructure funds	Various	31,761	3 Month LIBOR	+5.0%	10.0
Timber /Agricultural funds	Various	29,103	3 Month LIBOR	+5.0%	10.0
Private equity funds	Various	152,423	3 Month LIBOR	+5.0%	28.0
Opportunistic funds	Various	17,966	3 Month LIBOR	+5.0%	28.0
		1,652,305			

The risks associated with volatility in market values are mainly managed through a policy of broad asset diversification. The Fund sets restrictions on the type of investment it can hold through investment limits, in accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016. The Fund also adopts a specific strategic benchmark (details are in the Fund's ISS) 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 6.5% with a volatility of around 12.6%.

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

	Market Value 2017 £000	Managers No.	Funds No.	Properties / Companies Estimated No.
Real Assets	175,578	25	41	>280
Private Equity / Opportunistic	170,389	25	70	>4,000

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

Other Price Risk

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

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

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the fund's Investment Consultant, JLT Group, the fund has determined that the following movements in market price risk are reasonably possible for the 2016/17 reporting period:

Asset Type	Potential Market Movements (+ / -)
Oveseas Equity	11.36%
Fixed Interest Securities	3.20%
Liability Driven Investing	16.76%
Pooled Multi Strategy	5.58%
Hedge Fund	5.67%
Alternatives	4.99%
Property	3.15%
Cash	0.01%

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

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

Asset Type	Market Value 2016/17	Percentage Change %	Value on Increase £000	Value on Decrease £000
Cash and cash equivalents	33,623	0.01	33,626	33,620
Investment portfolio assets:-				
Global Equity inc UK				
Overseas Equity	237,485	11.36	264,456	210,514
Fixed Interest Securities	198,621	3.20	204,980	192,262
Liability Driven Investing	393,858	16.76	459,885	327,831
Pooled Multi Strategy	349,095	5.58	368,588	329,602
Hedge Fund	127,279	5.67	134,494	120,064
Alternatives	231,253	4.99	242,787	219,719
Property	114,714	3.15	118,324	111,104
	1,685,928		1,827,140	1,544,716

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NOTES TO THE CLWYD PENSION FUND ACCOUNTS

Asset Type	Market Value 2015/16	Percentage Change %	Value on Increase £000	Value on Decrease £000
Cash and cash equivalents	15,034	0.01	15,036	15,032
Investment portfolio assets:-				
Global Equity inc UK	98,705	7.31	105,920	91,490
Overseas Equity	104,121	10.35	114,898	93,344
Fixed Interest Securities	170,331	4.03	177,195	163,467
Liability Driven Investing	315,530	13.12	356,928	274,132
Pooled Multi Strategy	227,037	5.67	239,910	214,164
Alternatives	340,331	2.51	348,873	331,789
Property	109,233	2.49	111,953	106,513
	<u>1,380,322</u>		<u>1,470,713</u>	<u>1,289,931</u>

Interest Rate Risk

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

The Fund recognises that interest rates can vary and affect both the income to the fund and the net assets available to pay benefits. The Fund's Fixed Income manager has advised that rates may rise by 61 basis points (bps) over the next year. As the fund does not use Fixed Income securities to provide income, the following sensitivity analysis only refers to cash and cash balances.

Asset Type	Carrying Value 2016/17 £000	Change in year in net assets available to pay benefits +61BPS £000	-61BPS £000
Cash and cash equivalents	20,000	122	(122)
Cash balances	13,623	83	(83)
	<u>33,623</u>	<u>205</u>	<u>(205)</u>

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

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

Currency Risk

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

The following table summarises the Fund's currency exposure as at 31st March 2017 and as at the previous year end:

Currency Exposure - Asset Type	Market Value	Market Value
	2016/17 £000	2015/16 £000
Fixed Interest Securities	198,621	170,331
Overseas Equities Active	237,485	202,826
Multi Strategy	349,095	227,037
Hedge Funds	127,279	139,221
Property	30,952	32,056
Infrastructure	15,203	12,441
Timber / Agriculture	29,103	25,937
Opportunistic	14,632	8,240
Private Equity	130,350	118,118
	1,132,720	936,207

Following analysis of the historical data in consultation with the fund's Investment Consultants, JLT Group, and analysis of the exposures to foreign currency for the year to 31st March 2017, it was considered that the likely volatility associated with foreign exchange rate movements to be 5.95%. For the period to 31st March 2016, this was calculated to be 5.85%.

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

Currency Exposure - Asset Type	Market Value	Percentage Change	Value on Increase	Value on Decrease
	2016/17 £000	%	£000	£000
Fixed Interest Securities	198,621	5.95	210,434	186,808
Overseas Equity - Active	237,485	5.95	251,609	223,361
Multi Strategy	349,095	5.95	369,857	328,333
Hedge Fund	127,279	5.95	134,849	119,709
Timber & Agriculture	29,103	5.95	30,834	27,372
Infrastructure	15,203	5.95	16,107	14,299
Property	30,952	5.95	32,793	29,111
Opportunistic	14,632	5.95	15,502	13,762
Private Equity	130,350	5.95	138,102	122,598
	1,132,720		1,200,087	1,065,353

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

Currency Exposure - Asset Type	Market Value	Percentage Change	Value on Increase	Value on Decrease
	2015/16	%	£000	£000
Fixed Interest Securities	170,331	5.85	180,288	160,374
Overseas Equity - Active	202,826	5.85	214,682	190,970
Multi Strategy	227,037	5.85	240,309	213,765
Hedge Fund	139,221	5.85	147,359	131,083
Timber & Agriculture	25,937	5.85	27,453	24,421
Infrastructure	12,441	5.85	13,168	11,714
Property	32,056	5.85	33,930	30,182
Opportunistic	8,240	5.85	8,722	7,758
Private Equity	118,118	5.85	125,022	111,214
	<u>936,207</u>		<u>990,933</u>	<u>881,481</u>

9. RECEIVABLES/PAYABLES

	2017		2016	
	£000	£000	£000	£000
Current Assets :				
Contributions due - Employees	1,129		1,109	
Contributions due - Employers	2,572		2,394	
Added years	38		30	
H.M. Revenue and Customs	12		13	
Pension strain	544		1,635	
Administering authority	0		0	
Miscellaneous	250		168	
	<u>250</u>	4,545	<u>168</u>	5,349
Less Current Liabilities :				
Contributions	(7)		(6)	
Lump sums	(1,079)		(3,324)	
Death grants	(180)		(755)	
Administering authority	(418)		(284)	
Added years	(90)		(195)	
H.M. Revenue and Customs	(2)		(5)	
Miscellaneous	(531)		(427)	
	<u>(531)</u>	(2,307)	<u>(427)</u>	(4,996)
Net Current Assets		<u>2,238</u>		<u>353</u>

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

Analysis of receivables	2017	2016
	£000	£000
Central Government Bodies	12	13
Other Local Authorities	3,935	4,868
Other Entities and Individuals	598	468
	<u>4,545</u>	<u>5,349</u>
Analysis of payables	2017	2016
	£000	£000
Central Government Bodies	(3)	(5)
Other Local Authorities	(508)	(468)
Other Entities and Individuals	(1,796)	(4,523)
	<u>(2,307)</u>	<u>(4,996)</u>

10. MATERIAL TRANSACTIONS

The Fund undertakes a review of fund management arrangements every three or four years. A light-touch review was undertaken during 2016/17 and the following table details the changes which were completed during 2016/17. Some subscriptions and redemptions were staggered through 2016/17, details are shown below.

2016/17		Allocation		Redemption/ Subscription	
Manager	Mandate	Initial	Final	Initial	Final
Redemptions/ Change in Allocations					
Aberdeen	Frontier Market Equities	2.5%	0.0%	Nov-16	Jan-17
Stone Harbor	Multi-Asset Credit	15.0%	12.0%	N/A	N/A
Wellington	Emerging Market Equity	6.5%	6.0%	N/A	N/A
 Subscriptions					
Consultant	"Best Ideas" Portfolio	9.0%	11.0%	N/A	Feb-17

11. POST BALANCE SHEET EVENT

The accounts outlined within the statement represent the financial position of the Clwyd Pension Fund as at 31st March 2017. 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.

12. ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCs)

In accordance with Regulations of 4(1)b of The Pension Scheme (Management and Investment of Funds) Regulations 2016, a market value or an estimate thereof has not been included for the money purchase AVC investments. These assets are specifically allocated to the provision of additional benefits for particular members. The Clwyd Pension Fund has the services of two AVC providers (Prudential and Equitable Life) for members' additional benefits with the funds being invested in a range of investment products including fixed interest, equity, cash, deposit, property and socially responsible funds, as follows :-

Contributions paid	£	807,023
Units purchased	No.	120,657
Units sold	No.	95,008
Market value as at 31st March 2017	£	4,960,248
Market value as at 31st March 2016	£	4,609,979

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NOTES TO THE CLWYD PENSION FUND ACCOUNTS

13. RELATED PARTY TRANSACTIONS

Governance

Under legislation, introduced in 2004, Councillors are entitled to join the Pension Scheme. As at 31st March 2017, two Members of the Clwyd Pension Fund Committee have taken this option. The four Co-opted Members of the Pension Fund Committee receive fees in relation to their specific responsibilities as members of the Committee in the form of an attendance allowance that is in line with that adopted by Flintshire County Council.

Key Management Personnel

The key management personnel of the fund are the Flintshire County Council Chief Executive and the Corporate Finance Manager (S151 Officer). Total remuneration payable to key management personnel for 2016/17 and 2015/16 is set out below for their time apportioned to the Fund.

	2017	2016
	£000	£000
Short-term benefits	16.7	16.8
Post-employment benefits	0.2	0.1
	16.9	16.9

Flintshire County Council

In the course of fulfilling its role as administering authority to the Fund, Flintshire County Council provided services to the Fund for which it charged £1.004m (£1.296m in 2015/16). These costs are in respect of those staff employed in ensuring the pension service is delivered, and other costs such as payroll and information technology. The costs are included in the accounts within oversight and governance, and administration expenses (see note 3). At the year end, a net balance of £0.408m was owing to Flintshire in relation to creditors payments made on behalf of the fund (£0.284m in 2015/16).

14. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

As at 31st March 2017, the Fund has contractual commitments of £672.4m (£681.2m in 2015/16) in private equity infrastructure, timber and agriculture and property funds, of which £517.3m (£473.6m in 2015/16) has been deployed, leaving an outstanding commitment of £155.0m (£207.6m in 2015/16).

15. AGENCY ACCOUNTING

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

	Payments on behalf of	
2017		2016
£000		£000
2,255	Wrexham County Borough Council	2,315
3,209	Flintshire County Council	3,298
1,823	Denbighshire County Council	1,877
551	Conwy County Borough Council	571
51	Coleg Cambria	48
36	Glyndwr	40
22	Powys County Council	23
9	North Wales Fires Service	10
9	DVLA	8
7	Local Government Management Board	7
0	Welsh Water Authority	4
4	Magistrates Court	4
1	Llanasa Community Council	1
1	Cefn Mawr Community Council	1
7,978		8,207

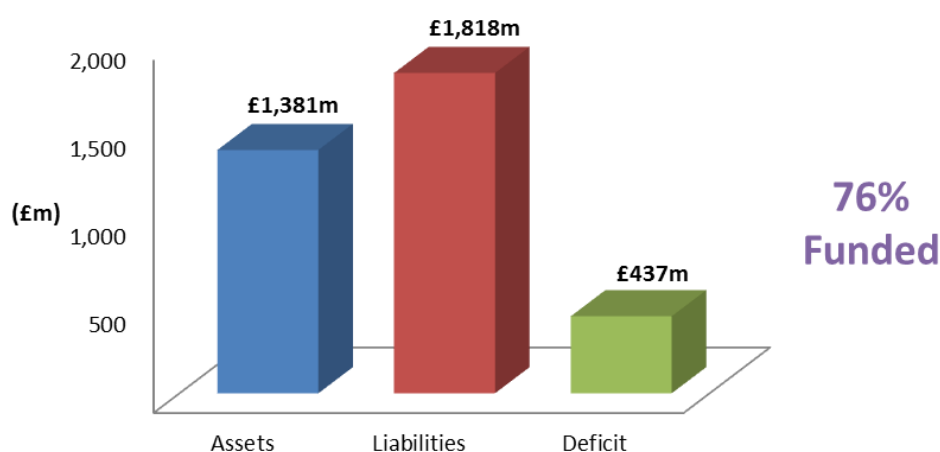
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NOTES TO THE CLWYD PENSION FUND ACCOUNTS

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

This statement has been provided to meet the requirements under Regulation 57(1)(d) of The Local Government Pension Scheme Regulations 2013. An actuarial valuation of the Clwyd Pension Fund was carried out as at 31st March 2016 to determine the contribution rates with effect from 1st April 2017 to 31st March 2020.

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



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

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

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

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

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

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Any different approaches adopted, e.g. with regard to the implementation of contribution increases and deficit recovery periods, are as determined through the FSS consultation process.

NOTES TO THE CLWYD PENSION FUND ACCOUNTS

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

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

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

The assets were assessed at market value.

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

Actuarial Present Value of Promised Retirement Benefits for the Purposes of IAS 26

IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology used for funding purposes.

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31st March 2017 (the 31st March 2016 assumptions are included for comparison):

	31 March 2016	31 March 2017
Rate of return on investments (discount rate)	3.6% per annum	2.5% per annum
Rate of pay increases*	3.5% per annum	3.55% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.0% per annum	2.3% per annum

* includes a corresponding allowance to that made in the latest formal actuarial valuation for short-term public sector pay restraint.

The demographic assumptions are the same as those used for funding purposes. Full details of these assumptions are set out in the formal report on the actuarial valuation dated 31st March 2017.

During the year, corporate bond yields fell, resulting in a lower discount rate being used for IAS 26 purposes at the year end than at the beginning of the year (2.5% p.a. versus 3.6% p.a.). The expected long-term rate of CPI inflation increased during the year, from 2.0% p.a. to 2.3%. Both of these factors combined served to significantly increase the liabilities over the year. The pay increase assumption at the year end has also changed to allow for short-term public sector pay restraint, together with a lower assumed level of "real" pay growth above CPI inflation, both of which serve to reduce the liabilities.

The value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31st March 2016 was estimated as £2,164 million. Interest over the year increased the liabilities by c£78 million, though allowing for net benefits accrued/paid over the period then decreased them by c£2 million (after allowing for any increase in liabilities arising as a result of early retirements/augmentations). There was then a further increase in liabilities of £402 million made up of "actuarial losses" (mostly changes in the actuarial assumptions used, primarily the discount rate and assumed rate of future CPI as referred to above).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31st March 2017 is therefore £2,642 million.

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

I have audited the accounting statements and related notes of:

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

for the year ended 31 March 2017 under the Public Audit (Wales) Act 2004.

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

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

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

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2017 based on International Financial Reporting Standards (IFRSs).

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

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 10, the responsible financial officer is responsible for the preparation of the statement of accounts, Flintshire County Council's Group accounting statements and Clwyd Pension Fund's accounting statements, which gives a true and fair view.

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

Scope of the audit of the accounting statements

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

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

Opinion on the accounting statements of Flintshire County Council

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of Flintshire County Council as at 31 March 2017 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17.

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

Opinion on the accounting statements of Flintshire County Council Group

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of Flintshire County Council Group as at 31 March 2017 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17.

Opinion on the accounting statements of Clwyd Pension Fund

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

- give a true and fair view of the financial transactions of Clwyd Pension Fund during the year ended 31 March 2017 and of the amount and disposition of the fund's assets and liabilities as at that date; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17.

Opinion on other matters

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

Matters on which I report by exception

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

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

Certificate of completion of audit

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

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

Signature

Date: **September 2017**

ANNUAL GOVERNANCE STATEMENT

What is Governance?

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

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

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

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

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

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

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

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

- showing strategic leadership both of the organisation and our partnerships.

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

ANNUAL GOVERNANCE STATEMENT

- continuously challenging, reviewing, changing and modernising the way we do things.
- being as lean and un-bureaucratic as possible.
- using new technology to its maximum advantage.
- using flexible working to its maximum advantage.

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

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

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

The Council is the Administering Authority for the Clwyd Pension Fund (the Pension Fund). The governance arrangements detailed in this Annual Governance Statement apply equally to the Council's responsibilities to the Pension Fund. There are further specific requirements for the Pension Fund which are:-

- The Statement of Investment Principles;
- Funding Strategy Statement;
- A full Actuarial Valuation to be carried out every third year.

ANNUAL GOVERNANCE STATEMENT

What is the Annual Governance Statement?

The Council is required by the Accounts and Audit (Wales) Regulations 2014 to prepare a statement on internal control. Alongside many authorities in Wales, Flintshire refers to this as the 'Annual Governance Statement'. This is a public document that reports on the extent to which the Council complies with its own code of governance.

In this document the Council:

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

The annual governance statement reports on the governance framework that has been in place at Flintshire County Council for the year ended 31st March 2017 and up to the date of approval of the statement of accounts.

ANNUAL GOVERNANCE STATEMENT

How has the Annual Governance Statement been prepared?

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

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

In preparing the Annual Governance Statement the Council has:

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

The Chief Officer Team, which is led by the Chief Executive, have also considered the significant governance issues and principles facing the Council. These are evidenced in pages 127 - 134 of the document. Principles **highlighted in Green** reflect those which the Chief Officers assessed as being applied consistently well across the Council. Principles assessed as needing further improvement are detailed on pages 140 – 142.

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

ANNUAL GOVERNANCE STATEMENT

What are the key principles of the Corporate Governance Framework?

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

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

ANNUAL GOVERNANCE STATEMENT

Principle A

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

Sub Principles:

Behaving with Integrity

Demonstrating strong commitment to ethical values

Respecting the rule of law

How we do this:

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

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

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

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Principle B

Ensuring openness and comprehensive stakeholder engagement

Sub Principles:

Openness

Engaging comprehensively with institutional stakeholders

Engaging stakeholders effectively, including individual citizens and service users

How we do this:

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

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

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

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Principle C

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

Sub Principles:

Defining outcomes

Sustainable economic, social and environmental benefits

How we do this

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

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

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Principle D

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

Sub Principles:

Determining interventions

Planning interventions

Optimising achievement of intended outcomes

How we do this

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

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

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

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Principle E

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

Sub Principles:

Developing the entity's capacity

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

How we do this:

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

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

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Principle F

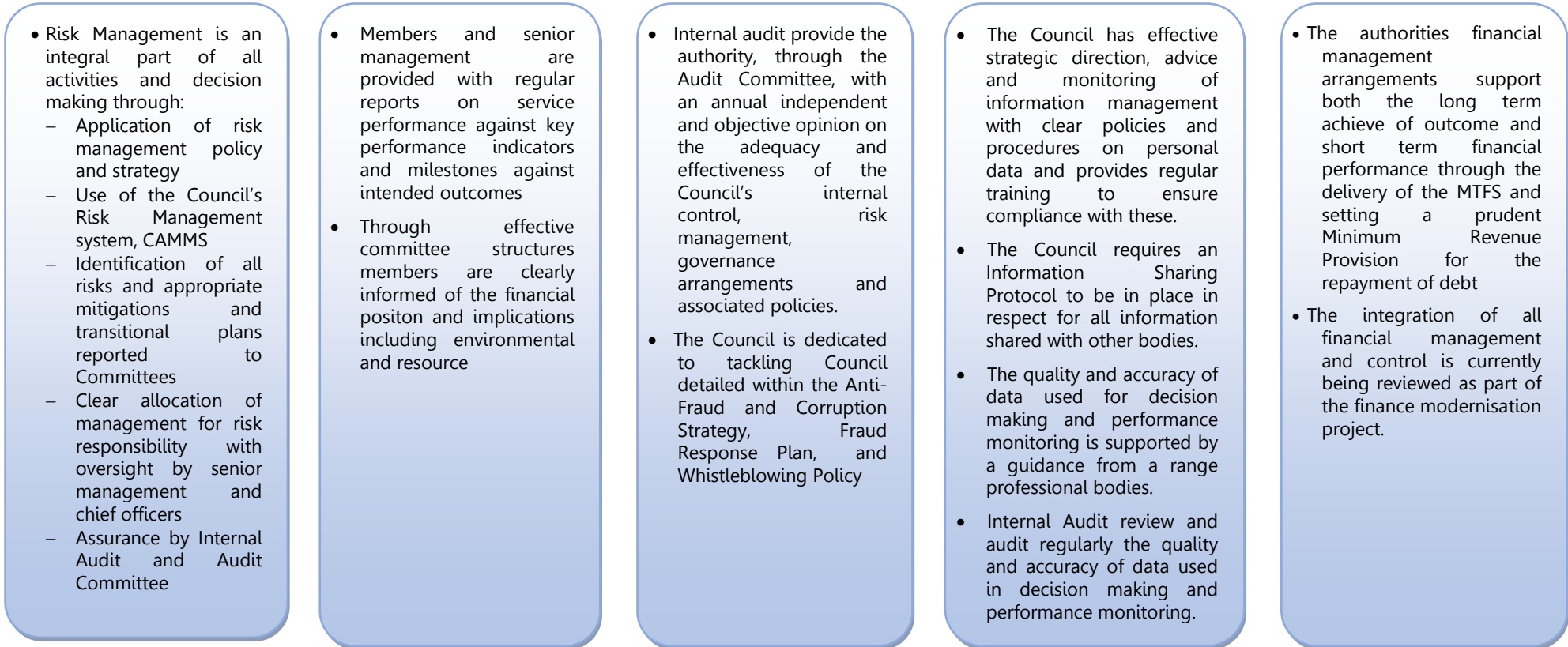
Managing risks and performance through robust internal control and strong public financial management

Sub Principles:



How we do this:

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Principle G

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

Sub Principles:

Implementing good practice in transparency

How we do this:

- The Council has recently improved the layout and presentation of its reports in order to improve the presentation of key information to decision-makers.

Implementing good practices in reporting

- The Council reports at least annually on the achievement and progress of its intended outcomes and financial position. This is delivered through the:
 - Annual Performance report assessing performance against the Improvement Plan
 - Annual Statement of Accounts demonstrate how the Council has achieved performance, value for money and the stewardship of its resources.

Assurance and effective accountability

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

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Contributors to an effective Governance Framework

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

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

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

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

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How has the Council addressed the governance and strategic issues from 2015/16?

The 2015/16 Annual Governance Statement contained 13 key improvement areas. The issues and how they were addressed are below:

The Issue:	What Flintshire did:
Internal Council Governance Issues	
Potential impact of the Local Government (Wales) Bill	<p>Continued an active involvement in the negotiation and planning over any agreed changes both politically and professionally at both national and regional level.</p> <p>Prioritised time and resources for responding to consultations from Welsh Government.</p>
Ongoing public sector fiscal position	<p>Made a compelling case for both the reform of local government finance and for the specific needs of Flintshire as a low funded council (per capita).</p> <p>Influenced national decision-makers through negotiation as part of the collective negotiations via the Welsh Local Government Association.</p> <p>Compiled Medium Term Financial Strategy Planning for a number of challenging scenarios.</p>
Medium Term Financial Strategy	<p>Continued to review and revise the Medium Term Financial Strategy and update on an ongoing basis alongside the 2016/17 Improvement Plan. Reviewed to (1) forecast the financial resources to be available to the Council during the period 2016/17 – 2018/19, and the budget pressures based on the best available intelligence (2) identify the next stage solutions available including business plan proposals and alternative delivery models and (3) make a persuasive case for national ‘gap’ funding to close the 2017/18 annual budget.</p> <p>Continued to lobby Welsh Government for earlier and timelier indications of future indicative settlements to enable effective and longer term financial planning to be undertaken.</p> <p>Continued to develop and make the case for the reform of local government finance and for the specific needs of Flintshire, as a low funded council, and the risks to service provision and performance in the absence of some relief from continued national funding reductions.</p>
Transition to Alternative Delivery Models	Developed and delivered a robust business planning and transition process.

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The Issue:	What Flintshire did:
	<p>Ensured that effective governance models were in place.</p> <p>Continued support and advice for community organisations post transfer.</p>
Community Assets Transfers	<p>Developed and undertook an effective strategy for engaging with communities.</p> <p>Ensured that effective governance models were in place.</p> <p>Continued support and advice for community organisations post transfer.</p>
Joint working with Health	<p>Continued to rebuild effective working relationships at governance and operational levels.</p> <p>Ensured that effective joint service and financial planning was developed.</p> <p>Made clear and persuasive cases for joint funding from new sources of national funding.</p>
Business continuity planning	<p>Reviewed the internal Business Continuity Plans which continue to be progressed as part of the work programme of the Regional Emergency Planning Service.</p> <p>Ongoing plan maintenance.</p>
Changing service resource demands from new legislation including Social Services Wellbeing and Future Generations Act	<p>Ensured that forward planning, forecasting and demand management arrangements were in place.</p> <p>Continued to be aware of and challenge unsustainable national policy proposals which may emerge.</p> <p>Continued to make persuasive, evidenced cases for national funding to meet service cost pressures.</p>
Service Resilience in the face of the scale and pace of service portfolio planning	<p>Leadership of evidenced business planning and full and early member engagement on options for change with an earlier annual budget setting process than in earlier years drawing on the forward business plans for services.</p> <p>Effectively allocated the Council's capacity, also using Invest to Save funds well to add capacity.</p> <p>The continued use of the Programme Boards to oversee and manage change programmes.</p>

In addition there were strategic issues which were identified in the Improvement Plan for 2015/16 which are more service-based.

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The Issue:	What Flintshire did:
Strategic Issues	
School Modernisation	<p>Developed an effective strategy for change based on the Council's revised Schools modernisation policy.</p> <p>Made additional resource available for project management as required.</p> <p>Planned a scalable and affordable programme of capital investment.</p>
Social Services Market Fragility	<p>Reviewed commissioning fees paid to providers</p> <p>Retention of Council direct provision.</p> <p>Improved national funding and support.</p> <p>Developed new market models in partnership.</p>
Competitiveness of the North East Wales sub-regional economy in a competitive and changing UK market.	<p>Full and active support for the regional strategic work e.g. on business cases for rail infrastructure.</p> <p>Full participation in cross border partnerships and business cases for national growth strategies and bids specifically the Mersey Dee Alliance, the Northern Powerhouse, and the North Wales-Cheshire and Warrington Local Economic Partnership Growth Bids.</p>
Social Housing Provision Delivery e.g. SHARP	<p>Forward strategy and capital planning.</p> <p>Sufficient programme management resourcing.</p> <p>Ensured that Welsh Government capital funding e.g. Major Repairs Allowance (MRA) were retained.</p>

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What are the significant governance and strategic issues identified during 2016/17?

The review of the effectiveness of the Council's governance framework has identified the following significant issues that will need to be addressed during 2017/18. These are categorised as:

- i) Internal Council Governance issues – those derived from the portfolio annual self assessments that affect the internal governance arrangements of the Council.
- ii) Strategic Improvement Plan issues – those that have been identified as part of the Improvement Plan for 2016/17 which remain un-mitigated i.e. a 'Red' risk status.

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i) Internal Council Governance issues	Risk	Mitigation
Views and experiences of citizens, service users and organisations of different backgrounds including reference to future needs are taken into account	<ul style="list-style-type: none"> • Service planning does not take into account service user's needs in the future • Legal and or judicial challenges 	Development of an integrated impact assessment approach to inform budget decisions and longer term sustainability of services.
Identifying and managing risks to the achievement of outcomes	<ul style="list-style-type: none"> • Risks are not mitigated during transitional or implementation phases • Outcomes are under-achieved 	Consistent application of the Council's risk management approach across all strategic, operational and partnership working.
Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets.	<ul style="list-style-type: none"> • Misalignment of plans and strategies • Missed opportunities for joint and collaborative working 	Refresh of business plan approach across all portfolios including contributions to key corporate strategies.
Ensuring capacity exists to generate the information required to review service quality regularly	<ul style="list-style-type: none"> • Reduction in service quality • Inability to benchmark and compare service quality 	Ensure that service reform, succession and workforce planning takes into account information requirements.
Developing and maintaining an effective workforce plan to enhance strategic allocation of resources.	<ul style="list-style-type: none"> • Sustainability of service provision • Ineffective allocation of resources 	Workforce planning for senior levels within each portfolio assessing workforce demographics, changing requirements and market demand. Development of a succession plan, identifying areas of talent

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i) Internal Council Governance issues	Risk	Mitigation
		and additional support for growth and continued service delivery.
Effective arrangements for safe collection, storage, use and sharing data	<ul style="list-style-type: none"> • Legal challenge and fines • Personal confidentiality breached 	Provision of clear guidelines, awareness and appropriate training. Oversee and supervision of arrangements by managers.
Ensure there is effective internal financial management in place	<ul style="list-style-type: none"> • Mismanagement of public funds 	Roll out of financial management self-serve, ensuring that all budget areas are risk assessed, all budget managers are appropriately trained and continue to improve the systems and technology that support financial management.

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ii) Strategic Issues from the Improvement Plan	Risk	Mitigation
Fragility and sustainability of the care home sector	<ul style="list-style-type: none"> • Reduced quality of care, increased difficulties with recruitment and retention of staff and reduced capacity in the care home sector. 	Refocus specialisms within in-house provision to fit with changing demands. Continue to monitor capacity in the sector.
Council funding for adaptations and home loans will not be sufficient to meet demand	<ul style="list-style-type: none"> • Adaptations are a statutory duty for the Council. Demand in excess of current budgets would create a financial pressure on the capital programme 	Monthly management monitoring of budgets and case load. Co-ordination across Council teams to ensure the approach to adaptations makes best use of the available budget.
Numbers of school places not matching the changing demographics	<ul style="list-style-type: none"> • High teaching ratios, unfilled places and a backlog of maintenance pressures. 	Continuation of School Modernisation Programme will reduce unfilled places, reduce backlog maintenance, and remove unwanted fixed costs and infrastructure
Limited funding to address the backlog of known repair and maintenance work in Education and Youth assets	<ul style="list-style-type: none"> • Fabric of Education and Youth buildings will continue to decline leading to an increase in health and safety issues and imbalance between surplus and unfilled places. 	Condition surveys continue to identify priorities for investment. Implement County Policy for School re-organisation and modernisation.

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ii) Strategic Issues from the Improvement Plan	Risk	Mitigation
Available funding for energy efficient measures may fall short of public demand	<ul style="list-style-type: none"> Public frustration and reduced funding may impact upon the Council's reputation Opportunities to reduce household costs and fuel poverty may not be fully realised 	<p>All potential sources of external funding proactively targeted for support.</p> <p>Use made wherever possible of innovative forms of finance.</p> <p>Managing public expectation as far as possible.</p>
Funding will not be secured for priority flood alleviation schemes	<ul style="list-style-type: none"> Flood alleviation schemes will not be delivered leading to increased risks of damage to infrastructure and community disturbance. 	<p>Review our approach to funding capital projects</p>
The scale of the financial challenge	<ul style="list-style-type: none"> The Council has insufficient funding to meet its priorities and obligations. 	<p>The Council's Medium Term Financial Strategy and efficiency programme.</p> <p>National negotiations on local government funding.</p>

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Certification

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

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

Signed on behalf of Flintshire County Council

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Colin Everett – Chief Executive

Cllr. Aaron Shotton – Leader of the Council

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

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

Ensuring Openness & Comprehensive Stakeholder Engagement

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

Determining the Interventions to optimise the achievements of the intended outcomes

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

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

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

Assurance Statement

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

Public Key Documents: Annual Review / Production

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

Key Documents: Ad-hoc Review / Production

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

Contributing Processes Regulatory Monitoring

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



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru
Auditor General for Wales

Audit of Financial Statements Report – **Flintshire County Council**

Audit year: 2016-17

Date issued: September 2017

Document reference: 135A2017-18

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

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000.

The section 45 code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales and the Wales Audit Office are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at

infoofficer@audit.wales.

We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

Contents

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

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Summary report

Introduction

- 1 The Auditor General is responsible for providing an opinion on whether the financial statements give a true and fair view of the financial position of Flintshire County Council (the Council) and its Group at 31 March 2017 and its income and expenditure for the year then ended.
- 2 We do not try to obtain absolute assurance that the financial statements are correctly stated, but adopt the concept of materiality. In planning and conducting the audit, we seek to identify material misstatements in your financial statements, namely, those that might result in a reader of the accounts being misled.
- 3 The quantitative levels at which we judge such misstatements to be material for the Council and its Group is £4.9 million. Whether an item is judged to be material can also be affected by certain qualitative issues such as legal and regulatory requirements and political sensitivity.
- 4 International Standard on Auditing (ISA) 260 requires us to report certain matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action.
- 5 This report sets out for consideration the matters arising from the audit of the financial statements of the Council, for 2016-17, that require reporting under ISA 260.

Status of the audit

- 6 We received the draft financial statements for the year ended 31 March 2017 on 30 June 2017, in the line with the statutory deadline, and have now substantially completed the audit work.
- 7 We are reporting to you the more significant issues arising from the audit, which we believe you must consider prior to approval of the financial statements. The audit team has already discussed these issues with the Corporate Finance Manager and his team.

Proposed audit report

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

Significant issues arising from the audit

Uncorrected misstatements

- 10 Where we identify misstatements that are not trivial but have no impact on our opinion, we raise them with management who have the option to amend for them. Where they decide not to amend, their decision needs to be ratified by those charged with governance to ensure they agree. We set out below the misstatement we identified in the financial statements, which has been discussed with management who have decided not to amend it due to it not being material, a figure that is estimated that will be corrected in 2017-18, and therefore not having a significant impact on the accounts or our opinion.

Financing and Investment Income and Expenditure within the Comprehensive Income and Expenditure Statement is overstated by £387,000

- 11 Testing of the provision for aftercare of former landfill sites identified an error in a supporting spreadsheet for calculating the unwinding of discount used in estimating the future costs relating to one site. As a consequence the Financing and Investment Income and Expenditure line Comprehensive Income and Expenditure Statement is over stated by £387,000. The error also impacts upon corresponding entries; Gross Expenditure of the Streetscene and Transportation in Comprehensive Income and Expenditure Statement, the 'Expenditure and Funding Analysis' and the 'Group Accounts' and associated notes.
- 12 We have discussed this matter with the officers and are satisfied that it does not impact upon the financial position of the Council as the overall provision shown on the Balance Sheet is correct. The Council has informed us that this matter has been resolved for 2017-18.

Corrected misstatements

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

Other significant issues arising from the audit

- 14 In the course of the audit, we consider a number of matters both qualitative and quantitative relating to the accounts and report any significant issues arising to you.

Accounting practices and financial reporting

- 15 The Council's draft financial statements were prepared to a good standard and were supported by comprehensive and timely working papers, helping us to achieve the overall completion timetable. The Accounts Governance Group which oversees the production of the financial statements has also continued to play an active role in supporting the Finance team and ensuring that the wider organisation engages appropriately in the Council's accounts preparation process. This has enabled us to complete our audit in a shorter elapsed time than in the previous year.
- 16 With the implementation of the earlier production and publication of local government annual accounts by the end May and July respectively from 2020-21, the Council should identify opportunities for streamlining its closedown processes. The Accounts Governance Group should play an important role in meeting the challenge by ensuring corporate ownership of the demands placed upon the Council in meeting the earlier preparation of the financial statements.
- 17 Recommendations from 2015-16, and how they were addressed, are set out in [Appendix 4](#).

We did not encounter any significant difficulties during the audit

- 18 The Corporate Finance Manager and his team maintained open and constructive dialogue with the audit team throughout the audit and, as a result, the audit process has gone smoothly.
- 19 We were not restricted in our work and we received the vast majority of the information that we required for our audit in a timely and helpful manner.

There were no significant matters discussed and corresponded upon with management which we need to report to you

- 20 No significant matters were discussed or corresponded upon during our audit.

There are no other matters significant to the oversight of the financial reporting process that we need to report to you

- 21 Last year we reported that the Council needed to accelerate its investigations into the potential liabilities arising from a number of former waste disposal sites to enable it to estimate the extent of the liabilities disclosed in Note 21 'Provisions' and Note 36 'Contingent Liabilities'. There is the potential for any liabilities to be significant should, for instance, there be a need for a landfill cap to be installed or replaced, or if alternative treatment plans are required.
- 22 Our review of the Council's arrangements for assessing the potential liabilities during the year found that it has progressed its review and has held frequent

discussions with Natural Resource Wales. As a consequence the Council has got a better understanding of the position at various former waste disposal sites and the financial statements reflect this. We will continue to monitor the Council's progress over the coming year.

We did not identify any material weaknesses in your internal controls

- 23 No material weaknesses in the Council's internal controls were identified during our audit.

Recommendations arising from our 2016-17 financial audit work

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

Independence and objectivity

- 25 As part of the audit finalisation process, we are required to provide you with representations concerning our independence. We can confirm that with the exception of one member of staff, there are no known threats to the independence of the Auditor General for Wales or on the independence of staff or contractors working on his behalf.
- 26 With regards to the exception noted above, a member of the Financial Audit Manager's family is employed as a teacher in a Flintshire secondary school. We have taken appropriate steps to ensure that he has not been involved in any work at the school or any specific examination of the Council's education service and its payroll transactions.
- 27 We have complied with ethical standards and in our professional judgment, we are independent and our objectivity is not compromised. There are no relationships between the Wales Audit Office and the Council that we consider to bear on our objectivity and independence.

Appendix 1

Final Letter of Representation

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

27 September 2017

Representations regarding the 2016-17 financial statements

This letter is provided in connection with your audit of the financial statements of Flintshire County Council and of its Group for the year ended 31 March 2017 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

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

Management representations

Responsibilities

We have fulfilled our responsibilities for:

- The preparation of the financial statements in accordance with legislative requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17; in particular the financial statements give a true and fair view in accordance therewith.
- The design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

Information provided

We have provided you with:

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

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

Financial statement representations

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

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

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

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

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

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

Representations by Flintshire County Council

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

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by Flintshire County Council on 27 September 2017.

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

Signed by:

Signed by:

Gary Ferguson
Corporate Finance Manager

Councillor Brian Lloyd
Chair of Flintshire County Council

27 September 2017

27 September 2017

Appendix 2

Proposed audit report of the Auditor General to Flintshire County Council

I have audited the accounting statements and related notes of:

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

for the year ended 31 March 2017 under the Public Audit (Wales) Act 2004.

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

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

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

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2017 based on International Financial Reporting Standards (IFRSs).

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

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 10, the responsible financial officer is responsible for the preparation of the statement of accounts, Flintshire County Council's Group accounting statements and Clwyd Pension Fund's accounting statements, which gives a true and fair view.

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

Scope of the audit of the accounting statements

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

by the responsible financial officer and the overall presentation of the accounting statements and related notes.

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

Opinion on the accounting statements of Flintshire County Council

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of Flintshire County Council as at 31 March 2017 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17.

Opinion on the accounting statements of Flintshire County Council Group

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of Flintshire County Council Group as at 31 March 2017 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17.

Opinion on the accounting statements of Clwyd Pension Fund

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

- give a true and fair view of the financial transactions of Clwyd Pension Fund during the year ended 31 March 2017 and of the amount and disposition of the fund's assets and liabilities as at that date; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17.

Opinion on other matters

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

Matters on which I report by exception

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

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

Certificate of completion of audit

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

Anthony Barrett

For and on behalf of

Huw Vaughan Thomas

Auditor General for Wales

28 September 2017

24 Cathedral Road

Cardiff

CF11 9LJ

Appendix 3

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

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

Nature of correction	Reason for correction	Impact
<p>Comprehensive Income and Expenditure Account – Service Expenditure Analysis – Theatre Clwyd was amended for the following:</p> <ul style="list-style-type: none"> • ‘Gross Expenditure’ from £4,038,000 to £5,768,000. • ‘Gross Income’ from £(4,085,000) to £(6,013,000). • ‘Net Expenditure’ from £(47,000) to £(245,000). 	<p>Transactions between the Council and its wholly owned subsidiary, Theatr Clwyd Productions Ltd, were omitted in error. Whilst not material to the financial statements, the transactions are necessary to support Theatr Clwyd Productions Ltd’s claim for Theatre Tax Relief.</p>	<p>Corresponding increases were included in Note 15 ‘Short Term debtors – Other entities and individuals’ and Note 19 ‘Creditors – Other entities and individuals’. Appropriate corresponding amendments were also included in the Balances Sheet, Movement in Reserves Statement and Expenditure and Funding Analysis.</p> <p>The amendment decreased the ‘Deficit on the provision of Services’ by £198,000.</p>
<p>Cash Flow Statement was amended for the following:</p> <ul style="list-style-type: none"> • ‘Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities’ from £(10,811,000) to £(22,811,000). • ‘Net cash flows from operating activities’ from £6,027,000 to £(5,973,000). • ‘Net cash flows from investing activities’ £(34,245,000) to £(25,468,000). 	<p>Testing of the Cash Flow Statement identified a transposition error of proceeds from Short Term Investments as they were incorrectly entered in the Council’s supporting working paper as a cash outflow of £(6,000,000) as opposed to a cash inflow of £6,000,000.</p>	<p>Appropriate corresponding amendments were made to the disclosure notes supporting the Cash Flow Statement:</p> <ul style="list-style-type: none"> • Note 25 – Operating Activities • Note 26 – Investing Activities <p>The change had no other impact on the Council’s financial statements.</p> <p>Presentation disclosure only.</p>

Nature of correction	Reason for correction	Impact
<p>Note 9 'Property, Plant and Equipment – Other Land & Buildings' was amended for the following:</p> <ul style="list-style-type: none"> • 'Cost or Valuation - from Assets derecognised' from £(66,000), to £(4,940,000). • 'Accumulated Depreciation and Impairment – Assets Derecognised' from £66,000 to £4,940,000. 	<p>Testing of 'Other Land & Buildings' identified that Note 9 incorrectly included the gross book value of £4,874,000 for Holywell High School and a corresponding figure for 'accumulated depreciation and impairment'. The impairment for the demolition of the old school site was not reflected in Council's asset register.</p>	<p>Appropriate corresponding amendments were made to the total cost of valuation at 31 March 2017 and the total Accumulated Depreciation and Impairment at 31 March 2017. The change had no other impact on the Council's financial statements.</p> <p>Presentation disclosure only.</p>
<p>Note 15 'Short term Debtors – Other entities and individuals - 2016' was amended from £11,580,000 to £14,160,000; and Note 19 Creditors – Short Term – Central Government bodies - 2016' was amended from £3,993,000 to £6,573,000.</p>	<p>The prior year 2015-16 National Domestic Rates debtor balance was not netted off the associated credit balance and the net balance included in short-term creditors. This resulted in an understatement of both short-term debtors and short-term creditors of £2,580,000.</p>	<p>An appropriate adjustment was reflected in the prior-year Balance Sheet.</p> <p>Presentation disclosure only.</p>
<p>Note 34 'Joint Arrangements' was amended for the following:</p> <ul style="list-style-type: none"> • 'Gross expenditure – GWE' was amended to include £15,833,000. • 'FCC Share – Expenditure – allocation basis – Pro rata to pupil population was amended to include £3,589,000. 	<p>The Council did not receive the relevant information from GWE, the North Wales Regional School Effectiveness and Improvement Service, to populate the disclosure note until September 2017.</p>	<p>No other impact upon the Council's financial statements.</p> <p>Presentation disclosure only.</p>

Appendix 4

Responses to recommendations arising from our 2015-16 financial audit work

We set out all the recommendations arising from our 2015-16 audit work with a summary of action taken by management during 2016-17. We have followed these up as part of the 2016-17 audit and summarise our findings:

Recommendation	Management and Audit Response
<p>The basis of the housing stock valuation was not appropriate and needed to be reviewed and recalculated</p> <p>For the next housing stock valuation (as at 1/4/2020) ensure that an appropriate basis for revaluation is used.</p>	<p>Management Response</p> <p>The Council has reviewed and revised the basis for calculating the housing stock valuation for future accounting periods.</p> <p>Audit response</p> <p>Review of the other assets valued in 2016-17 has confirmed that an appropriate valuation basis for has been used by the Council's valuer.</p>
<p>The Council was unable to estimate the value of any potential liabilities relating to the cost of landfill restoration and aftercare.</p> <p>Progress ongoing investigations into the status of former sites to establish whether there is the need for restoration or aftercare. Should that identify that liabilities exist, set aside a financial provision in the accounts.</p>	<p>Management Response</p> <p>The Council has a strategic plan for completing all of the assessments, which are complex, can involve different land owners and other public bodies such as Natural Resources Wales, and often take a number of years to be completed. However, assessments at two of the sites are now nearing completion.</p> <p>A more detailed report outlining the issue, the risks and how the Council will mitigate those risks will be brought to Cabinet and the relevant Overview and Scrutiny Committee to track progress.</p> <p>Audit Response</p> <p>The Council has progressed its ongoing investigations into the status of former landfill sites and have assessed the need for restoration against current national guidance. Where future costs have been identified, the Council has accounted for these appropriately.</p>
<p>Accuracy of pension records</p> <p>The Council needs to liaise with the Pension Fund administrator to resolve discrepancies in pension data.</p>	<p>Management Response</p> <p>A Steering Group of Senior Officers from the Clwyd Pension Fund and the unitary authorities has been set up which meets periodically to discuss and resolve such issues. Plans are in place to implement an online computer module that will allow information to be submitted by employers more directly and efficiently into the pension administration system. This will be implemented on a phased basis with each unitary authority in 2016/17 and 2017/18.</p> <p>Audit Response</p> <p>Progress has been made by the Council and the Pension Fund administrator in resolving the discrepancies in pension data. An online computer module has been implemented for Denbighshire County Council. Work is ongoing to implement the module for Flintshire County Council and Wrexham County Borough Council.</p>

Appendix 5

Recommendation arising from our 2016-17 financial audit work

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

Matter arising 1 – Removing non-material and duplicated disclosures	
Findings	The 2016-17 include a number of non-material disclosures such as Note 34 'Joint Arrangements' and duplicated descriptions of the core statements in the 'Narrative Report' and the primary statements.
Priority	Low
Recommendation	In preparing for the earlier closure and preparation of the financial statements the Council should review its financial statements to identify opportunities for removing non-material and duplicated disclosures.
Benefits of implementing the recommendation	To streamline and de-clutter the Council's financial statements.
Accepted in full by management	Yes
Management response	The Council will review the financial statements during the year for opportunities to remove non-material disclosures and any duplicated descriptions to streamline and de-clutter the document.
Implementation date	31 March 2018

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WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru
Auditor General for Wales

Audit of Financial Statements Report – **Clwyd Pension Fund**

Audit year: 2016-17

Date issued: September 2017

Document reference: 145A2017-18_

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

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000.

The section 45 code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales and the Wales Audit Office are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at

infoofficer@audit.wales.

We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

Contents

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

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Summary report

Introduction

- 1 The Auditor General is responsible for providing an opinion on whether the financial statements give a true and fair view of the financial position of Clwyd Pension Fund (the Pension Fund) at 31 March 2017 and its income and expenditure for the year then ended.
- 2 We do not try to obtain absolute assurance that the financial statements are correctly stated, but adopt the concept of materiality. In planning and conducting the audit, we seek to identify material misstatements in your financial statements, namely, those that might result in a reader of the accounts being misled.
- 3 The quantitative levels at which we judge such misstatements to be material for the Pension Fund are £16.8 million. Whether an item is judged to be material can also be affected by certain qualitative issues such as legal and regulatory requirements and reader sensitivity.
- 4 International Standard on Auditing (ISA) 260 requires us to report certain matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action.
- 5 This report sets out for consideration the matters arising from the audit of the financial statements of the Pension Fund for 2016-17, that require reporting under ISA 260.

Status of the audit

- 6 We received the draft financial statements for the year ended 31 March 2017 on 30 June 2017, and have now substantially completed the audit work.
- 7 We are reporting to you the more significant issues arising from the audit, which we believe you must consider prior to approval of the financial statements. The audit team has already discussed these issues with Pension Fund Officers and the Corporate Finance Manager.

Proposed audit report

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

Significant issues arising from the audit

Uncorrected misstatements

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

Corrected misstatements

- 11 There are misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process. They are set out with explanations in [Appendix 2](#).

Other significant issues arising from the audit

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

We have some concerns about the qualitative aspects of your accounting practices and financial reporting and the Pension Fund did not achieve its own earlier closure timetable, but it did meet its statutory deadline for preparing the draft financial statements

- 13 The Pension Fund's draft financial statements were not prepared to the standard consistently achieved in previous years. We identified a number of accounting errors and a large number of discrepancies with supporting working papers, which resulted in the financial statements being corrected. We also encountered some prolonged delays in receiving responses to audit queries. Officers advised us that the difficulties in part arose due to extenuating internal circumstances arising from staffing issues during the closedown process. Despite this, we achieved our overall completion timetable on a timely basis, enabling us to meet the Council's reporting deadlines.
- 14 With the advent of the earlier production and publication of local government annual accounts by the end May and July respectively by 2020-21, the Pension Fund also intended sharing its draft financial statements for audit by 19 June 2017. The draft financial statements were subsequently shared with us on 30 June 2017, and whilst this was in line with the statutory deadline, it was later than planned.
- 15 To ensure the Pension Fund and ourselves are well placed to meet the earlier deadlines we will review this year's account preparation process and audit at a joint

post project learning session and agree a plan to incrementally bring forward the accounts closure and audit over the next few years.

- 16 Last year we also reported that monthly reconciliations of the transactions relating to lump sums and death benefit pension payments between the financial ledger and the pensions administration system identified a number of non-material differences that had not been explained or corrected. We recommended that the Pension Fund fully reconciled the monthly transactions relating to lump sums and death benefit payments, ensuring any differences were corrected.
- 17 The Pension Fund informed us that obtaining reports from the pensions system to facilitate the reconciliation remained problematic during the year. Internal Audit followed up progress in addressing our 2016-17 recommendation and found that 'lump sum reconciliations and differences resulting from these have improved from the previous year' but there remain differences between the general ledger and Pensions Administration System. The Pension Fund has accepted Internal Audit's recommendation to address the remaining variances and continues to develop reports to facilitate the reconciliation. We will following progress as part of our 2017-18 audit work.

There are no other matters relevant to the oversight of the financial reporting process that we need to report to you and the Pension Fund has made good progress in updating the accuracy of membership records

- 18 We planned and performed our audit to address the financial statement risks as reported within our 2017 Audit Plan. No significant issues were identified from the audit of these areas.
- 19 Last year we reported that Pension Fund membership records held in the pension's administration system were not up to date for the three main employer bodies, namely Denbighshire County Council, Flintshire County Council, and Wrexham County Borough Council. We recommended that the Pension Fund should work with employer bodies to ensure that membership records were brought up to date and subsequently maintained.
- 20 Our follow up confirmed that good progress has been made in updating membership records. The Council, in its role as the administering authority, has been working with employer bodies to ensure membership records are brought up to date and subsequently maintained. An automated interface system (I –connect) has been implemented for Denbighshire County Council and some smaller bodies in 2016-17, and others bodies will use the system over the next two years. In addition, the Pension Fund has established an Employer Liaison Team to work with the admitted bodies to ensure the accurate and timely transfer of information.

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

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

Recommendation arising from our 2016-17 financial audit work

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

Independence and objectivity

- 23 As part of the audit finalisation process, we are required to provide you with representations concerning our independence. We can confirm that with the exception of one member of staff, there are no known threats to the independence of the Auditor General for Wales or on the independence of staff or contractors working on his behalf.
- 24 With regards to the exception noted above, a member of the Financial Audit team's family is a member of the Pension Fund. We have taken appropriate steps to ensure that the team member has not been involved in any work that could compromise her independence.
- 25 We have complied with ethical standards and in our professional judgment, we are independent and our objectivity is not compromised. There are no relationships between the Wales Audit Office and the Council that we consider to bear on our objectivity and independence.

Appendix 1

Final Letter of Representation

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

27 September 2017

Representations regarding the 2016-17 financial statements

This letter is provided in connection with your audit of the financial statements of the Clwyd Pension Fund for the year ended 31 March 2017 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

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

Management representations

Responsibilities

We have fulfilled our responsibilities for:

- The preparation of the financial statements in accordance with legislative requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17; in particular the financial statements give a true and fair view in accordance therewith.
- The design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

Information provided

We have provided you with:

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

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

Financial statement representations

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

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

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

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

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

The financial statements are free of material misstatements.

Representations by Flintshire County Council

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

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by Flintshire County Council on 27 September 2017.

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

Signed by:

Signed by:

Gary Ferguson
Corporate Finance Manager

Councillor Brian Lloyd
Chair of Flintshire County Council

27 September 2017

27 September 2017

Appendix 2

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

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

Nature of correction	Reason for correction	Impact
<p>Note 3 'Expenses Borne by the Fund – Fund Management Fees' table was amended as follows:</p> <p>Oversight & Governance</p> <ul style="list-style-type: none"> 'Supplies & Services' from £1,000 to £58,000. 'Consultancy & Actuarial' from £1,272,000 to £1,226,000. An additional 'Miscellaneous' category was included for £11,000. <p>Investment Management fees</p> <ul style="list-style-type: none"> 'Net Fund Management Fees' from £12,904,000 to £14,386,000. <p>Administration Expenses</p> <ul style="list-style-type: none"> 'Supplies & Services' from £773,000 to £365,000. 	<p>The 'Net Fund Management Fees' disclosed in the Pension Fund Account was understated by £1,482,000 as a number of fund manager fees were omitted in error in the supporting analysis.</p>	<p>An appropriate corresponding adjustment was included in the Pension Fund Account.</p>
<p>The table in Note 5 'Transactions and Returns on Investments' was amended for the following:</p> <p>'Unrealised Gain/(Loss)'</p> <ul style="list-style-type: none"> Property from £4,752,000 to £5,412,000. Infrastructure from £5,760,000 to £6,629,000. Timber from £4,443,000 to £4,579,000. Private equity from £9,996,000 to £11,085,000. Opportunistic from £1,265,000 to £1,320,000. 	<p>To ensure the unrealised gain/(loss) on investments disclosed reflected most up to date position.</p>	<p>Appropriate corresponding adjustments were included in the Clwyd Pension Fund Account, the Net Assets Statement and corresponding notes as summarised:</p> <p>The amendments increased the unrealised gain by £2,809,000.</p>

Nature of correction	Reason for correction	Impact
<p>‘Market Value 2016/17’</p> <ul style="list-style-type: none"> • ‘Property’ from £114,054,000 to £114,714,000. • ‘Infrastructure’ from £30,892,000 to £31,761,000. • ‘Timber & Agriculture’ from £28,967,000 to £29,103,000. • ‘Private Equity’ from £151,334,000 to £154,423,000. • ‘Opportunistic’ from £17,911,000 to £17,966,000. <p>‘Investment Income’</p> <ul style="list-style-type: none"> • ‘Property’ from £1,676,000 to £2,501,000. • ‘Infrastructure’ from £725,000 to £1,584,000. • ‘Private Equity’ from £5,000 to £2,537,000. • ‘Opportunistic’ from £564,000 to £669,000. <p>‘Fees within pooled vehicles – Unrealised gains/(loss)’ from £10,046,000 to £7,176,000.</p>	<p>To ensure the market value of investment disclosed in Note 5 reflected the most up to date valuations.</p> <p>The investment income in Note 5 did not agree with the general ledger. As a consequence investment income was incorrectly classified as and in ‘Change in Market Value of Investments’.</p> <p>To ensure the fees within pooled vehicles agreed to supporting records.</p>	<p>The amendments increased the market value of investments by £2,809,000.</p> <p>The amendment increased ‘investment income’.</p> <p>The amendment decreased the unrealised gain by a corresponding amount.</p>
<p>Note 7 ‘Fair Value of Investments - Fixed Interest Securities’ amounting to £198,621,000 in the hierarchy table analysing the Fund’s assets was amended from ‘Level 1’ to ‘Level 2’.</p>	<p>The hierarchy analysis of the Fund’s assets at 31 March 2017 was amended as it did not agree to the Pension Fund’s supporting working paper.</p>	<p>No other impact upon the financial statements. Presentational disclosure only.</p>

Appendix 3

Recommendations arising from our 2016-17 financial audit work

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

Matter arising 1 – Reconciliation of lumps sums and death benefit pension payments	
Findings	Monthly reconciliations of the transactions relating to lump sums and death benefit pension payments between the financial ledger and the pensions administration system are performed. Whilst progress has been made in reconciling the differences in the reconciliations, Internal Audit have identified a number of differences that had not been explained or corrected.
Priority	High
Recommendation	The Pension Fund to fully reconcile the monthly reconciliation of transactions relating to lump sums and death benefit payments, ensuring any differences are corrected.
Benefits of implementing the recommendation	To ensure that transactions are both accurate and complete.
Accepted in full by management	Yes
Management response	The differences identified have now been explained and corrected
Implementation date	-

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Gary Ferguson
Chief Finance Officer
Prif Swyddog Cyllid



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

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

LOR 16.17
27 September 2016
Liz Thomas
01352 702289
01352 700149

Dear Sir,

Representations Regarding the 2016/17 Financial Statements

This letter is provided in connection with your audit of the financial statements of Flintshire County Council and of its Group for the year ended 31 March 2017 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

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

Management Representations

Responsibilities

We have fulfilled our responsibilities for:

- The preparation of the financial statements in accordance with legislative requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17; in particular the financial statements give a true and fair view in accordance therewith.
- The design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

County Hall, Mold. CH7 6NB
www.flintshire.gov.uk
Neuadd y Sir, Yr Wyddgrug. CH7 6NB
www.siryfflint.gov.uk



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

Information Provided

We have provided you with:

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

Financial Statement Representations

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

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

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

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

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

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

Representations by Flintshire County Council

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

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by Flintshire County Council on 27 September 2017.

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

Signed by:

Signed by:

Gary Ferguson
Corporate Finance Manager (Chief
Finance Officer)

Councillor Brian Lloyd
Chair of Flintshire County Council

Date: 27th September 2017

Date: 27th September 2017

Mae'r dudalen hon yn wag yn bwrpasol

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

Cronfa Bensiynau Clwyd
Clwyd Pension Fund

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

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

Your Ref/Eich Cyf
Our Ref/Ein Cyf
Date/Dyddiad
Ask for/Gofynner am
Direct Dial/Rhif Union
Email/ Ebst

LOR 16/17
27th September 2017
Philip Latham
01352 702264

Dear Sir,

Representations regarding the 2016/17 financial statements

This letter is provided in connection with your audit of the financial statements of the Clwyd Pension Fund for the year ended 31 March 2017 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

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

Management Representations

Responsibilities

We have fulfilled our responsibilities for:

- The preparation of the financial statements in accordance with legislative requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17; in particular the financial statements give a true and fair view in accordance therewith.
- The design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

Administered by
Gweinyddwyd gan



Judalen 199

County Hall, Mold. CH7 6NA
www.clwydpensionfund.org.uk
Neuadd y Sir, Yr Wyddgrug. CH7 6NA
www.cronfabensiynauclwyd.org.uk

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

Information Provided

We have provided you with:

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

Financial Statement Representations

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

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

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

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

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

The financial statements are free of material misstatements.

Representations by Flintshire County Council

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

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by Flintshire County Council on 27 September 2017.

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

Signed by:

Signed by:

Gary Ferguson
Corporate Finance Manager (Chief Finance Officer)

Councillor Brian Lloyd
Chair of Flintshire County Council

Date: 27th September 2017

Date: 27th September 2017

Mae'r dudalen hon yn wag yn bwrpasol

Eitem ar gyfer y Rhaglen 5



AUDIT COMMITTEE

Date of Meeting	Wednesday 27 September 2017
Report Subject	Wales Audit Office study reports
Report Author	Chief Executive

EXECUTIVE SUMMARY

The Wales Audit Office (WAO) have recently completed a number of reviews:

- i) Corporate Assessment Follow-up; ii) Good Governance when determining service changes; and (iii) Effectiveness of the Council's efficiency savings programme.

The reviews are a fair reflection on the Council's practices and arrangements.

None of the reviews carry any new statutory recommendations.

There are four new proposals for improvement: three in the "Good Governance when determining service changes" and; one in the "review of Effectiveness of the Council's efficiency savings programme".

The Council has made an Executive response to each of the reviews.

RECOMMENDATIONS

1	To be assured by the review reports of the Wales Audit Office and support the Council's executive response.
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REPORT DETAILS

1.00	EXPLAINING THE WALES AUDIT OFFICE REVIEWS
1.01	During 2016-17 the Wales Audit Office undertook work on three different topics and presented their findings to the Council. The Good Governance review was held across all 22 councils. The other two reviews were local

	to Flintshire and either complemented or followed up previous reviews.
1.02	<p>The Corporate Assessment follow-up reviewed progress against the seven Proposals for Improvement issued in the 2015 Corporate Assessment report. It focused on actions which were incomplete at an earlier follow-up in 2016. These latter actions included the Council's approach to Business planning, progress with Corporate strategies (People, ICT and Asset management strategies), consistency of risk management approaches and workforce planning.</p> <p>The overall conclusion was: <i>"The Council continues to make progress in addressing the 2015 corporate assessment proposals for improvement."</i></p> <p>No further proposals for improvement were included. The final report is attached at Appendix 1, along with the Council's response at Appendix 4.</p>
1.03	<p>The Good Governance review focused on governance arrangements where there have been significant service changes. The overall conclusion was: <i>"The Council's governance arrangements for determining significant service change are generally effective, with some opportunities to further strengthen its approach."</i></p> <p>WAO identified three proposals for improvement:</p> <p>The Council's governance arrangements could be strengthened by:</p> <p>P1. Clearly defining the arrangements for scrutinising the impact of individual service changes.</p> <p>P2. Ensuring that Equality Impact Assessments (EIA) that are produced are of a consistently high quality.</p> <p>P3. Reviewing, and where necessary improving, the effectiveness of its decision-making arrangements explicitly in relation to service change.</p> <p>The final report is attached at Appendix 2, along with the Council's response at Appendix 4.</p>
1.04	<p>The review of the Council's effectiveness of the efficiency savings programme complements an earlier Financial Resilience review. The overall conclusion was: <i>"Arrangements for planning and monitoring efficiency savings are effective, but arrangements for evaluating non-financial impact and for sharing post-project learning are under-developed."</i></p> <p>WAO identified one proposal for improvement:</p> <p><i>"Introduce a more robust and systematic approach to post-project evaluation, suitable for:</i></p> <ul style="list-style-type: none"> • <i>evaluating the non-financial impact of efficiency / change initiatives;</i> • <i>capturing, sharing and promoting learning and good practice."</i> <p>The final report along with the Council's response is attached at Appendix 3 along with the Council's response at Appendix 4.</p>

1.05	Proposals for improvement, where agreed with the Wales Audit Office reviews, are actioned and monitored.
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2.00	RESOURCE IMPLICATIONS
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2.01	There are no specific resource implications regarding this report; as the reports are a view of the Council's general governance arrangements, efficiency savings planning and follow-up to a previous WAO corporate review.
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3.00	CONSULTATIONS REQUIRED / CARRIED OUT
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3.01	Wales Audit Office sought views from Chief Officers and finance colleagues to inform their reviews.
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4.00	RISK MANAGEMENT
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4.01	The Council consistently reviews risks in relation to financial planning and the resilience of its plans. The Medium Term Financial Strategy and in-year business plans are monitored monthly.
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5.00	APPENDICES
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5.01	Appendix 1 - Corporate Assessment follow-up (July 2017) Appendix 2 - Good Governance when determining significant service changes (June 2017) Appendix 3 - Review of the effectiveness of the Council's efficiency savings programme (August 2017) Appendix 4 - Council Executive response
------	--

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
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6.01	Wales Audit Office: Annual Improvement Report incorporating the Corporate Assessment report (March 2015) Contact Officer: Karen Armstrong, Corporate Business and Communications Executive Officer Telephone: 01352 702740 E-mail: karen.armstrong@flintshire.gov.uk
------	--

7.00	GLOSSARY OF TERMS
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7.01	Wales Audit Office (WAO) Works to support the Auditor General as the public sector watchdog for Wales. They aim to ensure that the people of Wales know whether public money is being managed wisely and that public bodies in Wales
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	understand how to improve outcomes.
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WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru
Auditor General for Wales

Corporate Assessment Follow-up – Flintshire County Council

Audit year: 2016/17

Date issued: July 2017

Document reference:

Purpose of this document

This document is a draft supplied in confidence solely for the purpose of verifying the accuracy and completeness of the information contained in it and to obtain views on the conclusions reached.

Handling prior to publication

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

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000.

The section 45 code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales and the Wales Audit Office are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at

info.officer@audit.wales.

We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

This document is also available in Welsh.

The team who delivered the work comprised Charlotte Owen, Paul Goodlad and Jeremy Evans, under the direction of Huw Rees

Contents

The Council continues to make progress in addressing the 2015 corporate assessment proposals for improvement

Summary report

Summary	x
Proposals for improvement	x

Detailed report

The Council is promoting staff ownership of key objectives which will be supported by a new integrated approach to business planning in 2017-18 x

Corporate strategies are well aligned and the Council has implemented its revised asset management strategy, but progress on the new people and digital strategies has been slower than planned x

The Council is improving its risk management processes but work to align project and savings plan risks to the Council's revised risk matrix has been delayed x

Workforce planning is a key element of the Council's new people strategy and although work is underway to develop workforce plans, it is too early to assess their impact x

Summary report

Summary

- 1 In March 2015, the Auditor General published his Annual Improvement Report (AIR)¹ for Flintshire County Council (the Council). The report, which included findings from the September 2014 Corporate Assessment (CA), concluded that the Council had made significant progress in a number of difficult areas, but needed to strengthen some aspects of its arrangements. Although the Council was reasonably well placed to continue to deliver its priorities in the face of further financial challenges, the report made seven proposals for improvement (PFIs). Action to address four of the seven PFIs was still underway at the start of 2016-17.
- 2 In early 2016 we reviewed the Council's progress against the PFIs and reported our findings in the AIR published in June 2016²; Overall, we found the Council:
 - had made good progress in addressing the governance-related PFIs;
 - was strengthening its management of financial resources, but had made less consistent progress revising other resource management strategies; and
 - had made some progress to improve the consistency of its approach to workforce planning, but further work was required to complete the arrangements.
- 3 During early 2017, we revisited the actions which were incomplete at the time of our earlier follow-up. This second follow-up found that the Council continues to make progress in addressing the 2015 corporate assessment proposals for improvement.
- 4 We came to this conclusion because:
 - the Council is promoting staff ownership of key objectives which will be supported by a new integrated approach to business planning in 2017-18;
 - corporate strategies are well aligned and the Council has implemented its revised asset management strategy, but progress on the new people and digital strategies has been slower than planned;
 - the Council is improving its risk management processes, but work to align project and savings plan risks to the Council's revised risk matrix has been delayed; and
 - workforce planning is a key element of the Council's new people strategy and although work is underway to develop workforce plans, it is too early to assess their impact.

¹ [Flintshire County Council – Annual Improvement Report 2014-15](#) Published March 2015 Source: Wales Audit Office

² [Flintshire County Council - Annual Improvement Report 2015-16](#) Published June 2016 Source: Wales Audit Office

Proposals for improvement

The Council has made significant progress against many of the proposals for improvement arising from the 2015 corporate assessment report. However, some actions have only recently been implemented and some are scheduled for completion during 2017. So, it is too soon to assess their overall impact. Our Audit Plan for 2017-18 includes further follow-up work during late 2017-18, to review the impact of recent and imminent changes.

There are no additional proposals for improvement arising from this follow-up audit. However, we expect the Council to continue making progress against the original proposals.

DRAFT

The Council continues to make progress in addressing the 2015 corporate assessment proposals for improvement

The Council is promoting staff ownership of key objectives which will be supported by a new integrated approach to business planning in 2017-18

Summary text 'Description of the Proposal for Improvement included in the original 2015 corporate assessment report'

Corporate Assessment Proposal for Improvement P1 (from the 2015 CA report)

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

- 5 The Council continues to improve its business planning arrangements and intends to implement a new approach during 2017-18:
 - Each portfolio will produce a comprehensive five-year business plan to support service planning and performance management; and
 - The business plans will incorporate corporate initiatives and strategies and demonstrate fit with the Medium Term Financial Strategy.
- 6 The Council anticipates that the new business plans will support workforce engagement and staff ownership of key objectives by clarifying how corporate objectives relate to individual service areas. A standard business plan format intended to promote consistency across portfolios and plans will be formally reviewed and updated twice a year.
- 7 The Council's integrated performance management system places greater responsibility on chief officers and service managers for data input and promotes ownership of the objectives. The system, and the reports it generates, identifies the officers responsible for meeting objectives and specific targets. As always, the quality of the reports produced is dependent on the data input into the system; the Council reports that data quality is variable, but is improving. The system's automated reporting function provides the Policy and Performance Team with more opportunity to monitor the quality and consistency of data.
- 8 The Council has rolled out an updated staff appraisal model. The model now includes the option of a 'light touch' approach, more appropriate for staff on low-hour contracts, who do not require a full appraisal. Appraisal completion figures for 2016-17 were not available at the time of our review, but the Council expects this dual approach to increase the number of appraisals completed. The full appraisal model encourages staff to consider how their role contributes to the Council's corporate and service-level priorities and objectives. The Council expects this to promote greater awareness and ownership of the priorities and objectives.

- 9 The new business plans are intended to complement this approach by including more explicit links to corporate objectives. The Council has also taken steps to ensure that new corporate strategies, such as the People Strategy 2016-2019, are accessible, to encourage buy-in from staff at all levels of the organisation.
- 10 We will revisit the actions being taken to address this PFI during late 2017-18 to assess whether their intended impact has been achieved.

Corporate strategies are well aligned and the Council has implemented its revised asset management strategy, but progress on the new people and digital strategies has been slower than planned

Summary text 'Description of the Proposal for Improvement included in the original 2015 corporate assessment report'

Corporate Assessment Proposal for Improvement P3 (from the 2015 CA report)

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

- their financial implications feed into the medium-term financial plan; and
- the links between the strategies are fully considered so that specialist staff are available when required.

- 11 Progress on revising and implementing the people and digital strategies has been slower than planned. The Capital Strategy and Asset Management Plan 2016-2020 (CS&) was approved in February 2016 and implemented during 2016-17. The Council's Capital Programme for the period 2017-18 to 2019-20 follows the framework set out in the capital strategy. The Council has evaluated proposals for capital expenditure against the asset management plan to ensure they support delivery of its priorities.
- 12 Our previous follow-up review acknowledged that an ICT service restructure and reduced capacity in the Human Resources and Organisational Development (HR & OD) team had delayed progress of the new digital and people strategies. The Council originally expected to finalise its digital strategy during summer 2016. However, further delays meant the Council did not approve its Digital Flintshire 2017-2022 strategy until February 2017; and the People Strategy 2016-2019 was approved in November 2016. The Council is now developing action plans to support implementation of both strategies. Until the action plans are completed, the scale of actions and timescales associated with the implementation is unclear.
- 13 The financial implications of the Digital Flintshire strategy are not yet clear. Capital investment in IT equipment, necessary to maintain the current infrastructure's functionality, was approved as part of the Council's Capital Programme. The capital investment required to realise the strategy will become clearer once the Council has determined the extent of its programme of changes. The Council intends to run each potential project through a cost-benefit assessment before

taking a decision to proceed. The Council expects to deliver its People Strategy within current resource levels.

- 14 There are clear links between the Council's key corporate strategies. Both the people and digital strategies provide a clear vision of how the workforce and digital information and technology will contribute towards improvement priorities and strategic plans. Enabler strategies are also better integrated and the Council has taken a collaborative approach to developing the revised people and digital strategies; corporate services staff liaise closely and consult with officers at a portfolio level. The Council also expects supporting action plans to take account of relevant departments' capacity when scheduling projects, with relevant actions embedded within portfolio business plans.
- 15 The Council originally planned to produce a corporate resourcing strategy that would provide an overarching strategic focus on capability, capacity and risks. We agreed that this approach could provide an effective way to link the Council's enabler strategies. However, the Council subsequently decided not to proceed. Instead, the Council's new business plans, which are being introduced during 2017-18, will link to the suite of corporate strategies. The Council expects this approach to provide improved connectivity between its strategies and planning arrangements.
- 16 We will follow up these arrangements during late 2017-18 to assess the extent to which the intended linkages are working in practice.

The Council is improving its risk management processes but work to align project and savings plan risks to the Council's revised risk matrix has been delayed

Summary text 'Description of the Proposal for Improvement included in the original 2015 corporate assessment report'

Corporate Assessment Proposal for Improvement P6 (from the 2015 CA report)

The Council should:

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

- 17 In May 2016, Internal Audit (IA) provided reasonable assurance³ of the Council's risk management processes. The IA review focussed on the Council's use of its integrated performance management system to provide a more consistent approach to risk management. During 2016-17, a number of the planned improvements arising from the IA review were completed. Although the Council originally anticipated completing all actions during 2016, some were delayed and

³ The Council's Internal Auditor defines reasonable assurance as "Key Controls in place but some fine tuning required; key controls generally operating effectively" Source: Internal Audit routine reports to Audit Committee

now have revised completion dates between March and September 2017. The Council's IA team continues to track progress against the action plan.

- 18 The Council reports that the integrated performance management system is supporting a more consistent and sophisticated approach to risk. All operational risks have been added to the system, promoting consistent use of the revised risk matrix. However, less progress has been made in adding project risks to the system due to capacity issues and the need for further work to build and develop the Council's risk framework for projects. The Council now expects to complete this work by the end of March 2017.
- 19 Portfolio business plans have integrated risk management into service planning and monitoring processes. For example, Programme Board meetings routinely discuss both existing and emerging risks. The Council also delivered risk management training during 2016-17 to support a consistent approach to risk escalation across portfolios, and is updating its risk management guidance.
- 20 Savings plans do not currently use the risk matrix. Instead, efficiencies are risk-assessed in terms of their deliverability and acceptability. The Council also assesses the financial robustness of planned efficiencies. This provides further assurance on likely deliverability; better-developed costings increase the likelihood of achieving the planned efficiency. Once planned work to support project-level risks within the integrated performance management system is complete, the Council intends to add new portfolio business plans and efficiencies to the system. The Council expects these changes to align efficiency plans to the risk matrix and integrate risk management with efficiency reporting.
- 21 The Council provided a mid-year update on the strategic risks contained in its 2016-17 Improvement Plan to Audit Committee in January 2017. The Council's report concluded that the Council's approach to management of risk was effective; there was a significant reduction in the proportion of major risks and an increase in the number of risks classified as minor or insignificant.
- 22 We will assess the effectiveness of the updated risk management arrangements during a follow-up review in late 2017-18.

Workforce planning is a key element of the Council's new people strategy and although work is underway to develop workforce plans, it is too early to assess their impact

Summary text 'Description of the Proposal for Improvement included in the original 2015 corporate assessment report'

Corporate Assessment Proposal for Improvement P7 (from the 2015 CA report)

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

- 23 The Council's approach to workforce planning is set out in its new People Strategy 2016-2019. Effective workforce planning is a Council priority and work has recently

begun to implement this part of the strategy; the Human Resources (HR) team are working with managers to develop service level workforce plans. The Council considers that its approach to engaging with senior managers on implementation of the strategy has been effective. An outline template ensures consistency of approach across services and HR have provided service managers with the management information they require to develop the plans. A key planned outcome of the Council's people strategy is a single consolidated workforce plan and supporting action plans. The Council expects this to promote a consistent approach to workforce planning.

- 24 Although it is too early to assess the workforce plans and their impact on future reductions in staff, the People Strategy is clear about their intended purpose. The Council expects its workforce plans to set out and address the gap between current workforce arrangements and those required to deliver future service plans. Workforce plans will inform Council decisions around future workforce numbers and help it to develop job roles and flexible working patterns that support future service delivery models. The plans will form an integral part of the Council's business planning approach and portfolio business plans will be required to demonstrate how workforce requirements are being addressed.
- 25 We will review the effectiveness of the actions taken to improve the consistency of workforce planning arrangements during a follow-up review in late 2017-18.

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WALES AUDIT OFFICE
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Auditor General for Wales

Review of the Effectiveness of the Council's Efficiency Savings Programme – **Flintshire County Council**

Audit year: 2016/17

Date issued: August 2017

Document reference: 453A2017

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We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

This document is also available in Welsh.

The team who delivered the work comprised Charlotte Owen, Paul Goodlad and Jeremy Evans, under the direction of Huw Rees.

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Summary report

Summary

- 1 Flintshire County Council (the Council) has reported significant efficiency savings over the last 10 years; its Medium Term Financial Strategy notes how the need to achieve savings has accelerated in response to increasing budget pressures. Since 2008-09, the Council has reported efficiency savings of almost £60 million, including nearly £25 million for 2014-15 and 2015-16 alone – over 40% of the total savings reported since 2008-09.
- 2 In 2016-17, the Wales Audit Office reported on the extent to which the Council's financial and savings planning arrangements supported financial resilience. In this review, we look more closely at the Council's arrangements for planning, monitoring, evaluating and reporting outcomes from its efficiency savings programme. We also assess whether the Council's post-project evaluation effectively identifies and replicates good practice, helping it to avoid repeating potentially costly mistakes.
- 3 Between February and May 2017, we sampled four recently-completed 'change' projects, including projects that benefitted from initial pump-priming, to assess the Council's arrangements. The efficiency projects we sampled were:
 - corporate operating model;
 - changes to the library network;
 - in-house enforcement agent service; and
 - review of fleet arrangements.
- 4 We found that arrangements for planning and monitoring efficiency savings are effective, but arrangements for evaluating non-financial impact and for sharing post-project learning are under-developed.
- 5 We came to this conclusion because:
 - the Council has effective arrangements for planning and monitoring the financial impact of its efficiency savings programme;
 - arrangements for evaluating the non-financial impact of efficiency initiatives are not systematic, but are being strengthened; and
 - arrangements for capturing and sharing good practice are under-developed.

Proposals for improvement

- 6 It would be unusual if we did not find things that can be improved and, where we do, the Auditor General can take a variety of steps. In this case, we have made a proposal for improvement that we expect the Council to respond to in an appropriate way.

Exhibit 1: Proposals for improvement

Proposals for improvement	
P1	<p>Introduce a more robust and systematic approach to post-project evaluation, suitable for:</p> <ul style="list-style-type: none">• evaluating the non-financial impact of efficiency/change initiatives; and• capturing, sharing and promoting learning and good practice.

Detailed report

Arrangements for planning and monitoring efficiency savings are effective, but arrangements for evaluating non-financial impact and for sharing post-project learning are under-developed

The Council has effective arrangements for planning and monitoring the financial impact of its efficiency savings programme

- 7 Our review found that the Council has effective and transparent planning arrangements. The savings we reviewed were well considered and supported by robust business cases and costings. Expected benefits were clearly set out and approved by Cabinet. External consultants provided independent advice on the corporate operating model and fleet review efficiencies; the Council investigated the arrangements in place at other local authorities when assessing whether to establish an in-house enforcement service.
- 8 We noted in our 2016-17 report on Financial Resilience at Flintshire that the Council continues to refine its approach to stakeholder engagement. The savings proposals reviewed as part of this review were supported by appropriate consultation processes with a range of relevant stakeholders, including residents, staff, trade unions and external regulatory bodies.
- 9 The Council adjusts its efficiency proposals in response to consultation feedback. For example, corporate customer services was moved to a more customer-focused portfolio following feedback on the proposed corporate operating model. Similarly, the Council incorporated public feedback into the design of Deeside Library, and public consultation on rural library closures led to expressions of interest from community groups to take over operation of the libraries.
- 10 The Council's budget monitoring processes enable it to track the savings achieved. Savings are monitored monthly and variances against target are reported in regular budget monitoring updates to Cabinet and Corporate Resources Overview and Scrutiny Committee. Programme Boards monitor each portfolio's progress against savings and budgetary targets. Boards meet regularly and provide senior officers and councillors with the opportunity to review performance against savings targets and to provide challenge.
- 11 Budget monitoring documents confirm that most planned savings were achieved for the sample plans we reviewed. Some savings were lower than planned in the first year due to later-than-anticipated project starts, but were achieved in full, or expected to be, in subsequent years. Up-front investments by the Council have either been recouped already or are expected from the cumulative effect of

recurring savings. Further detail on the financial impact of each of the efficiencies is set out below.

- 12 In 2014-15, the Council included £3.1m of workforce efficiencies in its savings plan. We reviewed the senior management efficiencies related to the new, leaner corporate operating model, which was expected to contribute £460,000 to the planned savings total. Invest to save funding of £440,000 supported the upfront costs of these changes, such as exit costs. The revised Chief Officer structure successfully delivered savings, achieving £605,000 in 2014-15. The Council expects the annual savings against the previous operating model to rise to £668,000 once all Chief Officers reach the top of the new salary scale. The new operating model also led to a review of senior management support staff as part of a wider review of administration staff; this generated further savings of £116,000.
- 13 Despite these achievements, the planned changes alone did not generate savings of £3.1 million. But the target of £3.1 million was met by supplementary savings arising from unfilled vacancies and additional one-off efficiencies within portfolios.
- 14 Council plans to relocate three libraries to a new library hub in Deeside were expected to generate savings on running costs¹ of £30,000 in 2016-17. The Council received Welsh Government capital grant funding to co-locate the hub library within the Deeside leisure centre building. Fit out costs of £40,000 were funded from the existing library service budget in 2015-16. Efficiency savings should exceed this investment in less than two years; a saving of £30,000 was achieved in 2016-17, which the Council expects to rise to £50,000 in 2017-18.
- 15 The Council also funded the co-location of a library within Holywell leisure centre using £120,000 from its Community Asset Transfer Capital Grant Fund to match Welsh Government grant funding. The leisure centre was transferred to a community group by Community Asset Transfer (CAT) and the Council now rents library space from the community group. This arrangement provided a part-year saving of £4,000 in 2016-17, which the Council expects to increase to £16,000 a year from 2017-18 onwards.
- 16 The Council initially expected savings from these particular initiatives of around £142,000 in 2016-17. Delays to some CATs reduced the actual savings to £105,000. The savings shortfall in 2016-17 was covered from reserves² and from additional savings generated within the library service.
- 17 In 2015-16, the Council created an in-house enforcement agent team which was expected to generate net income of £100,000 each year. The Council reported savings of £70,000 from this initiative during 2015-16, attributing the shortfall to delays in establishing the new arrangements. In 2016-17, the service was expected to generate a further £60,000 of net income by undertaking enforcement

¹ Running costs include staffing, rates, utilities, cleaning costs etc.

² In September 2016, Cabinet approved the use of £200,000 of reserves to offset lost savings caused by a three month delay to the timescales set for the CATs of two leisure centres. £22,000 of this was used to offset library CAT savings.

work for a neighbouring council. Monitoring documents show that after costs of £210,000, the initiative generated net income of £179,000 – some £19,000 more than originally anticipated.

- 18 Following an external review of its fleet services in 2013, the Council began implementing recommendations to change the ownership model and operational management and maintenance arrangements for its vehicle fleet. Planned savings of £350,000 were achieved in 2014-15, with a further £175,000 of savings anticipated during 2015-16. Delays with the procurement process meant that changes were not introduced until October 2016, but the service identified alternative savings to plug the gap. The fleet savings are generated through fixed price contracts for vehicle hire and maintenance. This provides the Council with confidence in the level of annual savings it can expect.

Arrangements for evaluating the non-financial impact of efficiency initiatives are not systematic, but are being strengthened

- 19 The Council's arrangements for monitoring and evaluating the impact of efficiency initiatives on stakeholders are not consistent. However, the Council is taking action to ensure that non-financial impact is evaluated more systematically. For example, the chief officer team has established a culture of conversational learning, where chief officers routinely discuss hot issues, share information and work collaboratively. The Council intends to formally review the corporate operating model with the new Administration, to ensure that it remains valid.
- 20 The Council continues to monitor and support community-run libraries. However, it expects to better understand the impact of recent changes when the first annual community benefit report is produced by the community groups involved, later in 2017-18. Existing evidence³ suggests that the changes have had a minimal impact on the number of library users. Anecdotal evidence also suggests that the changes have attracted some new library users. For example, the co-located library in Deeside appears to be attracting visits from leisure centre users who did not previously use their local library. The Council intends to carry out a user impact survey during 2017 to formally evaluate the impact of the changes on stakeholders. The next annual assessment against Welsh Public Library Standards will demonstrate the impact of the changes on library performance. The Council also intends to formally review the CAT savings, including library-related transfers, at the end of 2017-18 when the current business plans end.

³ Visitor numbers to enclosed areas of Deeside library are approximately 9% lower than combined visits to the three relocated libraries in the prior year. Although visits to the open area of the library are not recorded, the Council conservatively estimates the total number of visits to both the open and enclosed areas of the library as 5% higher than before. Source: Flintshire County Council

- 21 The Council measures the success of its enforcement service by monitoring collection rates for council tax and business rates. In 2015-16, following the introduction of an in-house service, collection rates increased to 98%. This was the highest collection rate in Wales that year and the highest rate ever achieved at the Council. The Council believes that the in-house service also provides it with greater control of the revenues recovery process, such as the ability to take a proportionate response to sensitive cases.
- 22 A fleet project board manages the contracts and oversees progress in relation to this efficiency. Services' fleet requirements are regularly reviewed to ensure their needs are met and that there is no detrimental effect on services or the public from the changes to fleet hire and maintenance arrangements.

Arrangements for capturing and sharing post-project learning are under-developed

- 23 Our discussions with officers confirm that informal reflection and evaluation takes place during and after efficiency-related changes are made. For example, the corporate operating model, with its portfolio approach to grouping services under a single chief officer, supports shared learning across service areas. There are also opportunities for managers to share learning and good practice at the Council's regular Change Exchange and Academi⁴ meetings. However, post-project learning does not routinely happen and the arrangements for capturing and sharing the learning are not always robust.
- 24 The evidence we gathered about the way prior learning informs future efficiency projects has generally been anecdotal. For example, officers told us that:
- implementation of the corporate operating model has supported development opportunities and raised corporate awareness of lean management thinking. This, in turn, led to a corporate administrative staff review and encouraged chief officers to adopt a lean approach when applying workforce efficiencies within their portfolios;
 - officers we spoke to acknowledged the importance of stakeholder engagement to the success of a project and confirmed their intention to continue refining the engagement process when planning future efficiencies;
 - changes to the library network have provided the Council with valuable experience of alternative delivery models. The success of co-locating libraries within leisure centres has demonstrated the potential synergies

⁴ The Change Exchange is an informal senior officer forum for sharing local, regional and national updates and case studies which have the potential to impact the way the Council works.

The Academi is a senior management developmental network that provides opportunities for senior officers to assist, analyse and challenge key projects. It enables collective working on major strategies and internal practice sharing.

between related services - an approach the Council intends to revisit in future business plans; and

- delays to planned CATs timescales have prompted the Council to create a specific reserve to mitigate against future transfer slippages.

25 It is encouraging to see examples of the Council using post-project learning to influence future initiatives. Nevertheless, an over-reliance on informal arrangements is unlikely to maximise knowledge transfer - particularly between portfolios. A systematic process of evaluating efficiencies and of sharing good practice is more likely to help the Council replicate its successes and avoid repeating any mistakes.

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P2. Ensuring that Equality Impact Assessments (EIS) that are produced are of a consistently high quality	Integrated Impact Assessment tool and Gateway approval processes specifically including Equality Impact Assessments will improve consistency and quality of all impact assessments and their interdependencies.	A
P3. Reviewing, and where necessary improving, the effectiveness of its decision-making arrangements explicitly in relation to service change.	<p>Further refining to improve:</p> <ul style="list-style-type: none"> - Consistently high quality business cases - Incorporation of evaluation post implementation within business planning methodology - Evaluation of key changes post implementation considered by Programme Boards, Cabinet and Overview and Scrutiny - Annual review of the quality of the budget-led service change decision-making process 	G

Wales Audit Office
Corporate Assessment Follow-up
July 2017
Executive Response

The Auditor General for Wales undertook a second follow-up of the Council's Corporate Assessment completed in 2015. This review focused on Business planning, Corporate strategies, risk management and workforce planning.

The report is positive with no further proposals for improvement.

There are no new statutory recommendations.

Listed below are the original Proposals for Improvement of the Corporate Assessment along with our response and current status of progress.

Proposal for Improvement (P1-7) Including overall lead¹.	Action Update	RAG Status
<p>P1 The Council should develop and implement a (more) consistent approach to business planning that promotes the ownership by staff of key objectives and targets.</p> <p>Lead: Chief Executive</p>	<p>P1.1 Mapping of current service planning and strategies etc. to show strength and gaps (complete). Further analysis to show intentions to strengthen arrangements (complete) with a full set of operational plans being in place (for mid-2017/18)</p> <p>P1.2 Plans using the new performance management solution (CAMMS) to be piloted (09.15) with full roll out (04.18)</p> <p>P1.3 Personal appraisal model is being extended to build in service/ team service plan objectives (from 04.16). Evaluation and implementation of the new appraisal model (ongoing)</p>	<p style="text-align: center;">G</p> <p style="text-align: center;">G</p> <p style="text-align: center;">G</p>
<p>P2 The Council should improve the quality of its reports to committees and Cabinet to ensure that:</p> <ul style="list-style-type: none"> • where necessary, reports enable councillors to refer easily to relevant policies and previous decisions and discussions • key messages and 	<p>P2.1 A review of report format, style and quality of presentation (complete). Improved format used for Cabinet and Overview and Scrutiny reports (complete). The improved format includes use of executive summaries and fuller exploration of risk in assessing options for decisions. Fuller use of hyperlinks are made avoiding publishing extensive appendices where this can be avoided.</p>	<p style="text-align: center;">G</p>

<p>recommendations are clear and succinct; and</p> <ul style="list-style-type: none"> reports to scrutiny committees include recommendations or options that committees might endorse. <p>Lead: Chief Officer (Governance)</p>	<p>P2.2 Updated report writing guidelines have been produced and issued. Refresher report writing training is being organised (complete)</p> <p>P2.3 Quality assurance systems for report approval have been implemented (complete and being monitored)</p>	<p>G</p> <p>G</p>
<p>P3</p> <p>The Council should ensure that, in implementing its revised strategies for People, ICT, Finance and Asset Management:</p> <ul style="list-style-type: none"> their financial implications feed into the medium-term financial plan; and the links between the strategies are fully considered so that specialist staff are available when required. <p>Lead: Chief Executive</p>	<p>As P1 above noting:-</p> <p>P3.1 A single corporate resourcing plan is being developed (by summer 2016) as part of the suite of key corporate documents. This plan will prioritise the allocation of corporate resources for change projects (replaced by changes to corporate business planning arrangements and review of core strategies).</p> <p>P3.2 Set of 7 Programme Boards (for officer portfolios where significant change needs to be led, co-ordinated and managed) all now meeting and settled with good evidence of impact. (complete).</p> <p>P3.3 A comprehensive and more usable Medium Term Financial Strategy in a new graphic format has been published for 2015 and 2016 in 2 parts. (complete) This is being updated for 2017.</p>	<p>G</p> <p>G</p> <p>G</p>
<p>P4</p> <p>Group Leaders should strongly encourage members to take advantage of the Member Development Scheme.</p> <p>Lead: Chief Officer (Governance)</p>	<p>P4.1 A review of the member development programme is ongoing with the aim of having a broader offer for members in partnership with the Welsh Local Government Association. (ongoing)</p> <p>P4.2 Group Leaders have been requested to take-up training opportunities amongst their respective groups (ongoing)</p>	<p>G</p> <p>A</p>
<p>P5</p> <p>The Council should take the opportunity of its review of scrutiny structures to ensure that Overview and Scrutiny committees can add real value to Council decision-making by aligning agendas more explicitly to Council priorities and risks.</p> <p>Lead: Chief Officer (Governance)</p>	<p>P5.1 A Task and Finish Group set up by the Constitution Committee has reviewed the number and terms of reference of Overview and Scrutiny Committees. The Group reported to the Annual General Meeting of the Council and the new Overview and Scrutiny Committees are in place (complete).</p> <p>P5.2 Forward work programmes are being developed to include major and higher risk annual budget proposals which require monitoring and assessment of impact, major service reviews included in the budget, and periodic review of the achievement of improvement priorities. Report formats are being reviewed as P2 above to make</p>	<p>G</p> <p>G</p>

	<p>reports more purposeful (ongoing)</p> <p>P5.3 More purposeful Forward Work Programmes; reports with 4 typologies (information, assurance, policy development or options consultation) and improved report format; clearer protocol on pre-decision scrutiny for policy development and options consultation type items); purposeful recommendations and more managed chairing and debate of meetings, including precise summing up, geared toward the report purpose; training and information support programme for scrutiny; periodic committee self-assessments with feedback to chair and reporting officers on areas for improvement. A special meeting of the six new chairs was convened to plan immediately post-AGM (05.15). A Member workshop was held to develop Forward Work Programmes (07.15). Ongoing liaison with Overview and Scrutiny Chairs (ongoing)</p>	G
<p>P6</p> <p>The Council should:</p> <ul style="list-style-type: none"> • adopt a consistent approach to managing risk, ensuring that all staff involved use a similar approach to record impact, likelihood and mitigating actions; and • apply this approach to its future savings plans <p>Lead: Chief Executive</p>	<p>P6.1 Following an earlier internal review of risk management led by Internal Audit a number of actions are in train to implement the recommendations for the organisation to be more consistent and effective in the identification and reporting of risk at strategic, operational, project and partnership levels. P1 and P3 above will contribute. The most recent Internal Audit review provides a “reasonable” level of assurance (ongoing).</p>	G
<p>P7</p> <p>The Council should ensure a consistent approach to workforce planning and use the results to inform future reductions in staff</p> <p>Lead: Chief Executive</p>	<p>P7.1 The new appraisal model (as P1.3) has been run for all senior managers and has worked through the rest of the organisation. Intelligence from this renewed appraisal programme will inform the training and development programme, talent recognition, retention and progression. Evaluation of the appraisal model and further development has taken place (ongoing).</p> <p>P7.2 Workforce planning risks have been assessed in each Chief Officer portfolio area as part of the revised People Strategy (ongoing)</p>	G

Wales Audit Office

Council's effectiveness of the efficiency savings programme

August 2017

Executive Response

The Auditor General for Wales undertook a review of the Council's Governance arrangements specifically about how the Council determines significant service change.

The report is generally positive one new Proposals for Improvement.

There are no new statutory recommendations.

In our response we set out how we will make improvements to ensure full compliance with the spirit and detail of the report.

Listed below is the Proposal for Improvement along with our response and current status of progress.

Proposal for Improvement	Response	Progress Status
Introduce a more robust and systematic approach to post-project evaluation, suitable for:		
- evaluating the non-financial impact of efficiency / change initiatives	- Integrated impact assessment tool developed and being used by portfolios	G
	- Tool provides end to end process of defining service change, impact of service change, risks and mitigation plus transition plans and evaluation.	G
	- Gateway approval processes built into Integrated Impact Assessment for all service changes prior to consideration by members.	G
- capturing, sharing and promoting learning and good practice.	Further refining to improve:	
	- Consistently high quality business cases	A
	- Incorporation of evaluation post implementation within business planning methodology	A
	- Evaluation of proposals post implementation considered by Programme Boards and Cabinet	A
	- Overall effectiveness of decision-making reviewed by Corporate Resources Overview and Scrutiny Committee.	A

Eitem ar gyfer y Rhaglen 6



AUDIT COMMITTEE

Date of Meeting	Wednesday 27 September 2017
Report Subject	Annual Improvement Report of the Auditor General for Wales
Report Author	Chief Executive

EXECUTIVE SUMMARY

This Annual Improvement Report (AIR) summarises the audit and regulatory work undertaken at the Council by the Wales Audit Office since the last report was published in July 2016.

Overall the Auditor General for Wales has reached a positive conclusion. *“The Council is meeting its statutory requirements in relation to continuous improvement”*.

No formal recommendations have been made during the year.

There are four new voluntary proposals for improvement.

An executive response to the reviews is set out.

RECOMMENDATIONS

1.	To be assured by the Auditor General for Wales' Annual Improvement Plan for 2016/17 and support the executive response to the Annual Improvement Report.
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REPORT DETAILS

1.00	The Annual Improvement Report
1.01	The Auditor General under the Local Government (Wales) Measure 2009 (Measure) undertakes and publishes an annual improvement report for all Welsh Councils, Fire and Rescue Authorities and National Park Authorities.

1.02	This is the seventh Annual Improvement Report for Flintshire. However, the format is different from previous years in that it is a summary of the audit, regulatory and inspection work carried out in 2016/17.
1.03	Overall the Auditor General has concluded that: <i>“The Council is meeting its statutory requirements in relation to continuous improvement”</i> .
1.04	The Auditor General has not made any statutory recommendations with which the Council must comply. There are 4 new voluntary proposals for improvement.
1.05	The Council’s response to the four proposals for improvement is attached as Appendix 2.

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

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	Corporate Resources Overview & Scrutiny Committee and Audit Committee will be considering this report as part of their Forward Work programme.

4.00	RISK MANAGEMENT
4.01	Findings from the Wales Audit Office are risk managed as part of regular monitoring.

5.00	APPENDICES
5.01	Appendix 1: Annual Improvement Report September 2017 Appendix 2: Flintshire’s executive response

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	Contact Officer: Karen Armstrong, Corporate Business and Communications Executive Officer Telephone: 01352 702740

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7.00	GLOSSARY OF TERMS
7.01	<p>Annual Improvement Report: The Annual Improvement Report is publicised by the Wales Audit Office (WAO) on behalf of the Auditor General for Wales. It brings together, with the input of other inspectorates such as Estyn and the Care and Social Services Inspectorate for Wales (CSSIW), a summary of the regulatory work of the past year.</p>
7.02	<p>Corporate Assessment: In 2013/14 the Wales Audit Office (WAO) began a new four year cycle of Corporate Assessments of improvement authorities in Wales. An in-depth Corporate Assessment reports on the Council's track record of performance and outcomes as well as the key arrangements necessary to underpin improvements in services and functions. Flintshire's first Corporate Assessment was conducted in late 2014 and the report on its outcomes was included in the Annual Improvement Report published in March 2015.</p>
7.03	<p>Improvement Plan: the document which sets out the annual priorities of the Council. It is a requirement of the Local Government (Wales) Measure 2009 to set Improvement Objectives and publish an Improvement Plan.</p>
7.04	<p>Wales Audit Office: works to support the Auditor General as the public sector watchdog for Wales. They aim to ensure that the people of Wales know whether public money is being managed wisely and that public bodies in Wales understand how to improve outcomes.</p>

Mae'r dudalen hon yn wag yn bwrpasol



WALES AUDIT OFFICE
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Auditor General for Wales

Annual Improvement Report: 2016-17 – Flintshire County Council

Audit year: 2016-17

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

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

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

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

We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

Mae'r ddogfen hon hefyd ar gael yn Gymraeg. This document is also available in Welsh.

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

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Summary report

2016-17 performance audit work

- 1 In determining the breadth of work undertaken during the year, we considered the extent of accumulated audit and inspection knowledge as well as other available sources of information including Flintshire County Council's (the Council) own mechanisms for review and evaluation. For 2016-17, we undertook improvement assessment work at all councils under three themes: governance, use of resources, and improvement planning and reporting. At some councils, we supplemented this work with local risk-based audits, identified in the Audit Plan for 2016-17.
- 2 The work carried out since the last Annual Improvement Report (AIR), including that of the relevant regulators, is set out in [Exhibit 1](#).

The Council is meeting its statutory requirements in relation to continuous improvement

- 3 Based on, and limited to, the work carried out by the Wales Audit Office and relevant regulators, the Auditor General believes that the Council is likely to comply with the requirements of the Local Government Measure (2009) during 2017-18.

Recommendations and proposals for improvement

- 4 Given the wide range of services provided by the Council and the challenges it is facing, it would be unusual if we did not find things that can be improved. The Auditor General is able to:
 - make proposals for improvement – if proposals are made to the Council, we would expect it to do something about them and we will follow up what happens;
 - make formal recommendations for improvement – if a formal recommendation is made, the Council must prepare a response to that recommendation within 30 working days;
 - conduct a special inspection, and publish a report and make recommendations; and
 - recommend to ministers of the Welsh Government that they intervene in some way.

- 5 During the course of the year, the Auditor General did not make any formal recommendations. However, a number of proposals for improvement have been made and these are repeated in this report. We will monitor progress against them and relevant recommendations made in our national reports ([Appendix 3](#)) as part of our improvement assessment work.

Audit, regulatory and inspection work reported during 2016-17

Exhibit 1: audit, regulatory and inspection work reported during 2016-17

Description of the work carried out since the last AIR, including that of the relevant regulators, where relevant.

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Issue date	Brief description	Conclusions	Proposals for improvement
Governance			
May 2017	<p>Good governance when determining service changes</p> <p>Review of the Council's governance arrangements for determining service changes.</p>	<p>The Council's governance arrangements for determining significant service change are generally effective with some opportunities to further strengthen its approach.</p> <p>We came to this conclusion because:</p> <ul style="list-style-type: none"> • the Council has a clear vision and strategic approach for determining service change; • governance and accountability arrangements for service change decision-making processes are clear, comprehensive and well-understood; • options appraisals relating to service change are robust, transparent and wide-ranging; • the Council has effective arrangements to engage with, and inform, stakeholders about 	<p>The Council's governance arrangements could be strengthened by:</p> <p>P1 Clearly defining the role of Scrutiny Committees in reviewing the impact of individual service changes, and by encouraging committees to reflect this role in their Forward Work Plans</p> <p>P2 Ensuring that Equality Impact Assessments associated with service change are of a consistently high quality.</p>

Issue date	Brief description	Conclusions	Proposals for improvement
		<p>service change proposals, their potential implications and the processes involved in reaching a decision;</p> <ul style="list-style-type: none"> • corporate arrangements for monitoring the impact of service change are generally clear, but there is scope to clarify the role of scrutiny; and • the Council continues to review and refine its governance and decision-making arrangements and responds positively to external audit feedback. 	<p>P3 Ensuring that internal reviews of its governance arrangements – such as the Annual Governance Statement – explicitly consider governance in relation to decisions about service change.</p>
Use of resources			
November 2016	<p>Annual audit letter 2015-16</p> <p>Letter summarising the key messages arising from the Auditor General's statutory responsibilities under the Public Audit (Wales) Act 2004 and his reporting responsibilities under the Code of Audit Practice. The Annual Audit Letter is in Appendix 2 of this report.</p>	<p>The Council complied with its responsibilities relating to financial reporting and use of resources</p> <ul style="list-style-type: none"> • the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources; and • work to date on certification of grant claims and returns has not identified significant issues that would impact on the 2015-16 accounts or key financial systems. 	None

Issue date	Brief description	Conclusions	Proposals for improvement
January 2017	<p>Savings planning Review of the Council's financial savings arrangements, including how well it is delivering the required savings and whether it has robust approaches to plan, manage and deliver budget savings, at a pace that supports financial resilience.</p>	<p>The Council has a sound financial planning framework and it continues to strengthen its financial planning to better support future financial resilience.</p> <p>We came to this conclusion because:</p> <p>Savings achievement 2015-16</p> <ul style="list-style-type: none"> the Council has reported achievement of 83% of its planned 2015-16 savings in year and can demonstrate that individual savings have been delivered. <p>Financial planning arrangements</p> <ul style="list-style-type: none"> the Council has an effective corporate framework for financial planning and plans to lengthen the term of the MTFS to five years to address the current lack of indicative plans for future years. <p>Savings Plan 2016-17</p> <ul style="list-style-type: none"> the Council forecasts that it will achieve 90% of its 2016-17 revised planned savings but some of its savings proposals are not sufficiently well developed when the budget is approved. 	<p>P1 Strengthen financial planning arrangements by ensuring that all savings proposals are sufficiently developed before the start of the financial year in which they are to be implemented.</p>
Local risk-based performance audit			

Issue date	Brief description	Conclusions	Proposals for improvement
August 2017	<p>Corporate Assessment Follow-up</p> <p>Review of the actions taken by the Council in response to proposals for improvement in the 2015 corporate assessment report</p>	<p>The Council continues to make progress in addressing the 2015 corporate assessment proposals for improvement:</p> <ul style="list-style-type: none"> • the Council is promoting staff ownership of key objectives which will be supported by a new integrated approach to business planning in 2017-18; • corporate strategies are well aligned and the Council has implemented its revised asset management strategy, but progress on the new people and digital strategies has been slower than planned; • the Council is improving its risk management processes but work to align project and savings plan risks to the Council's revised risk matrix has been delayed; and • workforce planning is a key element of the Council's new people strategy and although work is underway to develop workforce plans, it is too early to assess their impact. 	<p>There are no additional proposals for improvement resulting from the follow-up audit. However, we expect the Council to continue making progress against the original proposals.</p>
August 2017	<p>Review of the effectiveness of the Council's efficiency savings programme</p>	<p>Arrangements for planning and monitoring efficiency savings are effective, but arrangements for evaluating non-financial impact and for sharing post-project learning are under-developed:</p>	<p>There are no additional proposals for improvement resulting from the follow-up audit. However, we expect the Council to continue making</p>

Issue date	Brief description	Conclusions	Proposals for improvement
	An analysis of the Council's arrangements for planning, monitoring, evaluating and reporting outcomes from its efficiency savings programme.	<ul style="list-style-type: none"> • the Council has effective arrangements for planning and monitoring the financial impact of its efficiency savings programme; • Arrangements for evaluating the non-financial impact of efficiency initiatives are not systematic, but are being strengthened; and • Arrangements for capturing and sharing post-project learning are under-developed. 	progress against the original proposals
Improvement planning and reporting			
July 2016	Wales Audit Office annual improvement plan audit Review of the Council's published plans for delivering on improvement objectives.	The Council has complied with its statutory improvement planning duties.	None
November 2016	Wales Audit Office annual assessment of performance audit Review of the Council's published performance assessment.	The Council has complied with its statutory improvement reporting duties.	None
Reviews by inspection and regulation bodies			

Issue date	Brief description	Conclusions	Proposals for improvement
No reviews by inspection and regulation bodies have taken place during the time period covered by this report.			

Appendix 1

Status of this report

The Local Government (Wales) Measure 2009 (the Measure) requires the Auditor General to undertake a forward-looking annual improvement assessment, and to publish an annual improvement report, for each improvement authority in Wales. Improvement authorities (defined as local councils, national parks, and fire and rescue authorities) have a general duty to 'make arrangements to secure continuous improvement in the exercise of [their] functions'.

The annual improvement assessment considers the likelihood that an authority will comply with its duty to make arrangements to secure continuous improvement. The assessment is also the main piece of work that enables the Auditor General to fulfil his duties. Staff of the Wales Audit Office, on behalf of the Auditor General, produce the annual improvement report. The report discharges the Auditor General's duties under section 24 of the Measure, by summarising his audit and assessment work in a published annual improvement report for each authority. The report also discharges his duties under section 19 to issue a report certifying that he has carried out an improvement assessment under section 18 and stating whether (as a result of his improvement plan audit under section 17) he believes that the authority has discharged its improvement planning duties under section 15.

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

Appendix 2

Annual Audit Letter

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Councillor Aaron Shotton – Leader
Colin Everett – Chief Executive
Flintshire County Council
County Hall
Mold
Flintshire
CH7 6NB

Reference: 644A2016

Date issued: 29 November 2016

Dear Aaron and Colin

Annual Audit Letter – Flintshire County Council 2015-16

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

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

It is the Council's responsibility to:

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

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

- provide an audit opinion on the accounting statements;

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

Local authorities in Wales prepare their accounting statements in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. This Code is based on International Financial Reporting Standards.

I issued an unqualified audit opinion on the financial statements confirming they present a true and fair view of the Council's financial position and transactions on 29 September 2016. My report is contained within the Statement of Accounts. The key matters arising from the accounts audit were:

- It was pleasing to note that the Council had been proactive in addressing the issues identified during the 2014-15 audit. The improvements were overseen by a newly established Accounts Governance Group. We would encourage this Group to continue to support the Finance team in future challenges such as changes in accounting for Highway Network assets and the requirement for financial statements to be produced earlier in future years.
- The valuation method adopted in revaluing the Council's housing stock was flawed and resulted in restatement.
- The Council needs to accelerate its investigations into the potential liabilities arising from a number of former waste disposal sites to ensure that it can appropriately recognise any financial liabilities as an accounting provision in its financial statements and address any funding issues from a budgetary perspective.

These were reported in detail to members of the Council in my Audit of Financial Statements report on 26 September 2016.

In the near future, we will be holding a joint Post Project Learning exercise with Council finance officers to identify areas where we can both learn from this year, and make improvements for the future. We will hold regular meetings to take any issues forward and to start preparations for future challenges as referred to above.

It is also worth noting, the Council lead on the preparation of the accounts for the North Wales Residual Waste Joint Committee. On 29 September 2016, I confirmed that the information contained in its annual return was in accordance with proper practices.

I issued a certificate confirming that both the audits of the accounts have been completed on 29 September 2016.

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

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

We will also shortly be issuing a report on the council's financial resilience which will consider whether the council's financial savings planning arrangements support financial resilience.

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

My ongoing work on the certification of grants claims and returns has not identified any significant issues to date in relation to the accounts or the Council's key financial systems. A more detailed report on my grant certification work will follow in the spring 2017 once this year's programme of certification work is complete.

The financial audit fee for 2015-16 is currently expected to be in line with the agreed fee set out in the Annual Audit Plan.

Yours sincerely



John Herniman
Engagement Director
For and on behalf of the Auditor General for Wales

Appendix 3

National report recommendations 2016-17

Exhibit 2: national report recommendations 2016-17

Summary text for Appendix 2 'Summary of proposals for improvement relevant to local government, included in national reports published by the Wales Audit Office, since publication of the last AIR'

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Date of report	Title of review	Recommendation
August 2016	<u>Financial Resilience of Local Authorities in Wales 2015-16</u>	<p>In our report of 2014-15 (The Financial Resilience of Councils in Wales, April 2015) we made a number of recommendations for local authorities. Many of these recommendations remained relevant and required further work from authorities to address them during 2016-17. In addition, we also made the following recommendations based on our more recent review:</p> <p>R1 Local authorities should strengthen their financial-planning arrangements by:</p> <ul style="list-style-type: none">• developing more explicit links between the Medium Term Financial Plan (MTFP) and its corporate priorities and service plans;• aligning other key strategies such as workforce and asset management plans with the MTFP;

Date of report	Title of review	Recommendation
		<ul style="list-style-type: none"> • developing comprehensive multi-year fully costed savings plans which underpin and cover the period of the MTFP, not just the forthcoming annual budget; • categorising savings proposals so that the shift from traditional-type savings to transformational savings can be monitored over the period of the MTFP; and • ensuring timescales for the delivery of specific savings proposals are realistic and accountability for delivery is properly assigned. <p>R2 Local authorities should develop corporate income generation and charging policies.</p> <p>R3 Local authorities should ensure that they have a comprehensive reserves strategy, which outlines the specific purpose of accumulated useable reserves and the impact and use of these in the MTFP.</p> <p>R4 Local authorities should develop key performance indicators to monitor the MTFP.</p> <p>R5 Local authorities should ensure that savings plans are sufficiently detailed to ensure that members are clear as to what the plans are intended to deliver and that the delivery of those plans can be scrutinised appropriately throughout the year.</p>

Date of report	Title of review	Recommendation
		R6 Local authorities should ensure that corporate capacity and capability are at a level that can effectively support the delivery of savings plans in the MTFP at the pace required.
October 2016	<u>Community Safety in Wales</u>	<p>The seven recommendations within this report required individual and collective action from a range of stakeholders – the Welsh Government, Home Office Wales Team, police and crime commissioners, public service board members and local authorities:</p> <p>R1 Improve strategic planning to better coordinate activity for community safety by replacing the existing planning framework with a national strategy supported by regional and local plans that are focused on delivering the agreed national community-safety priorities.</p> <p>R2 Improve strategic partnership working by formally creating effective community-safety boards that replace existing community-safety structures that formalise and draw together the work of the Welsh Government, police forces, local authorities, health boards, fire and rescue authorities, WACSO and other key stakeholders.</p> <p>R3 Improve planning through the creation of comprehensive action plans that cover the work of all partners and clearly identify the regional and local contribution in meeting the national priorities for community safety.</p>

Date of report	Title of review	Recommendation
		<p>R4 Review current grant-funding arrangements and move to pooled budgets with longer-term funding commitments to support delivery bodies to improve project and workforce planning that focuses on delivering the priorities of the national community-safety strategy.</p> <p>R5 Ensure effective management of performance of community safety by:</p> <ul style="list-style-type: none"> • setting appropriate measures at each level to enable members, officers and the public to judge progress in delivering actions for community-safety services; • ensuring performance information covers the work of all relevant agencies; and • establishing measures to judge inputs, outputs and impact to be able to understand the effect of investment decisions and support oversight and scrutiny. <p>R6 Revise the systems for managing community-safety risks and introduce monitoring and review arrangements that focus on assuring the public that money spent on community safety is resulting in better outcomes for people in Wales.</p> <p>R7 Improve engagement and communication with citizens through public service boards in:</p> <ul style="list-style-type: none"> • developing plans and priorities for community safety;

Date of report	Title of review	Recommendation
		<ul style="list-style-type: none"> • agreeing priorities for action; and • reporting performance and evaluating impact.
November 2016	<u>Charging for Services and Generating Income by Local Authorities</u>	<p>This report made eight recommendations, of which six required action from local authorities. Recommendations R4 and R6 required action from the Welsh Government and Welsh Local Government Association:</p> <p>R1 Develop strategic frameworks for introducing and reviewing charges, linking them firmly with the Medium Term Financial Plan and the Corporate Plan.</p> <p>R2 Review the unit and total costs of providing discretionary services to clearly identify any deficits and, where needed, set targets to improve the current operating position.</p> <p>R3 Use the impact assessment checklist whenever changes to charges are considered.</p> <p>R5 Identify opportunities to procure private sector companies to collect charges to improve efficiency and economy in collecting income.</p> <p>R7 Improve management of performance, governance and accountability by:</p> <ul style="list-style-type: none"> • regularly reporting any changes to charges to scrutiny committee(s);

Date of report	Title of review	Recommendation
		<ul style="list-style-type: none"> • improving monitoring to better understand the impact of changes to fees and charges on demand, and the achievement of objectives; • benchmarking and comparing performance with others more rigorously; and • providing elected members with more comprehensive information to facilitate robust decision making. <p>R8 Improve the forecasting of income from charges through the use of scenario planning and sensitivity analysis.</p>
January 2017	<u>Local Authority Funding of Third Sector Services</u>	<p>This report made three recommendations, of which two required action from local authorities. Recommendation R3 required action from the Welsh Government:</p> <p>R1 To get the best from funding decisions, local authorities and third sector bodies need to ensure they have the right arrangements and systems in place to support their work with the third sector. To assist local authorities and third sector bodies in developing their working practices, we recommend that local authority and third sector officers use the <u>Checklist for local authorities effectively engaging and working with the third sector</u> to:</p> <ul style="list-style-type: none"> • self-evaluate current third sector engagement, management, performance and practice;

Date of report	Title of review	Recommendation
		<ul style="list-style-type: none">• identify where improvements in joint working is required; and• jointly draft and implement an action plan to address the gaps and weaknesses identified through the self-evaluation. <p>R2 Poor performance management arrangements are weakening accountability and limiting effective scrutiny of third sector activity and performance. To strengthen oversight of the third sector, we recommend that elected members scrutinise the review checklist completed by officers, and regularly challenge performance by officers and the local authority in addressing gaps and weaknesses.</p>

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Assessments (EIS) that are produced are of a consistently high quality	and Gateway approval processes specifically including Equality Impact Assessments will improve consistency and quality of all impact assessments and their interdependencies.	
P3. Reviewing, and where necessary improving, the effectiveness of its decision-making arrangements explicitly in relation to service change.	<p>Further refining to improve:</p> <ul style="list-style-type: none"> - Consistently high quality business cases - Incorporation of evaluation post implementation within business planning methodology - Evaluation of key changes post implementation considered by Programme Boards, Cabinet and Overview and Scrutiny - Annual review of the quality of the budget-led service change decision-making process 	G

Proposal for Improvement	Response	Progress Status
Council's Effectiveness of the Efficiency Savings Programme		
Introduce a more robust and systematic approach to post-project evaluation, suitable for:		
- evaluating the non-financial impact of efficiency / change initiatives	- Integrated impact assessment tool developed and being used by portfolios	G
	- Tool provides end to end process of defining service change, impact of service change, risks and mitigation plus transition plans and evaluation.	G
	- Gateway approval processes built into Integrated Impact Assessment for all service changes prior to consideration by members.	G
- capturing, sharing and promoting learning and good practice.	<p>Further refining to improve:</p> <ul style="list-style-type: none"> - Consistently high quality business cases - Incorporation of evaluation post implementation within business planning methodology - Evaluation of proposals post implementation considered by Programme Boards and Cabinet - Overall effectiveness of decision-making reviewed by Corporate Resources Overview and Scrutiny 	A A A A

	Committee.	
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Mae'r dudalen hon yn wag yn bwrpasol

Eitem ar gyfer y Rhaglen 7



AUDIT COMMITTEE

Date of Meeting	Wednesday, 27 September 2017
Report Subject	Internal Audit Progress Report
Cabinet Member	Not Applicable
Report Author	Internal Audit Manager
Type of Report	Assurance

EXECUTIVE SUMMARY

Internal Audit produces a progress report for the Audit Committee every quarter. This shows the position of the team against the plan, changes to the plan, final reports issued, action tracking, performance indicators and current investigations. This meets the requirements of the Public Sector Internal Audit Standards, and also enables the committee to fulfil the Terms of Reference with regards to Internal Audit.

The current report is attached.

RECOMMENDATIONS

1	To consider and accept the report.
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REPORT DETAILS

1.00	EXPLAINING THE INTERNAL AUDIT PROGRESS REPORT
1.01	Internal Audit gives a progress report to the Audit Committee every quarter as part of the normal reporting process. The report is divided into several parts.
1.02	All reports finalised since the last committee meeting are shown in Appendix A. The level of audit assurance for standard audit reviews is detailed within Appendix B. Since June 2017, only one 'Red' or 'Limited' assurance review, Planning Enforcement has been issued. Details of the review are noted within Appendix C. Copies of all final reports are available for members if they

	wish to see them.
1.03	Appendix D – CRSA shows the results of the 2016/17 Control and Risk Self Assessment (CRSA) undertaken by schools. Every year schools are required to undertake a CRSA. A questionnaire is prepared by internal audit and sent to the schools, who complete it and return it. Schools are required to enter comments where applicable. The responses are analysed and the results are then used to target particular areas or topics for audit review. These reviews take place over a number of schools. This system enables audit to increase the level of assurance we can provide to the Chief Officer about the standards in schools, whilst at the same time minimising audit time in the schools by eliminating the need for traditional school visits.
1.04	Based on the results school audits were completed in six primary schools, two secondary schools and one special school, looking at absence management, asset management, data protection & FOI, income generation, insurance, petty cash and procurement. An overall report was prepared showing common areas of weakness.
1.05	<p>The automatic tracking of actions continues using the integrated audit software. All actions are tracked automatically and the system allows Managers and Chief Officers to monitor their own teams' outstanding actions and confirm they are being implemented.</p> <p>E-mail alerts are generated by the system and sent to the responsible officer and their manager before the action is due. E-mails are also sent to them and copied to Chief Officers if actions are not completed on time. Monthly reports are also sent to Chief Officers informing them of outstanding actions for their teams.</p> <p>The system was rolled out from the 4th January 2016, including requiring all managers and Chief Officers to register. It included all actions from reports issued since April 2015, along with outstanding actions previously tracked. As such there was a large backlog of actions which have been completed and closed on the system.</p> <p>Appendix E shows the current situation. Of 632 actions entered into the system 486 have been cleared. Of the remaining live 144 actions, 6 are currently overdue. Appendix F provides the reasons for overdue actions, along with a note on how the risk is being managed before the action is complete.</p> <p>In accordance with the wishes of the Committee in September 2016, Appendix G lists all actions with a revised due date of six months from the original due date is listed and a note on how the risk is being managed. For each revised due date entered onto the system, the officer is required to provide a reason to support this change.</p>
1.06	Appendix H shows the status of current investigations into alleged fraud or irregularities. The table includes the start dates of the investigations.
1.07	Appendix I shows the range of performance indicators for the department. Within the last two quarters there has been an improvement in the average number of days from end of fieldwork to debrief meetings and for the few

	<p>targets that did not improve they were already green.</p> <p>There has been a decline in the audits completed within budget. This largely relates to audits completed from the previous year. There continues to be a decline against target in the time taken for departments to return draft reports however this is more a reflection of the detailed work undertaken and greater stakeholder involvement and should not be seen negatively.</p>
1.08	These targets will continue to be monitored throughout the financial year.
1.09	Appendix J provides an update on those audit reviews that being finalised for the 2016/17 plan.
1.10	Appendix K shows the current position of work undertaken against the 2017/18 plan.
1.11	<p>Since April :</p> <ul style="list-style-type: none"> • The Strategic Audit Plan has been kept under continuous review with regular meetings taking place with the Chief Executive, Chief Officers, their Senior Management Team. • Eleven new requests for additional work has been received and in most cases, work has been completed. • All high priority audits will be undertaken at this stage during 2017/18. • Out of the 19 high priority audits: <ul style="list-style-type: none"> - 11 are either in progress or fieldwork is complete - 1 has been completed - 7 are due to start quarter 3/4

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

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	None required.

4.00	RISK MANAGEMENT
4.01	The work of Internal Audit provides assurance to the Council that adequate and effective controls are in place to mitigate risks.

5.00	APPENDICES
5.01	<p>Appendix A – Final Reports Issued Since March 2017</p> <p>Appendix B – Levels of Audit Assurance</p> <p>Appendix C – Red / Limited Assurance Report Issued</p> <p>Appendix D – CRSA in schools</p> <p>Appendix E – Action Tracking – Portfolio Statistics</p> <p>Appendix F – Actions Beyond Due Date</p> <p>Appendix G – Actions with Revised Due Date Six Months Beyond Original</p>

	<p style="text-align: center;">Due Date</p> <p>Appendix H – Investigation Update Appendix I – Performance Indicators Appendix J – Operational Plan 2016/17 (Carry Forward) Appendix K – Operational Plan 2017/18</p>
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6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>None.</p> <p>Contact Officer: Lisa Brownbill, Internal Audit Manager Telephone: 01352 702231 E-mail: Lisa.brownbill@flintshire.gov.uk</p>

7.00	GLOSSARY OF TERMS
7.01	<p>Wales Audit Office: works to support the Auditor General as the public sector watchdog for Wales. They aim to ensure that the people of Wales know whether public money is being managed wisely and that public bodies in Wales understand how to improve outcomes.</p> <p>Corporate Governance: the system by which local authorities direct and control their functions and relate to their communities. It is founded on the basic principles of openness and inclusivity, integrity and accountability together with the overarching concept of leadership. It is an inter-related system that brings together the underlying set of legislative requirements, governance principles and management processes.</p> <p>Wales Chief Auditors Group: An informal meeting group of Chief Auditors to discuss items of mutual interest.</p> <p>Operational Plan: the annual plan of work for the Internal Audit team.</p>

Flintshire Internal Audit

Progress Report



September
2017

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Final Reports Issued Since June 2017

Appendix A

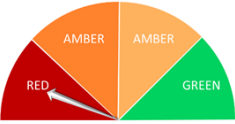
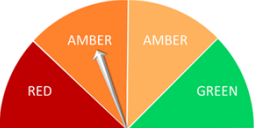
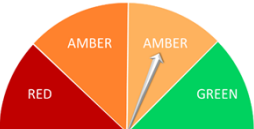
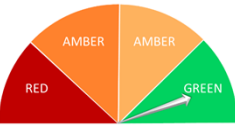
The following reports have been finalised since the last Audit Committee. Action plans are in place to address the weaknesses identified. For reviews which received **Red** assurance a summary of the findings and the Action Plan is attached in **Appendix C**.

Project Reference	Project Description	Audit Type	Level of Assurance	Actions		
				High	Med	Low
11-2016/17	Planning Enforcement	Risk Based	R	4	3	3
19-2016/17	Alltami Stores	Risk Based	AR	1	9	1
30-2016/17	Hawarden High School	Risk Based	AG	0	2	4
32-2016/17	Ysgol Parc Y Llan	Risk Based	AG	0	3	4
28-2016/17	Ysgol Trelawynd	Risk Based	AG	0	1	4
33-2016/17	Ysgol Maes Hyfryd	Risk Based	AG	0	1	2
44-2016/17	Performance Indicators	Risk Based	AG	0	2	2
41-2016/17	Risk Based Thematic Reviews	Risk Based	AG	0	5	6
47-2016/17	Pensions Investments	Risk Based	AG	0	4	4
34-2016/17	Flint High School	Risk Based	AG	0	7	6
27/2016/17	Ysgol Golfyn	Risk Based	G	0	0	1
11-2016/17	Building Control	Risk Based	G	0	0	1
29-2016/17	Wood Memorial	Risk Based	G	0	1	1
08-2017/18	Security of HRC Sites	Advice & Consultancy	No Opinion	-	-	-
51-2016/17	School Uniform Grant	Advice & Consultancy	No Opinion	0	2	0
AC 01-2017/18	Alternative Delivery Model : NEWydd	Advice & Consultancy	No Opinion	-	-	-
AC 02-2017/18	Streetlighting Security	Advice & Consultancy	No Opinion	-	-	-
AC 04-2017/18	Method Statements - MTFS	Advice & Consultancy	No Opinion	-	-	-
AC 06-2017/18	Social Services Financial Processes	Commissioned Work	No Opinion	-	-	-

Levels of Assurance – Standard Audit Reports

Appendix B

The audit opinion is the level of assurance that Internal Audit can give to management and all other stakeholders on the adequacy and effectiveness of controls within the area audited. It is assessed following the completion of the audit and is based on the findings from the audit. Progress on the implementation of agreed actions will be monitored. Findings from **Red** assurance audits will be reported to the Audit Committee.

Level of Assurance	Explanation
<p>Red – Limited</p> 	<p>Urgent system revision required (one or more of the following)</p> <ul style="list-style-type: none"> • Key controls are absent or rarely applied • Evidence of (or the potential for) significant financial / other losses • Key management information does not exist • System / process objectives are not being met, or are being met at a significant and unnecessary cost or use of resources. <p>Conclusion: a lack of adequate or effective controls.</p> <p>Follow Up Audit - <30% of actions have been implemented. Unsatisfactory progress has been made on the implementation of high priority actions.</p>
<p>Amber Red – Some</p> 	<p>Significant improvement in control environment required (one or more of the following)</p> <ul style="list-style-type: none"> • Key controls exist but fail to address all risks identified and / or are not applied consistently and effectively • Evidence of (or the potential for) financial / other loss • Key management information exists but is unreliable • System / process objectives are not being met, or are being met at an unnecessary cost or use of resources. <p>Conclusion: key controls are generally inadequate or ineffective.</p> <p>Follow Up Audits - 30-50% of actions have been implemented. Any outstanding high priority actions are in the process of being implemented.</p>
<p>Amber Green – Reasonable</p> 	<p>Key Controls in place but some fine tuning required (one or more of the following)</p> <ul style="list-style-type: none"> • Key controls exist but there are weaknesses and / or inconsistencies in application though no evidence of any significant impact • Some refinement or addition of controls would enhance the control environment • Key objectives could be better achieved with some relatively minor adjustments <p>Conclusion: key controls generally operating effectively.</p> <p>Follow Up Audit: 51-75% of actions have been implemented. All high priority actions have been implemented.</p>
<p>Green – Substantial</p> 	<p>Strong controls in place (all or most of the following)</p> <ul style="list-style-type: none"> • Key controls exist and are applied consistently and effectively • Objectives achieved in a pragmatic and cost effective manner • Compliance with relevant regulations and procedures • Assets safeguarded • Information reliable <p>Conclusion: key controls have been adequately designed and are operating effectively to deliver the key objectives of the system, process, function or service.</p> <p>Follow Up Audit: 75%+ of actions have been implemented. All high priority actions have been implemented.</p>
<p>Categorisation of Actions</p>	<p>Actions are prioritised as High, Medium or Low to reflect our assessment of risk associated with the control weaknesses</p>
<p>Value for Money</p>	<p>The definition of Internal Audit within the Audit Charter includes 'It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper economic, efficient and effective use of resources.' These value for money findings and recommendations are included within audit reports.</p>

Limited Assurance Report – Issued since June 2017

Appendix C

Planning Enforcement

Background

An audit of Planning Enforcement was undertaken as part of the approved annual audit plan for 2016/17.

The Planning Enforcement team have responsibility for investigating planning referrals received to ensure that planning regulations are being adhered to within the County i.e. planning applications in place, planning conditions which have been imposed are complied with.

The Planning Enforcement team has a current workload of 228 active referrals. At the time of the audit, the team's performance had been negatively impacted by a number of long-standing issues though a number of officers had been seconded on a short term basis to assist with the workload.

This review examined the managing and monitoring of the planning enforcement referrals received. Focus was placed on the current processes in place, the prioritisation of managing referrals, the quality and completeness of evidence recorded and the timescales for completing referrals.

Overall Conclusion:

Whilst the audit confirmed that the Enforcement Officers effectively plan their visits and complaints against enforcement decisions are appropriately monitored, there were inadequate or ineffective controls in place within the service which has resulted in a 'red' / limited assurance opinion being given. The impact of this assurance opinion requires urgent service revision to address the issues.

Following the audit, through liaising with key officers, action has been taken by the Chief Officer (Planning and Environment) and the Development Manager to start to address the audit findings. Work undertaken to date includes:

- A restructure of the service has commenced;
- A review of the Enforcement Policy;
- Comparison of existing performance software with other software available; and
- Adjusted priorities, reflecting these in change correspondence.

The Chief Officer (Planning and Environment) and the Development Manager will provide a full verbal update to Audit Committee and it has been agreed that as part of the Strategic Audit Plan for 2017/18 a follow up review will be undertaken of Planning Enforcement at the year-end.

Planning Enforcement : Action Plan

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No.	Findings and Implications	Agreed Action	Who	When
1 (R)	<p>A review of the case management system (FLARE) was examined where it was identified that the Team Leader and an Enforcement Officer who had both been on long term absences have not had their case-loads reassigned. The Team Leader had 68 pending referrals (absent from September 2016 to April 2017) and the Enforcement Officer has 37 (absent since December 2016).</p> <p>It was later identified that the Development Service Manager had managed to review and continue work on some of the cases but accepted that without the respective officers input it was difficult to determine the active status of all referrals as records were not kept up to date.</p> <p>Within the current draft Enforcement Policy it states that site visits will be undertaken with 3 / 5 / 15 working days from receipt dependant on priority. Welsh Government also obtains performance data for each Council which is published on a quarterly basis and requests information on the number of referrals being investigated within 84 days and resolved within 180 days.</p> <p>There is a significant risk that referrals received are not being investigated within the defined timescales which could have a detrimental impact on both the area in question and the reputation of the Council.</p>	<p>A review of all cases has commenced (April 2017) and all pending investigations will be reassessed. It is expected that this exercise will be completed by September 2017.</p> <p>URN 01895</p>	Mandy Lewis	30/09/2017
2 (R)	<p>Audit testing identified a number of concerns regarding the documenting of planning enforcement referrals.</p>	<p>The service will review how enforcement referrals are investigated through process mapping and ensure that consistency exists</p>	Mandy Lewis	31/08/2017

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No.	Findings and Implications	Agreed Action	Who	When
	<ul style="list-style-type: none"> • Records can be held in a number of locations (FLARE, enforcement file, shared drives) and no standard procedure existing for correctly documenting a referral. Without clear documented procedures in place it will be problematic to establish the current status of each referral, in particular for new staff. • Information recorded on the FLARE system is not kept up to date with a significant number of actions being recorded retrospectively. This makes the management of referrals difficult and in the event of staff absences the progression of each referral would not be clear. • Evidence from undertaking visits or holding discussions with persons may not always be documented depending what is seen / heard. All actions undertaken in investigating a referral should be recorded to ensure a clear trail exists. • Significant reliance is place on the Enforcement Officers knowledge to establish the status of each referral. <p>All enforcement referrals received have the potential to be challenged in a Court of Law and without a clear trail, robust procedures and documentation in place to support the actions of the Council it could be difficult to defend a decision made.</p>	<p>within the team.</p> <p>Alternative software providers are also being sought to assist with the process with short, medium and long term digital aims to be agreed by July 2017.</p> <p>URN 01885</p>		
3 (R)	<p>Enforcement referrals received by the Council are recorded by any Enforcement Officer who records the information received and assigns the referral to an Officer based on geographical location (one of four areas). Referrals are not prioritised at this stage. It is currently the responsibility of each Officer to manage and prioritise their own workloads.</p> <p>All referrals should be prioritised in the first instance based on the seriousness of the complaint. The draft</p>	<p>Training will be provided to all officers on how to use priorities and how to report from the current FLARE system to assist their workload management.</p> <p>URN 01893</p>	Mandy Lewis	31/07/2017

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No.	Findings and Implications	Agreed Action	Who	When
	<p>Planning Enforcement Policy contains information on the types of breaches to be prioritised i.e. structural changes to listed buildings have a higher priority over unauthorised advertisements being displayed.</p> <p>It is not currently possible to prioritise referrals within the FLARE system. A recent amendment had been created within the system which should allow for priorities to be included and reported on, however this function has yet to be implemented. Further work is still required as reports will have to be created and tailored for the service and instruction will have to be provided to enforcement staff along with operational procedures.</p> <p>Failure to prioritise referrals could expose significant risk to the Council’s reputation and prove difficult to manage the referral to a positive conclusion.</p>			
4 (R)	<p>This review examined the statistical information provided to Welsh Government on planning enforcement. Each Council is required to report on the number of enforcement referrals investigated and resolved within a defined time-frame and this information is requested on a quarterly basis.</p> <p>It was identified that evidence to support each quarterly submission is not retained. Further enquiries established that the reported figures could fluctuate as it was dependant on the FLARE system being kept up to date.</p> <p>An exercise was undertaken to reproduce the data reported in Q3 for 2016/17. The original figures recorded a total of 12 cases being investigated and resolved during this period. A new report was produced for the same period and a total of 21 cases (a 75% increase) were identified as being investigated and resolved. It was reported that this change would have been as a result of</p>	<p>Technical meeting with systems and enforcement officers planned in June / July 2017 as part of training to implement priorities to ensure we are collecting correct data for Welsh Government returns.</p> <p>Work has also commenced to improve reporting from FLARE through a software update.</p> <p>URN 01886</p>	Mandy Lewis	31/07/2017

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No.	Findings and Implications	Agreed Action	Who	When
	<p>the FLARE system not being up to date.</p> <p>This was also evident from the sample testing where a number of completed cases were still recorded as active.</p> <p>Although the Council is not financially liable for producing inaccurate data to Welsh Government, reputational risk exists against the Council as all statistics are reported nationally on a quarterly basis.</p>			
5 (A)	<p>In May 2016, a report was presented to the Environment Overview and Scrutiny Committee requesting the review and update of the Planning Enforcement Policy, which had not been updated since 2005. Additional information was also provided supporting the changes to be made to the policy. Approval for this review was obtained and a new policy was requested to be re-presented to the Committee for further endorsement and for the policy to be adopted.</p> <p>The new draft policy has yet to be produced and it is unclear when this review will be undertaken and completed.</p>	<p>A revised Enforcement Policy will be produced and presented to the Environment Overview and Scrutiny Committee in September 2017.</p> <p>URN 01889</p>	Mandy Lewis	30/09/2017
6 (A)	<p>A review of the process for undertaking an enforcement referral identified a number of concerns in how the investigation was being recorded. Evidence of duplication exists within the process for logging information and considerable reliance is being placed on the individual officer's knowledge for each case over the information being recorded. Information can be logged in one of three locations (enforcement file, FLARE, shared drive).</p> <p>Duplication exists with the record of complaints form which is completed prior to the same information being input into the FLARE system. Information from site visits / interviews is also manually recorded in the first instance</p>	<p>The service will review how investigations are documented through process mapping which should assist in avoiding duplication.</p> <p>URN 01894</p>	Mandy Lewis	31/08/2017

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No.	Findings and Implications	Agreed Action	Who	When
	before being updated either into the FLARE system or the shared drive.			
7 (A)	Discussions held with Planning Enforcement Officers identified some concerns regarding the types of enforcement investigations being responded to. For example, the team currently investigate referrals where an "untidy area" has been identified. Considerable time can be spent undertaking site visits and identifying landowners, however it is believed that this type of work does not even come under planning enforcement. This type of work being investigated will have an impact on more significant referrals waiting to be dealt with.	Process mapping will commence in July 2017 which will help stream the process and avoid taking on work which is not part of the remit of the service. URN 01890	Mandy Lewis	31/08/2017
8 (G)	Discussions held with Enforcement Officers identified that no specific training is available for staff undertaking enforcement investigations and the use of FLARE. Minimal guidance was provided to a seconded employee and further on the job training was required. There are no documented procedures in place for Enforcement Officers. There is a risk that officers would not be working uniformly and actions may be undertaken against legislation and without appropriate knowledge. It also became apparent that there is some reluctance to fully utilise the FLARE system by staff, however these concerns have not been formally raised.	Process mapping to be commenced in July 2017 will form the basis of training notes in order for any officer to be able to use the Flare enforcement system. Completion of training notes November 2017 URN 01892	Mandy Lewis	30/11/2017
9 (G)	It was identified that benchmarking against other authorities is only undertaken against performance indicators via Welsh Government and these relate to cases being investigated and resolved. There is no benchmarking or communication regarding managing referrals. A North Wales Annual Enforcement Forum exists where all local authorities meet up. However the management	The Development Services Manager will attend the next DC managers meeting and Officers will attend the next Enforcement forum and raise issues of benchmarking. URN 01896	Mandy Lewis	31/08/2017

No.	Findings and Implications	Agreed Action	Who	When
	<p>of referrals is not generally discussed. Difficulty also exists with the number of authorities using their own systems in that 15/22 of Welsh Authorities are currently using different systems.</p> <p>With the significant workload the Enforcement Team is undertaking, it would be useful to share best practice with other Councils in an attempt to streamline their own work and operate more efficiently.</p>			
10 (G)	<p>Welsh Government obtains statistical data from all local authorities on planning information including enforcement. The Council is required to report on the number of enforcement cases investigated and resolved within a defined time-frame and this information is required on a quarterly basis.</p> <p>The two latest submissions (Q2 & Q3) were examined as part of this review. It was identified that when the data has been collated for each submission, evidence of the figures reported has not been retained. All evidence must be retained when producing quarterly statistics to ensure that any challenges can be addressed.</p> <p>It was further noted that these figures can fluctuate dependant on when the FLARE system is updated placing a more significant requirement to retain this evidence. A separate action has been reported within this review to address this issue.</p>	<p>A technical meeting will be held in June / July 2017 and all officers will be trained in how to enter the data required in order to meet the required returns.</p> <p>URN 01887</p>	Mandy Lewis	31/07/2017

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Control Risk Self-Assessments Results within Schools

Appendix D

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Section	2015/16 – Primary & Secondary (73)					2016/17 – Secondary (13)					2016/17 – Primary (60)				
	Total Percentage (%)					Total Percentage (%)					Total Percentage (%)				
	Yes	Partly	No	N/A	Blank	Yes	Partly	No	N/A	Blank	Yes	Partly	No	N/A	Blank
1 - Governance	90.26	7.79	1.17	-	0.78	90.53	8.29	1.18	-	-	94.84	4.26	0.77	0.01	-
2 - Financial Planning	91.43	4.16	2.08	1.56	0.78	93.85	3.08	1.53	1.54	-	97.66	0.33	0.67	1.34	-
3 - Budget Monitoring	91.43	4.16	2.08	1.56	0.78	94.23	3.83	1.94	-	-	83.68	4.18	10.88	1.26	-
4 - Purchasing	89.94	2.99	1.75	5.00	0.32	92.69	1.29	2.31	3.33	0.38	78.84	2.46	3.70	13.70	1.00
5 - Financial Controls	91.28	6.86	1.48	0.37	-	87.91	10.99	-	1.10	-	93.10	4.29	2.38	0.24	-
6 - Income	86.47	4.44	2.92	5.63	0.54	85.21	2.96	8.28	3.55	-	84.30	2.70	6.44	6.44	0.13
7 - Petty Cash	66.09	1.01	3.03	29.73	0.14	82.05	0.85	3.42	13.68	-	70.00	0.57	0.94	28.49	-
8 - School Fund	89.11	2.53	3.61	4.18	0.58	93.16	2.99	1.28	2.57	-	89.96	2.32	3.25	4.46	-
9 - Assets	68.09	12.99	14.84	3.71	0.37	72.12	11.54	13.46	2.88	-	66.46	10.21	17.08	5.42	0.83
10 - Insurance	58.44	3.90	25.97	2.60	9.09	67.31	2.22	28.54	-	1.93	58.75	3.75	22.08	3.75	11.67
11 - Data Security	58.44	3.90	25.97	2.60	9.09	77.88	5.29	15.38	0.49	0.96	77.30	5.54	10.88	3.14	3.14
12 - Free Meal Entitlements	98.70	-	0.65	0.65	-	100.00	-	-	-	-	97.50	0.83	-	0.83	0.83
13 - CCTV	45.89	4.33	6.06	42.86	0.87	94.23	-	1.92	-	3.85	31.67	0.42	15.00	49.17	3.75
14 - Acceptable Use of IT	98.70	0.43	0.43	-	0.43	100.00	-	-	-	-	99.44	0.56	-	-	-
15 - Health & Safety	98.18	0.26	0.39	0.78	0.39	97.44	-	-	2.56	-	98.17	0.33	0.33	0.50	0.17
16 - Sickness Absence Monitoring	90.26	5.19	4.55	-	-	100.00	-	-	-	-	94.07	3.39	2.54	-	-
17 - Disclosure & Barring Service	95.32	0.52	2.08	0.26	1.82	100.00	-	-	-	-	96.33	1.33	2.33	-	-
18 - Pupil Statistics*	95.32	0.52	2.08	0.26	1.82	83.33	-	1.28	15.39	-	86.90	1.90	2.86	7.86	0.24
19 - Other Funds	22.08	2.60	58.44	15.58	1.30	23.27	-	61.35	15.38	-	40.00	1.67	55.00	1.67	1.67
20 - Payroll (Separate to FCC)	21.10	4.22	5.19	67.53	1.95	10.48	0.81	0.81	87.90	-	0.93	0.19	-	98.88	-

* Contains questions on post 16 education not relevant to all schools

The results from the CRSA (shaded lines) and consultation with Education & Youth formed the coverage of the Risk Thematic Reviews within 9 Schools.

Action Tracking – Portfolio Performance Statistics

Appendix E

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Portfolio	September 2017 Stats				Live Actions - As at September 2017		
	Number of Actions Raised Since January 2016	Actions Implemented since 04.01.2016 <i>(including Actions No Longer Valid)</i>	% of Actions Cleared To Date	Number of Audits Raised Since January 2016	Live Actions	Actions Beyond Due Date <i>(excludes Actions with a revised due date)</i>	Actions with a Revised Due Date
Corporate	27	22	77%	11	5	0	2
Community & Enterprise	61	56		10	5	0	3
Education & Youth	42	31		11	11	0	0
Governance	68	58		19	10	0	10
Organisational Change 1	20	14		4	6	0	5
Organisational Change 2	35	31		6	4	0	4
People & Resources	114	91		32	23	0	12
Planning & Environment	29	7		5	20	4	10
Social Services	75	68		10	7	0	3
Streetscene & Transportation	67	58		7	9	2	5
External	22	12		7	10	0	0
Individual Schools	72	38		22	34	0	7
Total	632	486			144	6	61

Internal Audit Actions Beyond Due Dates

Appendix F

Portfolio	Audit and Action	RAG	Original and Revised Due Dates	Age of Original Action	Resp. Officer	Current Position	How Risk is Being Managed	New Risks Arising from Overdue Actions
Planning & Environment	<p>Section 106 – 15/16: Strategic Decision around the adoption of open space provision.</p> <p>Reports were taken to Cabinet in March 2016 providing a review of the CAT scheme and Play Sufficiency Assessment specifically to try and get an agreed policy position in relation to play areas and CAT which should help develop the future s106 position with regards to existing play areas, and help the consideration of how s106 funding might be needed in future to sustain existing play areas as well as the position in respect of new play areas. Town and Community councils will be consulted on this from May onwards.</p> <p>URN 311</p>	Medium (Amber)	31/03/2017 30/06/2017	6	Andy Roberts	<p>In Progress</p> <p>First stage of work completed by Play and Leisure in providing necessary advice to Planning and work is now taking place on revising Planning Guidance. This provides logic for the slippage in dates in that the first stage as originally envisaged is now complete and the revised date allows for second stage completion of the work.</p> <p>Further work is required to evaluate and provide further evidence to update the Planning Guidance on Open Space Provision. This is also due to the previously assigned officer for this review being on long term absence from work, and a new officer has had to</p>	New officer assigned to the work. Review of work done to date and evidence provided or outstanding underway.	None to report as however the present SPG is revised, it will still need to relate to extant UDP policies until such time as the LDP replaces that plan (end of 2019). The current SPG review can therefore only focus on up datedness of commuted sum rates and up to date costs for long term maintenance of play space, post adoption by the Council.

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Portfolio	Audit and Action	RAG	Original and Revised Due Dates	Age of Original Action	Resp. Officer	Current Position	How Risk is Being Managed	New Risks Arising from Overdue Actions
						pick up the work.		
Planning & Environment	<p>Section 106 - 15/16 : Update of LPGN 23, Education contributions</p> <p>A cross directorate working group will be established to address the issues identified in the audit report. The working group will be chaired by the Chief Officer (Planning and Environment) and is likely to include representation from Planning, Education, Leisure, Finance, Legal and other services areas as appropriate.</p> <p>The working group will be time limited, and will consider;</p> <ul style="list-style-type: none"> Section 106 linkages across the Authority, the information needs of each service area, and the information currently held by service areas to determine where there is scope for efficiencies through the sharing of 	Medium (Amber)	30/06/2016 31/07/2017	15	Andy Farrow	<p>In Progress</p> <p>The updated Supplementary Planning Guidance Note 23, Developer Contributions to Education, was adopted by the Council in January 2017</p> <p>The updated guidance provides greater flexibility of spend, in particular allowing contributions to be spent on 'facilities and associated resources' thus addressing the primary risk.</p>	<p>Quarterly meetings between planning S106 officer and education, finance and affordable housing to ensure parties are updated about new S106 agreements and any payments. This includes recording clauses, triggers and monies received/spent in S106 databases.</p> <p>Further work ongoing with planning and finance to simplify monitoring processes as much as possible.</p> <p>Also work with legal, planning and searches to automate the recording of data from when agreements are first</p>	<p>Given the work to date the risk has been reduced from High to medium.</p>

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Portfolio	Audit and Action	RAG	Original and Revised Due Dates	Age of Original Action	Resp. Officer	Current Position	How Risk is Being Managed	New Risks Arising from Overdue Actions
	<p>information (including the scope for sharing information on the Planning DEF database).</p> <ul style="list-style-type: none"> • The adequacy of the processes in place for effectively managing those balances which must be spent within certain time frames or returned to the developer. • The scope for utilising contributions held to ensure we maximise the benefit to the Authority (specifically Education contributions which cannot currently be spent under the terms of existing s106 agreements). • The requirement for corporate oversight of the s106 processes and the robustness of the reporting structures to ensure appropriate overall control of s106 monies. <p>URN 317</p>						signed.	

Portfolio	Audit and Action	RAG	Original and Revised Due Dates	Age of Original Action	Resp. Officer	Current Position	How Risk is Being Managed	New Risks Arising from Overdue Actions
Planning & Environment	Section 106 - 15/16 : Monitoring reports See action as 317 above URN 320	Low (Green)	30/06/2016 31/07/2017	14	Andy Farrow	In Progress A review of alternative purpose built software is underway which would negate the requirement to fill in separate databases.	The in house monitoring system (S106 spreadsheet) is still maintained pending further consideration by the cross portfolio working group around process and flow of information.	Risk remains the same
Planning & Environment	Section 106 - 15/16 : Interest due on unspent commuted sums Review of s106 legal agreements by Finance has confirmed that there are only a very small number of agreements which could be give rise to a repayment to the developer. However the cross directorate working group will consider; • Section 106 linkages across the Authority, the information needs of each service area, and the information currently held by service areas to	Low (Green)	30/06/2016 31/07/2017	14	Andy Farrow	In progress Enforcement team now tracking end dates of 106 agreements. Will be formally addressed at Working Group.	Finance have confirmed that based on their review of the legal agreements supporting the S106 monies held there are only a small number of agreements which provide for interest on unspent commuted sums, as such they consider the risk to the Council to be low.	Given the work to date the risk has been reduced from Medium to Low.

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Tudalen 290

Portfolio	Audit and Action	RAG	Original and Revised Due Dates	Age of Original Action	Resp. Officer	Current Position	How Risk is Being Managed	New Risks Arising from Overdue Actions
	<p>determine where there is scope for efficiencies through the sharing of information (including the scope for sharing information on the Planning DEF database).</p> <ul style="list-style-type: none"> • The adequacy of the processes in place for effectively managing those balances which must be spent within certain time frames or returned to the developer. • The scope for utilising contributions held to ensure we maximise the benefit to the Authority (specifically Education contributions which cannot currently be spent under the terms of existing s106 agreements). • The requirement for corporate oversight of the s106 processes and the robustness of the reporting structures to ensure appropriate overall control of s106 monies. 							

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Portfolio	Audit and Action	RAG	Original and Revised Due Dates	Age of Original Action	Resp. Officer	Current Position	How Risk is Being Managed	New Risks Arising from Overdue Actions
	URN 327							
Streetscene & Transportation	<p>Alltami Stores : Security at the store should have restricted access and further controls needed.</p> <p>Strict access controls should be enforced throughout the store area. Management should ensure that access rights are restricted to the appropriate staff and staff should be made aware of the operating procedures with regard to opening times of the stores.</p> <p>Under no circumstances should any member of staff other than Supervisors/Management access the stores outside of the standard operating hours.</p> <p>Reintroduce access reports for the rear store door access. These should be regularly reviewed and action taken where necessary. Management reports will be obtained</p>	High (Red)	31/07/2017	2	Katie Wilby	<p>In Progress</p> <p>Streetscene & Transportation are currently working with IT to review which members of staff have access to the Stores via the swipe access.</p> <p>An updated list is being provided to IT and in the future only authorised members of staff will be permitted access.</p> <p>IT are now able to produce reports in order ascertain who has accessed Stores and when, and this will be ongoing</p>	Through the reports being provided by IT to ascertain who is accessing Stores and when.	None

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Portfolio	Audit and Action	RAG	Original and Revised Due Dates	Age of Original Action	Resp. Officer	Current Position	How Risk is Being Managed	New Risks Arising from Overdue Actions
	from IT, on a regular basis. URN 1915							
Streetscene & Transportation	<p>Alltami Stores : Any items may be purchased which may not relate or be required for the purpose of the stores systems.</p> <p>Implement controls which stop the risk of items not required for the stores being authorised, received and passed for payment within the stores environment.</p> <p>A full segregation of duties should be introduced.</p> <p>URN 1919</p>	Medium (Amber)	01/08/2017	1	Katie Wilby	<p>In Progress</p> <p>Tranman have been working with Streetscene & Transportation and IT to ensure that the swipe system on Tranman is functioning properly. IT and Stores have reported that this is now operating at a 95% success rate and any items not being swiped are being recorded manually. Formal training has also been organised for Stores staff on the Tranman system and regular meetings are being organised with Tranman for ongoing support.</p> <p>Additionally, a process map has been drawn up to show the segregation of duties for Stores staff, which will be issued in the coming weeks.</p>	Project team now in place to work with Stores team and ensure any issues are resolved.	None

Actions with a Revised Due Date Six Months Beyond Original Due Date

Appendix G

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Portfolio	Ref:	Audit	Priority	Original Action Due Date	Revised Due Date	Reason for Revised Due Date	How Risk is Being Managed
Community & Enterprise	1587	Tell Us Once - 2016/17 : Not all service areas of the Council are included in the Tell Us Once System	Medium (Amber)	31/03/3017	29/09/2017	<p>The list of TUO users has been audited to ensure the right people have access to the system and to identify new users. The Council has been working with DWP to overcome issues with the IT technology (firewalls) which is currently preventing new users being added and Flintshire were not the only LA to experience problems accessing the system.</p> <p>This issue was resolved last week. Customer Services is now making contact with those employees who require access and will enrol them as a priority. We will also invite DWP to provide training to new users. We aim to complete all actions, including training by 31 October.</p>	<p>The list of TUO users has been audited to ensure the right people have access to the system and to identify new users. Until the IT problem with the DWP is resolved only the current services are using the system.</p>
Community & Enterprise	1616	Housing Allocations 15/16 : Procedures	Medium (Amber)	31/03/3017	29/12/2017	<p>A review of the regional policy will be presented to cabinet in the Autumn. A full rewrite of the procedures will follow that.</p>	<p>Working practices have been amended and restrictions placed on the OT system to limit risks and case file reviews are</p>

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Portfolio	Ref:	Audit	Priority	Original Action Due Date	Revised Due Date	Reason for Revised Due Date	How Risk is Being Managed
							carried out.
Governance	174	CPRs : Declaration of Interests	Medium (Amber)	31/03/2016	31/12/2017	Progress with developing an electronic register has been slowed by capacity within IT development services. Although Chief Officers are already under an obligation to maintain a register for declarations of interest the Deputy Monitoring Officer is preparing a consistent process and paperwork to be rolled out until the electronic system is ready.	Any declarations are to be reported to line management until IT solution is finalised.
Governance	271	Main Accounting - AP & P2P : There is a high amount of retrospective ordering on the P2P system which is contrary to FPR.	High (Red)	30/09/2016	31/01/2018	Implementation of the deferred No PO No Pay Policy is part of a wider strategic programme of improvement which now includes the additional projects such the Accelerated Payment Facility business case development. The business case development is in progress and the actions to improve upfront Purchase Order compliance has been discussed with an action plan developed. It's anticipated that the action plan will be implemented over the next 3 months.	A number of CPR training workshops to officers have been held over the last 6 months to highlight the need for creating upfront Purchase Orders. The Corporate Procurement Team is still engaging with individual service areas on an ongoing basis to increase upfront Purchase Order compliance and further meetings / workshops have been arranged with service areas to support them to comply with the need for upfront P2P purchase orders

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Portfolio	Ref:	Audit	Priority	Original Action Due Date	Revised Due Date	Reason for Revised Due Date	How Risk is Being Managed
Governance	284	Main Accounting - AP & P2P 15/16 : Not enough expenditure codes are under category managers.	Low (Green)	29/02/2016	31/10/2017	The Corporate Procurement function has just been through an organisational re-structure, which has provided clarity which of the Category Business Partners has been allocated various category of spend areas. There is now an action plan in place to implement the need for all Purchase Orders to be routed through Purchase to Pay system category workflow approval process so that more expenditure codes and category spend classifications will be managed and controlled.	The Category Business Partners have been engaging with their respective service area officers to promote the need for Contract Procedure Rules compliance. Additionally a new Commissioning form has been developed, which requires Corporate Procurement Service sign off and feedback before any market competition can be undertaken by the service area for all projects above £25k.
Governance	1406	Data Protection - 15/16 : Subject access requests are not identified correctly by Staff who may receive them. If they are not properly identified then they may not be processed correctly or in accordance with the guidelines.	Medium (Amber)	31/03/2017	30/03/2018	This forms part of the wider Information System which is being developed. We have started with FOI as there are higher risks in this area.	The revised ICO Subject Access Code of Practice has been reviewed and re-iterated to members of the Data Protection Team.

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Portfolio	Ref:	Audit	Priority	Original Action Due Date	Revised Due Date	Reason for Revised Due Date	How Risk is Being Managed
Governance	1516	PCIDSS : The Council may fail to meet the PCI DSS if the self assessment questionnaire is not completed.	High (Red)	31/12/2016	31/10/2017	PCIDSS Accredited External Assessors have been appointed to conduct an initial review of systems and architecture leading to the identification of processes which are likely to already meet the requirements of PCIDSS and those processes where there is scope to improve. The external assessment is due to take place on-site from 2/10/17 to 04/10/17. Following the review the SAQ will be completed and based on the findings of the external risk assessment	<p>The Council already outsource payment card processing to an external service provider that is categorised as a Level 1 PCIDSS provider. To put it simply, the PCIDSS level 1 is a highest level of compliance for those organisations that store, transmit or process credit card data to the very highest standards set by regulators and industry standards.</p> <p>In addition to this, the Council IT service also undertake quarterly data scans to comply with data security standards which is a requirement of PCIDSS standards.</p> <p>In this context, although there is a business need for the Council to complete an SAQ to demonstrate the Council is complying fully to PCIDSS standards, the systems that underpin PCIDSS security standards are already fully compliant and this helps to significantly minimise the risks associated with taking debit and credit card payment.</p>
Governance	1523	PCIDSS : Staff do not	Low	31/12/2016	31/10/2017	PCIDSS Accredited External	The Council already has

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Portfolio	Ref:	Audit	Priority	Original Action Due Date	Revised Due Date	Reason for Revised Due Date	How Risk is Being Managed
		have the most recent or up to date information available to them.	(Green)			Assessors have been appointed to conduct an initial review of systems and architecture leading to the identification of processes which are likely to already meet the requirements of PCIDSS and those processes where there is scope to improve. The external assessment is due to take place on-site from 2/10/17 to 4/10/17. Following the review revised guidelines (containing any amendments identified by QSA Assessors) will be issued to all appropriate staff. In view of the external assessment, PCIDSS compliance, including the most up to date guidance for staff, will not be achieved until 31/10/17.	guidance issued to the relevant workforce who are responsible for taking payments over the telephone, notwithstanding that this guidance might not be the most up to date. Those officers taking payments have previously received training on how to take payments safely and securely over the telephone using the approved payment system. A review of the guidance issued to officers will be undertaken as part of the wider external review by qualified PCIDSS assessors. Where appropriate, the guidance will be amended and appropriate training will be provided on any changes that are made to the guidance.
Governance	1572	PCIDSS : Non compliance with PCI DSS or DP Act.	High (Red)	31/12/2016	31/10/2017	PCIDSS Accredited External Assessors have been appointed to conduct an initial review of systems and architecture leading to the identification of processes which are likely to already meet the requirements of PCIDSS and those processes where there is scope to improve. The external	The Council already outsource payment card processing to an external service provider that is categorised as a Level 1 PCIDSS provider. To put it simply, the PCIDSS level 1 is a highest level of compliance for those organisations that store, transmit or process credit card data to the very highest standards set by regulators and

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Portfolio	Ref:	Audit	Priority	Original Action Due Date	Revised Due Date	Reason for Revised Due Date	How Risk is Being Managed
						assessment is due to take place on-site from 2/10/17 to 04/10/17. Following the review the SAQ will be completed and based on the findings of the external risk assessment	<p>industry standards.</p> <p>In addition to this, the Council IT service already undertake quarterly data scans to comply with data security standards which is a requirement of PCIDSS standards</p> <p>In this context, although there is a business need for the Council to complete an SAQ to demonstrate the Council is complying fully to PCIDSS standards, the systems that underpin PCIDSS security standards are already fully compliant and this helps to significantly minimise the risks associated with taking debit and credit card payments.</p>
Governance	1574	Consultancy Follow Up - Guidance Notes	Low (Green)	30/09/2016	30/09/2017	<p>Update 31.3.17 - still waiting for IT to progress this.</p> <p>Once the database is completed and operational the guidance notes will be amended, and the issues identified in the audit will be addressed in the updated guidance.</p> <p>Update at 30.11.16: Meeting took place with IT earlier this week to discuss the</p>	<p>The original manual system continues to be used. Guidance notes will be updated once the new IT database is in place (as the required update to the guidance is so minor it does not make sense to 'relaunch' the guidance until more significant changes to processes are made).</p>

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Portfolio	Ref:	Audit	Priority	Original Action Due Date	Revised Due Date	Reason for Revised Due Date	How Risk is Being Managed
						<p>progression of the database. IT have stated that they will not be in a position to progress the database until January 2017 so the database is likely to be in place by the end of the financial year. There is little point in updating the guidance notes until the database is in place.</p> <p>Update at 12.9.17 – IT have not progressed this database since November 2016 due to other commitments on resources. Internal Audit are carrying out another piece of work on Consultancy at the end of September 2017, this will enable updated timescales to be obtained from IT.</p>	
Organisational Change 2	20	Asset Management – Technology Forge. It is not known whether the Tf system contains all land and property owned by FCC	Medium (Amber)	31/10/2015	29/09/2017	The relates to configuration of the Geographical Interface Module (GIS) within Technology Forge and system configuration issues which have now been resolved. This will now permit exploration, purchase and uploading of GIS land ownership information from Land Registry	Information from land registry is being used to inform Council land ownership when necessary and in this context the risks presented are low. The issue is more one of reconciliation of data sets between records on Tf and those held at Land Registry. Matters relating to land issues are addressed on a transactional basis through legal searches at that stage in the process.

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Portfolio	Ref:	Audit	Priority	Original Action Due Date	Revised Due Date	Reason for Revised Due Date	How Risk is Being Managed
Organisational Change 2	21	Asset Management – Technology Forge. The TF system is not used to its full potential	Medium (Amber)	20/09/2015	31/10/2017	There are a relatively small number of items which whilst held on other systems are not sitting within the Tf system. This matter continues to be addressed as surveys are undertaken with Tf now used as a central deposit for such property related information.	As noted whilst data is held already it is not in one central point. This matter is being addressed when new surveys are undertaken or as an interim through the provision of links to the location of such data.
Organisational Change 2	333	CCTV – Draft CCTV Policy	Medium (Amber)	30/07/2016	29/09/2017	The document has been revised and has been supported by Chief Officers. Trade Union colleagues have suggested that there needs to be clarification around CCTV system used in FCC vehicles	A separate document which does not deal exclusively with public realm CCTV systems is being developed to clarify the position with vehicle based system which are in the main deployed on our waste collection vehicles. In reality these systems are used as enhanced health and safety features in such vehicles.
People & Resources	1500	Insurance - 2015/16 : Pre Action Disclosures	Low (Green)	31/12/2016	27/10/2017	There were 2 dates within Action, this was revised to fit with other date	Work to digitise Insurance info is ongoing but is lengthy and time consuming given the workload within the Section. In the meantime where necessary existing manual arrangements are continuing
People & Resources	1504	Insurance - 2015/16 : T L Dallas contract has expired	Medium (Amber)	31/03/2017	31/10/2017	Permission for NPS Opt out has recently been granted, now need to write spec for Invitation to Quote and carry out tender	TL Dallas agreed contract extension pending outcome of quotation exercise which should be concluded within the next few

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Portfolio	Ref:	Audit	Priority	Original Action Due Date	Revised Due Date	Reason for Revised Due Date	How Risk is Being Managed
						<p>exercise</p> <p>27/06/17 - Substantial work has been done to write spec but Final Accounts has taken priority, together with Insurance work around ADM's. Now this is virtually finished this item can progress</p> <p>06/09/17 - Paperwork now virtually complete and with Procurement. Quotations are to be invited in September with a view to letting the new contract from 1st October 2017, which will dovetail with the renewal of our insurance policies.</p>	weeks when a new contract will be awarded.
Planning & Environment	311	Section 106 : Strategic decision around the adoption of open space provision	Medium (Amber)	31/05/2017	30/06/2017	<p>First stage of work completed by Play and Leisure in providing necessary advice to Planning and work is now taking place on revising Planning Guidance. This provides logic for the slippage in dates in that the first stage as originally envisaged is now complete and the revised date allows for second stage completion of the work.</p> <p>Further work is required to evaluate and provide further</p>	New officer assigned to the work. Review of work done to date and evidence provided or outstanding underway.

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Portfolio	Ref:	Audit	Priority	Original Action Due Date	Revised Due Date	Reason for Revised Due Date	How Risk is Being Managed
						evidence to update the Planning Guidance on Open Space Provision. This is also due to the previously assigned officer for this review being on long term absence from work, and a new officer has had to pick up the work.	
Planning & Environment	314	Section 106 : Use of Management Companies for maintenance of public open spaces	Low (Green)	31/07/2016	31/10/2017	<p>The Section 106 Working Group has now met twice to address the recommendations of the audit report with a third meeting scheduled for September 2017.</p> <p>The existing, adopted Local Planning Guidance Note continues to be used in the determination of any relevant applications in the interim.</p> <p>A draft of revised Supplementary Planning Guidance Note will be represented to the next meeting of the Working Group in September with a view to an agreed version of it being reported to Planning Strategy Group on 23rd November and Cabinet (for consultation) on 19th December.</p>	We can't refuse developers who want to use management companies for the maintenance of public open spaces. The updated LPGN will include options to make these management companies more 'secure' for residents and more 'palatable' for members considering the planning applications, but will not seek to prevent the use of Management Companies. In advance of the implementation of the new planning guidance the risk will continue to be managed through existing process.

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Portfolio	Ref:	Audit	Priority	Original Action Due Date	Revised Due Date	Reason for Revised Due Date	How Risk is Being Managed
Planning & Environment	317	Section 106: Update of LPGN 23, Education Contributions	High (Red)	30/06/2016	31/07/2017	<p>The updated Supplementary Planning Guidance Note 23, Developer Contributions to Education, was adopted by the Council in January 2017</p> <p>The updated guidance provides greater flexibility of spend, in particular allowing contributions to be spent on 'facilities and associated resources' thus addressing the primary risk.</p>	<p>Quarterly meetings between planning S106 officer and education, finance and affordable housing to ensure parties are updated about new S106 agreements and any payments. This includes recording clauses, triggers and monies received/spent in S106 databases.</p> <p>Further work ongoing with planning and finance to simplify monitoring processes as much as possible.</p> <p>Also work with legal, planning and searches to automate the recording of data from when agreements are first signed.</p>
Planning & Environment	320	Section 106 : Monitoring reports	Low (Green)	30/06/2016	31/07/2017	A review of alternative purpose built software is underway which would negate the requirement to fill in separate databases.	The in house monitoring system (S106 spreadsheet) is still maintained pending further consideration by the cross portfolio working group around process and flow of information.
Planning & Environment	327	Section 106 : interest due on unspent commuted sums	Low (Green)	30/06/2016	31/07/2017	Enforcement team now tracking end dates of 106 agreements. Will be formally addressed at Working Group.	Finance have confirmed that based on their review of the legal agreements supporting the S106 monies held there are only a small number of agreements which provide for interest on

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Portfolio	Ref:	Audit	Priority	Original Action Due Date	Revised Due Date	Reason for Revised Due Date	How Risk is Being Managed
							unspent commuted sums, as such they consider the risk to the Council to be low.
Planning & Environment	1435	Section 106: Update of LPGN 13	Medium (Amber)	30/06/2016	30/10/2017	<p>The Section 106 Working Group has now met twice to address the recommendations of the audit report with a third meeting scheduled for September 2017.</p> <p>The existing, adopted Local Planning Guidance Note continues to be used in the determination of any relevant applications in the interim.</p> <p>A draft of revised Supplementary Planning Guidance Note will be represented to the next meeting of the Working Group in September with a view to an agreed version of it being reported to Planning Strategy Group on 23rd November and Cabinet (for consultation) on 19th December.</p>	LPGN 13 remains in place, whilst it is acknowledged that some update is required, and work is ongoing to address this, the existence of the current Planning Guidance ensures that risks are managed in the meantime.
Streetscene & Transportation	1725	HNA 16/17: Discrepancies in carriageway lengths	Low (Green)	24/05/2017	30/09/2017	CIPFA have made a decision not to implement the HNA Code of Practice, as such this Action is not required to ensure the accuracy of the HNA valuation, however a decision	As this is now a best practice recommendation (following the CIPFA decision not to implement the HNA Code of Practice) there is no 'risk' to be managed. The action will however be

Portfolio	Ref:	Audit	Priority	Original Action Due Date	Revised Due Date	Reason for Revised Due Date	How Risk is Being Managed
						<p>has been made that this recommendation will be implemented as a point of good practice. The due date has been revised as we are no longer working to a financial deadline, and there is no longer scope to divert resources to ensure compliance with the Code of Practice.</p>	<p>implemented to ensure best practice within the service. Based on CIPFAs decision, the priority for the action has been downgraded from medium to low.</p>

Investigation Update

Appendix H

Ref	Date Referred	Investigation Details
1. New Referrals		
1.1	17/08/2017	A referral has been received from a member of the public alleging unfair treatment and irregularity in the awarding of a contract. The investigation is ongoing.
1.2	05/07/2017	A referral has been received alleging that a member of staff has used a Council contractor for private work. The implication being it could be a conflict of interest.

2. Reported to Previous Committees and still being Investigated		
2.1	11/05/2017	An anonymous whistleblow was received concerning procurement practices in one of the Portfolios. An investigation is ongoing.
2.2	18/05/2016	A referral was received concerning the use of monies on a grant funded scheme. The investigation has been concluded and a report has been issued. This is now the subject of a Police investigation and further information has been provided.
2.3	05/01/2017	A whistleblow was received concerning Flintshire's use of a framework agreement. The referral concerns the terms of the agreement. The investigation is ongoing.

3. Investigation has been Completed		
3.1	14/06/2017	A whistleblow was received concerning an alleged overclaim for hours worked in a school. The whistleblow was substantiated however intent was not proven and the overclaim was put down to an error. Recommendations have been made to enhance controls.

Internal Audit Performance Indicators

Appendix I

Performance Measure	Qtr 1 17/18	Qtr 2 17/18	Target	RAG Rating	
Audits completed within planned time	71%	60%	80%	R	↓
Average number of days from end of fieldwork to debrief meeting	17	15	20	G	↑
Average number of days from debrief meeting to the issue of draft report	5	14	5*	R	↓
Days for departments to return draft reports	10	11	7*	R	↓
Average number of days from response to issue of final report	1	2	2	G	→
Total days from end of fieldwork to issue of final report	39	34	34	G	↑
Productive audit days	79%	74%	75%	A	↓
Client questionnaires responses as satisfied	100%	100%	95%	G	→
Return of Client Satisfaction Questionnaires	66%	75%	80%	G	↑

Key					
R	Target Not Achieved	A	Within 20% of Target	G	Target Achieved
↑	Improving Trend	→	No Change	↓	Worsening Trend

*** Changes to Performance Indicators**

Following a review of the Internal Audit PI's at the end of the financial year, two target PI's have been changed to accurately reflect the time taken to complete key aspects of the audit process. There are:

PI : Average number of days from debrief meeting to the issue of draft report.

This target has been increased from 3 working days to 5 working days. This is to take into account the part time working arrangements in place within the Internal Audit Service

PI : Days for departments to return draft reports

This target has been increased from 3 working days to 7 working days. This increase in target is more a reflection of the detailed work undertaken and greater stakeholder involvement and should not be seen negatively.

Internal Audit Operational Plan 2016/17 (Carry forward Audits) Appendix J

This appendix only provides an update on those reviews finalised, those reviews currently in progress and any changes made to the plan since the last Audit Committee meeting in June 2017.

Audit	Audit Type	IA Priority Rating	Original Plan Days	Revised Plan Days	Actual Days	Status
Corporate						
Safeguarding (including schools)	Risk Based	A	20	20	6	Fieldwork Complete
Performance Indicators	Risk Based	G	10	10	12	Final
Risk Management	Risk Based	G	10	10	16	Fieldwork Complete
Education and Youth						
Risk based thematic reviews across all schools including central controls	Risk Based	A	40	40	85	Final
Youth Justice	System Based	A	15	15	4	In Progress
School Funds	Follow Up		5	15	20	Final
Governance						
Network Security	Risk Based	A	See Note #	-	1	In Progress
Procurement	Risk Based	A	30	30	38	Draft Issued
Organisational Change 1						
Alternative Delivery Models	VFM	R	30	30	35	Final & Draft Issued
Organisational Change 2						
Corporate Asset Strategy	Risk Based	A	15	15	16	Draft Issued
Planning and Environment						
Building Control (*Combined)	System Based	R	20	20	*	Final
Planning Enforcement (*Combined)	System Based	A	20	20	45*	Final
Streetscene and Transportation						
Enforcement	Risk Based	R	30	30	23	Draft Issued
Alltami Stores	System Based	A	15	10	21	Final
External						
Pensions Investments	System Based	A	15	20	25	Final
Clwyd Theatre Cymru	System Based	G	10	10	0	No Longer Relevant
Notes: # External technical support may be required for this audit * Audit has been combined with another and one audit report will be produced						

Audits no longer required since the last Audit Committee in June 2017

- One audit, Clwyd Theatre Cymru, was no longer required. This was requested at the time the audit plan was developed however given the low priority of the work, this is no longer required.

Internal Audit Operational Plan 2017/18

Appendix K

Audit	Internal Audit Priority Rating	Status of Work	Proposed Quarter	Supporting Narrative
Corporate				
Income from Fees and Charges / Efficiency Savings	H		4	
Use of Consultants	Advice & Consultancy		3	Work planned to support the report to Audit Committee in November
Corporate Safeguarding	Advice & Consultancy	Ongoing	Ongoing	New to Plan – IAM a member of the Corporate Safeguarding Board
Corporate Governance	Annual	Ongoing	Ongoing	Member of the Corporate Governance Working Group
Community & Enterprise				
Single Access Route to Housing (SARTH)	H	Fieldwork Complete	1	
Strategic Housing and Regeneration Project (SHARP)	H	In Progress	2	
Welsh Housing Quality Standard	H	In Progress	2	
Housing Rent Arrears	M		3	
Transient Travellers	M		4	
Disabled Facilities Grant	C/F 16-17	In Progress	2	Carried forward into 17/18 as the request of the Service
Council Tax & NNDR	Annual	In progress	3	CRSA to be used in September
Housing Benefit	Annual	In progress	3	CRSA to be used in September
Education & Youth				
School Closure (John Summers High Schools)	H	Fieldwork Complete	1	
IT Procurement in schools	M	In Progress	2	
School Uniform Grants		Final	2	New to plan – to validate the grant application process.
Education Grants: Professional Development Grant (PDG)	Annual	Final	2	
Education Grants: Including Education Improvement Grant (EIG)	Annual	In Progress	2	
Control and Risk Self-Assessment	Annual	In Progress	3	
Risk based thematic reviews across all schools including central controls	Annual		3/4	

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Audit	Internal Audit Priority Rating	Status of Work	Proposed Quarter	Supporting Narrative
Governance				
Joint Central Procurement Arrangement (Joint Review)	H	In Progress	2	This review will include aggregated spend
Procurement - Aggregated Spend (Joint Review)	H	In Progress	2	Combined within the above review
Procurement - Contract Monitoring (Joint Review)	H		4	
Community Benefits	M		4	
Legal Case Management	M		4	
Information Security Policies	Advice & Consultancy	In Progress	Ongoing	New to Plan - request for IA involvement
Digitisation / Digital Strategy	Advice & Consultancy	On going	Ongoing	
Data Protection	Annual & C/F 16-17	In Progress	2	To include work carried forward from 16/17. Additional work will be required in 17/18 due to new General Data Protection Rules (GDPR)
Organisational Change 1				
Post Transfer - Leisure, Libraries & Museum Services	H		3/4	2017/18 review will focus on the strategic risks of the business.
ADM - Facility Services, Leisure & Libraries, Work Opportunities	Advice & Consultancy	In progress	1	Work on Aura and NEWydd complete.
Clwyd Theatre Cymru (CTC)	M		3	
Libraries	M		4	
Future ADM : Bailey Hill, Museums & Archives and any emerging ADMs	Advice & Consultancy		Ongoing	
Organisational Change 2				
Community Asset Transfer - Holywell Swimming Pool	H		4	
Post ADM Transfer - Facilities Services	H		4	Agreed timescale with NEWydd
County Hall Campus	M	In Progress	3	
CCTV	M		3	
Community Asset Transfer - Contract Management - Connah's Quay Swimming Pool	M		4	
Property Maintenance	M		4	
Background checks	Advice & Consultancy	In Progress	2	New to Plan
Community Asset Transfer - New	Advice & Consultancy		Ongoing	
People & Resources				
Working Time Regulations	H	In progress	1	

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Audit	Internal Audit Priority Rating	Status of Work	Proposed Quarter	Supporting Narrative
IR35 Compliance	H	In Progress	2	
Appraisals	M		4	
Occupational Health Unit			4	New to Plan
Payroll	Annual		4	
E-Teach (Supply Staff) – Payroll and Recruitment	Advice & Consultancy	Ongoing	Ongoing	
Method Statements Supporting MTFS	Advice & Consultancy	Final	2	New to Plan – to review method statement calculations
Treasury Management	M		4	
Main Accounting – Accounts Payable (AP) / P2P	Annual		3	CRSA to be used in September
Main Accounting – General Ledger (GL)	Annual		3	CRSA to be used in September
Main Accounting – Accounts Receivable (AR)	Annual		3	CRSA to be used in September
Collaborative Planning (CP)	Advice & Consultancy	Ongoing	Ongoing	
Masterpiece Migration & ADM Financial Solution Project	Advice & Consultancy	Ongoing	Ongoing	
Finance Modernisation Programme – AR	Advice & Consultancy	Ongoing	Ongoing	
Accounts Governance Group	Advice & Consultancy	Ongoing	Ongoing	
Planning & Environment				
Greenfield Valley Heritage Park	H	In Progress	4	
Pollution Control	H	In Progress	2	
Pest Control	M		4	
Section 106 Agreements – Follow Up	M		4	
Planning Enforcement – Follow Up	M		4	
Section 106 Agreements	Advice & Consultancy	Ongoing	Ongoing	
Social Services				
Social Services Financial Processes (Including Provider Payments)	Commissioned Work	Final	1	
Commissioning and Contracts	H	In Progress	1	
Safeguarding - Adults at Risk	H		3	
Substance Misuse	M	Draft	2	
Deferred Payments on Properties	M		4	
Streetscene & Transportation				
Bereavement Services	H	Final	2	
Integrated Transport Unit (ITU)	H		3	

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Audit	Internal Audit Priority Rating	Status of Work	Proposed Quarter	Supporting Narrative
Community Transport	M		3	
Highways - Cost Recovery	M		3	
Regional Transport	M		4	
Security of HRC Sites	Advice & Consultancy	Final	2	New to Plan
Streetlighting Security	Advice & Consultancy	Final	2	New to Plan
Solar Farm	Advice & Consultancy	In Progress	2	New to Plan
ITU Procurement	Advice & Consultancy	In Progress	2	New to Plan
Fleet Management	C/F 16-17		2	At the request of the service department this review has been carried forward into 17/18
Accounting for Highways Assets Infrastructure	Advice & Consultancy	Ongoing	Ongoing	
ITU Project Working Group	Advice & Consultancy	Ongoing	Ongoing	
External				
Pensions Administration	Annual	-	4	
North West Residual Waste Partnership	Advice & Consultancy	Ongoing	Ongoing	
Investigations, Provisions and Developments				
Investigations	Investigation	Ongoing	Ongoing	Four investigations – Appendix F
Proactive Fraud	Training	Final	2	<ul style="list-style-type: none"> Whistleblowing Training to Social Services Review of Counter Fraud Policies
Audit Development : Control Risk Self-Assessment	Development	In progress	Ongoing	
Audit Development : Computer Assisted Audit Tools Techniques Software (CAATTs)	Development	In Progress	Ongoing	
Audit Development : Root Cause Analysis	Development	In progress	Ongoing	

Glossary

Risk Based Audits	Work based on strategic and operational risks identified by the organisation in the Improvement Plan and Service Plans. Risks are linked to the organisation’s objectives and represent the possibility that the objectives will not be achieved.
Annual (System Based) Audits	Work in which every aspect and stage of the audited subject is considered, within the agreed scope of the audit. It includes review of both the design and operation of controls.
Advice & Consultancy	Participation in various projects and developments in order to ensure that controls are in place.
VFM (Value For Money)	Audits examining the efficiency, effectiveness and economy of the area under review.
Follow Up	Audits to follow up actions from previous reviews.
New to Plan	Audits added to the plan at the request of management. All new audits to the plan are highlighted in red.

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AUDIT COMMITTEE

Date of Meeting	Wednesday, 27 September 2017
Report Subject	Action Tracking
Cabinet Member	Not Applicable
Report Author	Internal Audit Manager
Category	Advisory

EXECUTIVE SUMMARY

The report shows the action points from previous Audit Committee meetings and the progress made in completing them. The majority of the requested actions have been completed, with some still outstanding. They will be reported back to a future meeting.

RECOMMENDATIONS

1	The committee is requested to accept the report.
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REPORT DETAILS

1.00	EXPLAINING THE ACTION TRACKING REPORT
1.01	In previous meetings requests for information, reports or actions have been made. These have been summarised as action points. This paper summarises those points and provides an update on the actions resulting from them. Full action tracking details within Appendix A.

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

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	Action owners contacted to provide an update on their actions.

4.00	RISK MANAGEMENT
4.01	None as a result of this report.

5.00	APPENDICES
5.01	Appendix A – Action Points.

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	None. Contact Officer: Lisa Brownbill, Internal Audit Manager Telephone: 01352 702231 E-mail: lisa.brownbill@flintshire.gov.uk

7.00	GLOSSARY OF TERMS
7.01	None.

AUDIT COMMITTEE - ACTION SHEETPresented Wednesday, 27th September 2017

16 th MARCH 2016				
Agenda Item No.	Report	Action Required	Responsible Officer	Action Taken
63	Internal Audit Progress Report	To consider how best to report Pls on future reports	Internal Audit Manager	Reviewed and reported to Audit Committee in June 2017

25 th September 2016				
Agenda Item No.	Report	Action Required	Responsible Officer	Action Taken
-	-	To provide a position statement on the Internal Audit Manager position at the January Meeting	Gareth Owens / Colin Everett	A verbal update presented at the January Meeting and at the June meeting

11 th January 2017				
Agenda Item No.	Report	Action Required	Responsible Officer	Action Taken
47	Greenfield Valley Heritage Park	An informal update to be given to the Committee on the outcome	Colin Everett	A verbal update provided at the June meeting

15th March 2017

Agenda Item No.	Report	Action Required	Responsible Officer	Action Taken
56	IA Progress Report	To provide an update to audit committee once the police investigation has reached a conclusion	Lisa Brownbill	An update will be provided to audit committee once the police investigation has reached a conclusion
59	IA Strategic Plan	To include in the IA Progress report details of any uncompleted high priority audits during the year	Lisa Brownbill	The IA Progress report will include this information where applicable

12th June 2017

Agenda Item No.	Report	Action Required	Responsible Officer	Action Taken
5.	Asset Disposal & Capital Receipts Generated	To review the criteria for the disposal of general properties to maximise capital receipts	Neal Cockerton	This will be actioned within the next three months
6.	Annual Governance Statement 2016/17	That the Committee recommends to the Council the Annual Governance Statement 2016/17 to be attached to the Statement of Accounts	Karen Armstrong	Action completed as part of the normal process
10.	IA Progress Report	Appendix D – to give more information on any risk arising from extended overdue actions	Lisa Brownbill	Included within the IA Progress report, Appendix F, for September

19th July 2017

Agenda Item No.	Report	Action Required	Responsible Officer	Action Taken
18	Draft Statement of Accounts 2016/17	To share with all Member the response to any questions raised on the draft accounts in the period leading up to September	Liz Thomas	Letter issued to all Members on 29 th August 2017.
18	Draft Statement of Accounts 2016/17	To carry out a 'dry run' in advance of the earlier publishing deadlines for Statement of Accounts	Gary Ferguson / Liz Thomas	To be built into future timetables for closure of the accounts.
20	Treasury Management Annual report 2016/17 and Update Q1 2017/18 (C)	That additional in-house training be organised for Committee prior to the Treasury Management training session	Liz Thomas	All Member Treasury Management training to be arranged for October / November, with further training to be arranged for January which specifically focuses on changes being suggested for the 2018/19 Treasury Management Strategy.
20	Treasury Management Annual report 2016/17 and Update Q1 2017/18	To arrange Treasury Management training for all Members for early January 2018	Liz Thomas	All Member Treasury Management training to be arranged for October / November, with further training to be arranged for January which specifically focuses on changes being suggested for the 2018/19 Treasury Management Strategy.

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19th July 2017

Agenda Item No.	Report	Action Required	Responsible Officer	Action Taken
20	Treasury Management Annual report 2016/17 and Update Q1 2017/18	The next report to include information on prudential indicators to demonstrate affordability on external debt levels and comparison with other council	Liz Thomas	To be included within the next report

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AUDIT COMMITTEE

Date of Meeting	Wednesday, 27 September 2017
Report Subject	Forward Work Programme
Cabinet Member	Not Applicable
Report Author	Internal Audit Manager
Category	Advisory

EXECUTIVE SUMMARY

The Audit Committee presents an opportunity for Members to determine the Forward Work programme of the Committee of which they are Members. By reviewing and prioritising the Forward Work Programme Members are able to ensure it is Member-led and includes the right issues. A copy of the Forward Work Programme is attached at Appendix A for Members' consideration which has been updated following the last meeting.

The Committee is asked to consider, and amend where necessary, the Forward Work Programme for the Audit Committee.

RECOMMENDATION

1	That the Committee considers the draft Forward Work Programme and approve/amend as necessary.
2	That the Internal Audit Manager, in consultation with the Chair and Vice-Chair of the Committee be authorised to vary the Forward Work Programme between meetings, as the need arises.

REPORT DETAILS

1.00	EXPLAINING THE FORWARD WORK PROGRAMME
1.01	Items feed into a Committee's Forward Work Programme from a number of sources. Many items are standard every quarter, six months or annually, and Members can also suggest topics for review by the Committee. Items can also be referred by the Cabinet, County Council or Chief Officers.

1.02	<p>In identifying topics for future consideration, it is useful for a 'test of significance' to be applied. This can be achieved by asking a range of questions as follows:</p> <ol style="list-style-type: none"> 1. Will the review contribute to the Council's priorities and/or objectives? 2. Is it an area of major change or risk? 3. Are there issues of concern in governance, risk management or internal control? 4. Is it relevant to the financial statements or financial affairs of the Council? 5. Is there new Government guidance on legislation? 6. Is it prompted by the work carried out by Regulators/Internal Audit? 			
1.03	<p>Following the inclusion of an additional meeting in November 2017, the Forward Work Programme has been updated and progress reports realigned to fit with the reporting periods. Section 1.04 below provides details of the movement within the forward work programme.</p>			
1.04	Title	Original Date	Moved To	Reason
	Financial Procedural Rules	September	November	At the request of the CFO. The draft FPRs will be presented to COT in October and at the next Council meeting in December.
	Update on Contract Procedural Rules	September	November	Chief Officer, Governance requested to defer this item given that a new Legal and Procurement Operations Manager has just been appointed to manage the Joint Central Procurement Unit.
	Joint Protocol between External and Internal Audit	-	November	New item to the forward work programme.

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

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	Publication of this report constitutes consultation.

4.00	RISK MANAGEMENT
4.01	None as a result of this report.

5.00	APPENDICES
5.01	Appendix A - Draft Forward Work Programme

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>None.</p> <p>Contact Officer: Lisa Brownbill Internal Audit Manager</p> <p>Telephone: 01352 702231</p> <p>E-mail: lisa.brownbill@flintshire.gov.uk</p>

7.00	GLOSSARY OF TERMS
	<p>WAO, Wales Audit Office works to support the Auditor General as the public sector watchdog for Wales. They aim to ensure that the people of Wales know whether public money is being managed wisely and that the public bodies in Wales understand how to improve outcomes.</p> <p>PSIAS, Public Sector Internal Audit Requirements A set of standards that all Internal Audit teams working in the public sector must comply with.</p>

Mae'r dudalen hon yn wag yn bwrpasol

AUDIT COMMITTEE - FORWARD WORK PROGRAMME 2017/18**Presented to Committee - Wednesday, 27th September 2017**

Meeting Date	Agenda Item	Author
27th September 2017	Statement of Accounts 2016/17 Corporate Governance Report Annual Improvement Report Internal Audit Progress Report Audit Committee Action Tracking Forward Work Programme	Gary Ferguson Karen Armstrong Karen Armstrong Lisa Brownbill Lisa Brownbill Lisa Brownbill
22nd November 2017	Treasury Management 2017/18 – Mid Year Report Financial Procedure Rule Contract Procedural Rules update Use of Consultancy Report Joint Protocol between External and Internal Audit	Liz Thomas Sara Dulson Gareth Owens Lisa Brownbill Lisa Brownbill

Meeting Date	Agenda Item	Author
	Internal Audit Progress Report	Lisa Brownbill
	Audit Committee Action Tracking	Lisa Brownbill
	Forward Work Programme	Lisa Brownbill
24th January 2018	Risk Management update	Karen Armstrong
	Corporate Governance Report	Karen Armstrong
	Treasury Management 2017/18 Q3 Update and 2018/19 Strategy	Liz Thomas
	Annual Audit Letter	WAO
	Certification of Grants Comparative Statistics	WAO
	Internal Audit Progress Report	Lisa Brownbill
	Audit Committee Action Tracking	Lisa Brownbill
	Forward Work Programme	Lisa Brownbill
21st March 2018	Audit Plan (WAO)	WAO
	Annual Improvement Report (WAO)	Karen Armstrong
	Treasury Management 2017/18 Q4 Update	Liz Thomas
	School Reserves – Annual Report on School Balances	Clare Homard / Lucy Morris

Meeting Date	Agenda Item	Author
	Contract Procedural Rules update	Gareth Owens
	Certification of Grants and Returns Report (WAO)	Gary Ferguson
	Internal Audit Progress Report	Lisa Brownbill
	Internal Audit Strategic Plan 2018/2021	Lisa Brownbill
	PSIAS Compliance (Internal)	Lisa Brownbill
	Audit Committee Self-Assessment	Lisa Brownbill
	Audit Committee Action Tracking	Lisa Brownbill
	Forward Work Programme	Lisa Brownbill
	Private Meeting (WAO and Internal Audit)	
June 2018	Risk Management Update	Karen Armstrong
	Annual Report on External Inspections	Karen Armstrong
	Draft Annual Governance Statement	Karen Armstrong
	Asset Disposals and Capital Receipts	Neal Cockerton
	Internal Audit Annual Report	Lisa Brownbill
	Internal Audit Progress Report	Lisa Brownbill
	Audit Committee Action Tracking	Lisa Brownbill

Meeting Date	Agenda Item	Author
	Forward Work Programme	Lisa Brownbill
19th July 2017	Treasury Management 2017/18 Q1 Update and Annual Report 2016/17	Liz Thomas
	Supplementary Financial Information to Draft Statement of Accounts 2016/17	Liz Thomas