Swyddog Cyswllt:
Sharon Thomas 01352 702324
sharon.b.thomas@flintshire.gov.uk

At: Cyng Helen Brown (Cadeirydd)

Y Cynghorwyr: Geoff Collett, Chris Dolphin, Andy Dunbobbin, Andrew Holgate, Paul Johnson ac Arnold Woolley

Aelod Cyfetholedig:
Sally Ellis

4 Medi 2018

Annwyl Gynghorydd

Fe'ch gwahoddir i fynychu cyfarfod Pwyllgor Archwilio a fydd yn cael ei gynnal am 10.00 am Dydd Mercher, 12fed Medi, 2018 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 dderbyn unrhyw ymddiheuriadau.

2 **DATGAN CYSYLLTIAD (GAN GYNNWYS DATGANIADAU CHWIPIO)**

Pwrpas: I dderbyn 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 11 Gorffennaf 2018.

4 **DATGANIAD CYFRIFON 2017/18** (Tudalennau 9 - 194)

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

Pwrpas: Adroddiad i gyflwyno fersiwn archwiliedig terfynol y Datganiad Cyfrifon 2017/18 ar gyfer argymhelliad Aelodau i'r Cyngor, yn cynnwys adroddiad yr archwiliwr allanol.

5	**<u>BALANSAU CRONFEYDD WRTH GEFN YSGOLION Y FLWYDDYN SY'N DOD I BEN AR 31 MAWRTH 2018</u>** (Tudalennau 195 - 210)

Adroddiad Prif Swyddog (Addysg ac Ieuenctid) - Aelod Cabinet dros Addysg

Pwrpas: Adrodd y lefel o falansau ysgol i'r Pwyllgor Archwilio ac amlygu'r peryglon a phrosesau mewnol sy'n gysylltiedig ag ysgolion mewn diffyg ariannol.

6	**<u>ADOLYGIAD BLYNYDDOL O RISGIAU STRATEGOL</u>** (Tudalennau 211 - 246)

Adroddiad Prif Weithredwr - Aelod Cabinet dros Reolaeth Gorfforaethol ac Asedau

Pwrpas: Yr Aelodau i'w hysbysu ynghylch sefyllfa risg strategol gyffredinol y Cyngor ar gyfer 2017/18.

7	**<u>OLRHAIN GWEITHRED</u>** (Tudalennau 247 - 250)

Adroddiad Rheolwr Archwilio Mewnol -

Pwrpas: Rhoi gwybod i'r Pwyllgor am y camau gweithredu sy'n codi o'r pwyntiau a godwyd mewn cyfarfodydd Pwyllgor Archwilio.

8	**<u>RHAGLEN GWAITH I'R DYFODOL</u>** (Tudalennau 251 - 260)

Adroddiad Rheolwr Archwilio Mewnol -

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

Yn gywir

Robert Robins
Rheolwr Gwasanaethau Democrataidd

AUDIT COMMITTEE
11 JULY 2018

Minutes of the meeting of the Audit Committee of Flintshire County Council held in the Clwyd Committee Room, County Hall, Mold on Wednesday, 11 July 2018

PRESENT: Councillor Helen Brown (Chair)
Councillors: Geoff Collett, Chris Dolphin, Andy Dunbobbin, Andrew Holgate, Paul Johnson and Arnold Woolley
Co-opted member: Sally Ellis

ALSO PRESENT: Councillors Patrick Heesom and Billy Mullin attended as observers

IN ATTENDANCE:
Chief Executive; Chief Officer (Governance); Internal Audit Manager; Corporate Finance Manager; Interim Finance Manager - Technical Accountancy; Technical Accountant; and Democratic Services Officer

Matthew Edwards and Richard Harries of Wales Audit Office

Peter Worth and Clwyd Pension Fund Manager - for minute number 17

13. DECLARATIONS OF INTEREST

The Chair, Councillor Andrew Holgate, Councillor Paul Johnson and Sally Ellis declared a personal interest on Agenda Item 6 as they were members of the Clwyd Pension Fund.

14. MINUTES

The minutes of the meeting held on 6 June 2018 were submitted.

RESOLVED:

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

15. DRAFT STATEMENT OF ACCOUNTS 2017/18

The Corporate Finance Manager presented the Draft Statement of Accounts 2017/18 (subject to audit) for information only at this stage. These comprised the Group accounts, including its wholly owned subsidiaries, and the Annual Governance Statement which had been considered at the previous meeting. The final audited accounts would be received on 12 September for approval and recommendation to County Council on the same day, ready for publication by 15 September which was in advance of the statutory deadline to prepare for earlier timescales from 2018/19.

The Corporate Finance Manager and Interim Finance Manager - Technical Accountancy gave a joint presentation covering the following:

- Purpose and Background of the Accounts
- Contents and Overview
- Responsibility for the Accounts
- Links to Budget Monitoring
- Headline Figures - Council Fund, Reserves at Year End, Capital and Housing Revenue Account (HRA)
- Financial Performance Indicators
- Changes to the Accounts for 2017/18
- Principal Statements
- Accounts Governance Group
- Progress in addressing prior year issues
- Timeline and Next Steps
- Impact of Earlier Deadlines on Materiality

During the presentation, officers gave a reminder that the Statement was a corporate document and that the Clwyd Pension Fund accounts were now considered under a separate agenda item following changes to the regulations. The earlier statutory publishing deadlines from 2018/19 would require a considered view on materiality and may require use of some estimated data whilst ensuring that readers were not misled. All Members were able to raise queries on the accounts with officers during the Summer prior to submission of the final audited version.

Sally Ellis asked about the implications of the increase in short-term debtors. The Interim Finance Manager explained that this was mainly due to financing for North East Wales (NEW) Homes and that no increase in impairment provision was required. The classification of NEW Homes as a short-term debtor would change as the company evolved. Information was also shared on the approach to managing impairment provision through the Revenue Budget Monitoring process.

On the accounting treatment for waste disposal sites, officers explained that provision had been made for complex work being undertaken at Standard and Brookhill landfill sites over a period of time. A level of contingent liability was retained to deal with any issues, including any arising from a wider programme of work to identify risks across all landfill sites. The Chief Executive spoke about the involvement of the Accounts Governance Group on the establishment of a robust programme to manage the risks and needs of redundant waste sites.

Matthew Edwards of Wales Audit Office gave assurance of regular discussions with relevant officers on progress with landfill sites. Such issues formed part of audit work on the accounts including the classification of sites and potential liabilities.

When asked by Sally Ellis about the main considerations of the Accounts Governance Group, the Chief Executive said that the Group had satisfied itself that issues identified in previous years had been resolved. The Interim Finance Manager spoke about the value of the Group in engaging with senior officers to identify potential future contingent liabilities. The Corporate Finance Manager referred to the Group providing assurance and on issues within the accounts prior to sign-off.

RESOLVED:

(a) That the draft Statement of Accounts 2017/18 (which includes the Annual Governance Statement approved by the Committee at its June 2018 meeting) be noted; and

(b) That Members note the ability to discuss any aspect of the Statement of Accounts with officers or the Wales Audit Office throughout July, August and September, prior to the final audited version being brought back to the Committee for recommendation to Council for final approval on 12 September 2018.

16. SUPPLEMENTARY FINANCIAL INFORMATION TO DRAFT STATEMENT OF ACCOUNTS 2017/18

The Corporate Finance Manager presented the supplementary financial information to accompany the draft Statement of Accounts 2017/18 as requested by the Notice of Motion approved by the Council in 2013.

The information on posts covered by interim or temporary appointments reflected amounts paid to organisations for such arrangements and not the salaries of the individuals concerned. The costs for consultants and non-permanent posts across the Council included theoretical annualised costs if those individuals had been employed for the whole year, as well as the actual costs incurred.

The Chief Executive asked if the Committee wished to continue to receive the information. Members indicated that they did.

RESOLVED:

That the report be noted.

17. DRAFT CLWYD PENSION FUND STATEMENT OF ACCOUNTS 2017/18

The Corporate Finance Manager introduced the report on the draft Clwyd Pension Fund Statement of Accounts 2017/18 which, following a change in regulations, were now separated from the Council's Statement of Accounts. As previously agreed by the Committee and the Council, approval of the Pension Fund accounts had been delegated to the Clwyd Pension Fund Committee as the more appropriate body.

Peter Worth, who had prepared the accounts, confirmed that the draft accounts had been presented to the Clwyd Pension Fund Committee in June and that the presentation slides he had used to explain the accounts to that Committee could be shared with Audit Committee Members if they so wished. He provided information on his professional background and set out the key changes to both streamline the accounts and include additional disclosures to ensure compliance with the financial reporting framework. The salient points were that:

1. Investment management fees had increased by £6m reflecting:
    - An increase in the fund-based fees to the Fund's core managers mirroring the increase in the overall Fund value;
    - additional fees for new investments in private equity and infrastructure;
    - additional costs being reported by fund managers reflecting regulatory changes resulting in greater transparency on fee charges.

    It was noted that the fees were at the higher end of the range. This reflected the investment portfolio of the Fund and had been reported to the Clwyd Pension Fund Committee.

2. Net investment return had declined from £318m in 2015/16 to £87m in 2016/17. This reflected a downturn in global equity markets.
3. The estimated funding position at the end of March 2018 - based on IAS19 - indicated a significant improvement from 2016.

Sally Ellis referred to the explanation on the increase in management expenses and asked how this was being monitored. Peter Worth said that this was due to the number of small tranches of investments made throughout the year and that a balanced view was needed to consider the links between cost of management fees for those investments, the rates of return and risk management. He went on to refer to work with the Local Government Association to extend reporting of those links as part of the annual report.

The Chief Executive advised that the Clwyd Pension Fund Committee had a strong understanding of the issue and provided robust challenge to satisfy itself on management fees and value for money. He said that the Fund differed to others in respect of its strategy of balancing risk and performing well. His suggestion that the Audit Committee could receive a future report and presentation to give assurance on governance arrangements of the Fund, was welcomed by Sally Ellis.

RESOLVED:

That the report be noted.

18. TREASURY MANAGEMENT ANNUAL REPORT 2017/18 AND TREASURY MANAGEMENT QUARTER 1 UPDATE 2018/19

The Interim Finance Manager - Technical Accountancy presented the Annual Report on the Council's Treasury Management Policy, Strategy and Practices 2017/18 for review and recommendation to Cabinet.

During a summary of the key points of the Annual Report, the most significant issue of note was the increase in Bank Rate in November 2017. On section 3, Members received a revised sheet showing the updated position on borrowing activity in 2017/18 which reflected the approach for continued short-term borrowing. Officers would be working with the Treasury Management advisors over the Summer to assess options for potential long-term loans. The Committee's attention was drawn to a single breach in the Council's policy where human error had led to an investment being made above the prescribed limit. In considering the level of risk, early redemption charge and damage to reputational risk, it had been resolved not to call back the deal and the investment had been left for ten days with no financial loss to the Council.

As part of an update on Treasury Management activity in the first quarter of 2018/19, an amended long-term borrowing analysis (Appendix 4) was circulated, with the removal of two loans paid in April 2018.

In advance of considering the Treasury Management Strategy for the following year, a training session by the Treasury Management Advisors would be scheduled for all Members in January 2019.

Councillor Johnson sought information on FMS, the loan provider for Lenders Option Borrowers Option (LOBOs) and whether the loans were held in the UK or Europe, on which officers agreed to provide a separate response. In response to comments, the Interim Finance Manager spoke about the approach to rescheduling debt across the portfolio in consultation with the Treasury Management advisors. On the implications of Brexit, officers would engage with the advisors to establish the best strategy as information was made available.

Sally Ellis asked what steps had been taken to prevent any further policy breaches. The Interim Finance Manager explained the circumstances leading to the incident and advised that the system had been developed to strengthen controls by flagging up where an investment above the prescribed limit was being submitted for approval. The Corporate Finance Manager said that whilst the incident was unfortunate, this was an isolated case amongst a number of investments and that the team had engaged with Internal Audit over the controls now in place.

The Internal Audit Manager advised that she was satisfied with the improved controls to address this one-off incident and that the effectiveness of the controls would be tested as part of the next audit.

As further assurance, the Chief Executive said that he would follow this up and suggested that future reports include an assurance statement that controls had been followed.

RESOLVED:

(a) That the draft Treasury Management Annual Report 2017/18 be noted, with no matters to be drawn to the attention of Cabinet on 17 July 2018; and

(b) That the Treasury Management 2018/19 first quarter update be noted.

19. **ATTENDANCE BY MEMBERS OF THE PRESS AND PUBLIC**

There was one member of the press in attendance.

The meeting commenced at 10am and finished at 11.15am

…………………………………..
Chair

AUDIT COMMITTEE

Date of Meeting	Wednesday 12 September 2018
Report Subject	Statement of Accounts 2017/18
Report Author	Corporate Finance Manager

EXECUTIVE SUMMARY

The report presents the;

- Final version of the Flintshire County Council Statement of Accounts 2017/18 incorporating those changes agreed with Wales Audit Office (WAO) during the course of the audit for Members recommendation to Council.
- WAO's International Standards on Auditing (ISA) 260 report on the audit of the Statement of Accounts 2017/18 for Flintshire County Council.
- Letter of Representation for Flintshire County Council.
- Copy of the report, Statement of Accounts 2017/18 and ISA 260 report agreed by the Pensions Committee on 5th September 2018 which approved the Clwyd Pension Fund Statement of Accounts 2017/18.

RECOMMENDATIONS	
1	Members are requested to recommend the final version of the Statement of Accounts 2017/18 for approval by County Council.
2	Members are requested to consider the WAO ISA 260 presentation.
3	Members are requested to recommend the Letter of Representation for acceptance by County Council.

REPORT DETAILS

1.00	EXPLAINING THE STATEMENT OF ACCOUNTS
1.01	The Audit Committee received the draft Statement of Accounts 2017/18 on 11th July 2018, for information only at that stage. The Accounts and Audit (Wales) Regulations 2018 specify the statutory deadline for the approval of the Statement as 30th September. However, in order to prepare for the revised date of 15th September which is effective for the 2018/19 Statement of Accounts, Flintshire brought forward its approval date for its Statement of Accounts 2017/18 to 15th September 2018.
1.02	The audit of the Statement of Accounts 2017/18 is now substantially complete, although 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 2017/18 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 11th July. Responses to all matters raised have been provided to Members of the Audit Committee. 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.
	Wales Audit Office's audit of the Statement of Accounts
1.05	Under the ISA 260, WAO is required to communicate relevant matters relating to the audit of the Statement of Accounts to those charged with governance, which for Flintshire is the County Council with responsibility for scrutiny delegated to the Audit Committee.
1.06	Officers from the WAO will be in attendance to present the ISA 260 report at the meeting. This year, this will take the form of a presentation to the meeting rather than a hard copy report. Members will have received a copy of the presentation with the reports pack for this meeting. This new approach is intended to make the ISA 260 report more accessible to Members.
1.07	Attached as Appendix 2 to this report is a table which includes details of significant issues arising from the audit, together with explanations from WAO and the impact of corrections made to the draft Statement of Accounts 2017/18.
1.08	It is usual within the course of the audit of any organisation that items will be brought to the attention of the body being audited, in this case Flintshire County Council. The audit findings have been discussed in detail with the WAO, and where it has been considered appropriate adjustments have been reflected in the Statement of Accounts.

1.09	The Letter of Representation requires the Council to confirm the accuracy of the audit. In this letter, the Council confirms to the WAO that all the information contained within the financial statements is true and accurate and that all information has been disclosed.
1.10	The Letter of Representation for Flintshire County Council is included at Appendix 3.
	The Council's response to the audit findings
1.11	It is reassuring that the WAO are reporting that the Council's draft Statement of Accounts were prepared to a good standard with comprehensive working papers. The role of the Accounts Governance Group in overseeing the production of the Statement of Accounts has worked very effectively over the past two 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.
1.12	One issue which requires the attention of the Audit Committee is the need to update the accounting policy for accruals of income and expenditure. Previously the policy excluded annual payments from the usual accruals process but this is not the practice actually followed in preparing the Statement of Accounts 2017/18. The reference to the exclusion has therefore been removed in this accounting policy shown on page 69 of the Statement. The Council will continue to monitor all its accounting policies to ensure that they remain in line with best practice.
1.13	In their report on the 2016/17 accounts WAO identified an issue in relation to the number of non-material disclosures included in the Statement of Accounts. The Technical Finance Team have worked with WAO to reduce the number of such disclosures included in the Statement of Accounts 2017/18, and this work will continue to identify any other opportunities for further reduction. This is particularly pertinent in light of the risks resulting from early closure.
	Audit of the Clwyd Pension Fund 2017/18
1.14	Under changes to the Accounts and Audit (Wales) Regulations 2018, it is no longer a requirement for the Statement of Accounts of Clwyd Pension Fund to be approved by Flintshire County Council. The Pension Fund Statement of Accounts 2017/18 was considered by the Pension Committee on 5th September 2018. However, it is still considered good practice for the Audit Committee to receive it for information and completeness. A draft version was presented to the Audit Committee on 11th July 2018 for information. The suite of reports and appendices presented to the Pensions Committee on 5th September are included at Appendix 4 (covering report), Appendix 5 (Statement of Accounts) and Appendix 6 (WAO ISA 260 report).

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 (2018/19) to address recommendations from the WAO's report as outlined within the body of the report.

5.00	**APPENDICES**
5.01	1. Statement of Accounts 2017/18. 2. Table of significant audit issues. 3. Flintshire County Council Letter of Representation. 4. Report to Pension Committee 5th September 2018. 5. Clwyd Pension Fund Statement of Accounts 2017/18. 6. WAO Clwyd Pension Fund ISA 260.

6.00	**LIST OF ACCESSIBLE BACKGROUND DOCUMENTS**
6.01	**Contact Officer**: Paul Vaughan– Interim Technical Finance Manager. **Telephone:** 01352 702219. **E-mail:** paul.vaughan@flintshire.gov.uk

7.00	**GLOSSARY OF TERMS**
7.01	**Financial Audit:** The annual external audit of the Council's Statement of Accounts. **Financial Year:** the period of 12 months commencing on 1 April. **Material:** A concept used to inform judgements regarding the accuracy of the Council's Statement of Accounts. The basis could be quantitative with an assigned value or qualitative and affected by issues that are legal, regulatory, or politically sensitive.

	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

2017-18

CONTENTS

NARRATIVE REPORT

INTRODUCTION

Flintshire County Council's Statement of Accounts for 2017/18 details the income and expenditure on service provision for the year 1st April 2017 to 31st March 2018 and the value of the Council's assets and liabilities as at 31st March 2018. The Group Accounts incorporates the Council's Financial Statements with that of its wholly owned subsidiaries North East Wales Homes (NEW Homes), Newydd and Theatr Clwyd Productions Ltd.

The Accounts have been prepared in accordance with the requirements of the 2017/18 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 2018. Furthermore, in anticipation of the earlier statutory closure deadlines effective from 2018/19, the Council has managed to submit the accounts by the earlier deadline of 15th June, a year sooner than required.

The Council set its budget for the 2017/18 financial year in the context of a continuing reduction in public sector funding and a rising demand for its services. Despite facing significant challenges, the Council managed to achieve 94% of its budgeted efficiencies and was able to limit spending to £2,107k 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 further change in year to the Council's Minimum Revenue Provision Policy which had a positive effect of £1,422k.

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

In addition to meeting the statutory deadline for producing the Accounts, the finance service also aspires to develop a Statement of Accounts that is more accessible to users. Flintshire County Council is a large and diverse organisation and the information contained in these Accounts is technical and complex. The aim of this narrative statement, therefore, is to provide a general guide to the items of interest and highlights some of the more significant matters that have contributed to the final position for the financial year ending 31st March 2018.

COUNCIL PERFORMANCE DURING THE YEAR

The Council's Improvement Plan for 2017/18 set the Council's priorities for the year, identifying the areas where service change or focus was needed. The Plan has six priorities and a 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 outturn for the year reported to Cabinet in June 2018. This report is available on the Council's website. The end of year report is published in October 2018.

NARRATIVE REPORT

FINANCIAL PERFORMANCE DURING THE YEAR

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

Economic climate

Approximately 73% of the budget requirement for Council services comes from Welsh Government through Aggregate External Funding (Revenue Support Grant and Non Domestic Rates). In 2017/18, there was a below inflationary increase in funding of 0.2% which was combined with significant cost pressures from factors outside of the Council's control such as policy directions or new legislation from UK and Welsh Government. These unfunded pressures are expected to be met by the Council without extra funds being set aside by Government and include; inflation, demographic growth, additional workforce cost pressures and a general increase in demand for Council services. The impact of funding not keeping pace with increasing costs has significant consequences and is expected to do so in future years as reflected in our latest Medium Term Financial Strategy.

Despite this financial challenge, portfolio business plans and corporate financing options enabled us to plan for £8,433k of new efficiencies in our 2017/18 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 2017/18 was set at £255,156k and approved by Council on 14th February 2017. Budget monitoring information was reported to Cabinet on a monthly basis throughout the year, with final outturn scheduled to be reported on 17th July 2018.

The budget strategy for 2017/18 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 2017/18 amounted to £253,575k against the budget of £255,156k.

	2017/18 Budget £000	2017/18 Actual £000	Variance £000
Corporate Services :			
Chief Executive	2,926	2,805	(121)
People and Resources	4,073	4,412	339
Governance	7,613	7,634	21
	14,612	14,851	239
Social Services	62,494	63,250	756
Community and Enterprise	12,636	12,290	(346)
Streetscene and Transportation	27,770	29,928	2,158
Planning and Environment	4,887	5,132	245
Education and Youth	99,705	99,709	4
Organisational Change	7,896	7,681	(215)
Net expenditure on services	**230,000**	**232,841**	**2,842**
Central loans and investment account	13,262	10,848	(2,414)
Central and Corporate Finance	14,240	12,231	(2,009)
Total net expenditure	**257,501**	**255,920**	**(1,581)**
Contribution from reserves	(2,345)	(2,345)	0
Budget requirement	**255,156**	**253,575**	**(1,581)**
Financed by			
Council tax (net of community council precepts expenditure)	70,123	70,649	(526)
General grants	135,345	135,345	0
Non-domestic rates redistribution	49,688	49,688	0
Total resources	255,156	255,682	(526)
Net variance - (underspend)	**0**	**(2,107)**	**(2,107)**

The underspend of £1,581k, increased to £2,107k by way of additional Council Tax income of £526k, combined with other agreed funding transfers to produce year-end Council fund revenue reserves of £13,697k.

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

	2017/18 Budget £000	2017/18 Actual £000	Variance £000
Estate Management	1,633	1,572	(61)
Landlord Services	1,386	1,404	17
Repairs & Maintenance	8,559	7,794	(765)
HRA Projects	93	303	210
Finance & Support	1,257	1,036	(221)
Revenue contributions to fund Capital Expenditure	10,863	12,248	1,385
Net expenditure on services	**23,792**	**24,357**	**565**
Central loans and investment account	7,544	6,968	(576)
Support Services	937	1,017	80
Total net expenditure	**32,273**	**32,342**	**69**
Contribution from reserves	244	276	32
Budget requirement	**32,517**	**32,618**	**101**
Financed by			
Rents	31,666	31,755	(89)
Grants and Other Income	851	863	(12)
Total resources	32,517	32,618	(101)
Net variance	**0**	**0**	**0**

2017/18 was the third of a 6 year programme of capital schemes to improve the quality of its housing stock and achieve the Welsh Housing Quality Standard which is in part funded by revenue contributions. The planned WHQS capital programme increased during the year. The increased expenditure was mitigated by underspends on other budget headings, procurement rebates and additional borrowing of £512k specifically for WHQS. A contribution of £276k was made to specific earmarked reserves bringing the total HRA reserves as at 31st March 2018 to £1,918k.

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 2017/18 Capital Programme was approved in the sum of £47,179k (Housing Revenue Account £27,744k and Council Fund £19,435k); this figure increased during the course of the year to a final programme total of £59,143k, (Housing Revenue Account £29,772k and Council Fund £29,371k). Capital Programme budget monitoring information was reported to Cabinet on a quarterly basis throughout the year, with final outturn scheduled to be reported on 17th July 2018.

Expenditure incurred is set out in the table below presented on the basis of those 'service blocks' used by Welsh Government in collecting capital data by way of the Capital Outturn Return (COR) forms, for its published Local Government Finance Statistics. Schemes and projects include; investment in the Council's housing stock as part of the plan to achieve the Welsh Housing Quality Standard, and the 21st Century Schools building programme which includes 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.

	2018
	£000
Education	8,543
Social services	417
Transport	7,773
Housing	35,582
Libraries, culture and heritage	52
Agriculture and fisheries *	255
Sport and recreation	1,095
Other environmental services	3,664
Outturn	57,381

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

The programme was financed as follows -

	2018
	£000
Supported borrowing	4,124
Other borrowing (including Salix loans)	23,636
Capital receipts	0
Capital grants and contributions	16,750
Capital reserves/capital expenditure funded from revenue account	12,871
Core financing	57,381

Strategic Housing and Regeneration Programme (SHARP)

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

During the year, the Council House building programme continued, all funded through the Housing Revenue Account. 44 new homes were completed and occupied at sites in Connah's Quay, Leeswood, Mold and Flint and substantial progress was made towards 20 more homes in these locations. Work began to develop another 15 homes on the former Melrose Centre site in Aston and on the former Dairy Site in Connah's Quay. Total costs during the year equated to £7,580k (included within the housing figure in the Capital Outturn above). Approval was also given in March for a further 75 HRA properties on sites in Gronant, Pen-y-ffordd and Dobshill.

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 £3,560k 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 2017/18 - the Council continues to use cash reserves and short term borrowing to fund capital expenditure in place of new borrowing. The balance sheet (long term) borrowing total of £253,672k includes, the sum of £3,051k 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 2018

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 2018.

Provisions are based on past events that place an obligation on the Council which is likely to result in a future financial liability, but there is uncertainty over the timing and precise value of the liability. Provisions are disclosed in Note 18.

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.

	2018	Net Underspend	Other	2017
	£000	£000	£000	£000
Council fund (unearmarked) balance	13,697	2,107	637	10,953
Earmarked council fund reserves	13,591	0	(5,378)	18,969
Locally managed schools	1,285	0	(271)	1,556
Housing Revenue Account reserves	1,918	276	0	1,642
Total revenue reserves	30,491	2,383	(5,012)	33,120

Pension Liability

The liability recorded in the balance sheet (£348,865k) has decreased by £46,185k 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 increase in the discount rate used to discount the future cash flows of the fund and a reduction in the assumption of the rate of Consumer Price Index. These assumptions are determined by the Actuary and represent the market conditions at the balance sheet date. The Council relies and places assurance on the professional judgement of the Actuary and the assumptions used to calculate the liability. Disclosures in Note 41 are in accordance with International Accounting Standard 19 (IAS 19), accounting in full for the pension liability, that is the total projected deficit over the life of the fund. IAS 19 has no impact on Council tax levels or housing finance, but the liability does impact on the net worth of the Council as reflected in the balance sheet total of £115,014k (£43,518k as at 31st March 2017).

Revaluation of Non-Current Assets

All non-current assets must be revalued every five years. The Council meets this requirement by revaluing a proportion of the total asset portfolio each year and during 2017/18 (the third year of the current cycle, commencing 1st April 2015) 23% of operational non-dwelling assets were revalued. The exception to this arrangement is Council Dwellings which were all valued in 2015/16.

FINANCIAL OUTLOOK FOR THE COUNCIL

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

The MTFS is under constant review to reflect budget developments at a national and local level. The Council has adopted a principled but high risk approach to finding solutions to the unprecedented level of budget savings to be found for 2018/19 and beyond and a revised version is due to be published later in 2018.

The Council was able to set a balanced budget for 2018/19 at its meeting in February 2018 although the latest forecast is that a further £10.6m will need to be found for 2019/20. 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 is also embedded within our ways of working – for example, through partnerships, business plan efficiency reports and within each report submitted to Cabinet or Overview and Scrutiny Committees.

The Audit Committee receives a summary of the Council's strategic risks at both mid-year and end of year. The end of year risk register was reported to Audit Committee in June 2018 and is available on the Council's website.

CHANGES AND FUTURE CHANGES TO THE STATEMENT OF ACCOUNTS

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

Future changes affecting the Statement of Accounts:

- The Accounts and Audit (Wales) Regulations 2018 came into force on 14th March 2018. The regulations confirmed the new timetables for the publishing of statements of accounts in Wales. In 2017-18 this remains as 30th June (certification by the Section 151 Officer), but in future years the dates will be brought forward. The Council is actively preparing for having to produce its accounts earlier in conjunction with its external auditors. The regulations also remove the requirement for pension fund statements to be included in the administering bodies' accounts.

CHANGE IN ACCOUNTING POLICIES

At its meeting on 1st March 2018, the Council agreed to revise its policy on setting the Minimum Revenue Provision and this is reflected in a revision to the appropriate accounting policy. There have been no other significant changes to accounting policies during the year.

FURTHER INFORMATION

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

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

THE 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 Paul Cunningham
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 2018, and its income and expenditure for the year then ended.

Signed :

Gary Ferguson CPFA
Corporate Finance Manager (Chief Finance Officer)

Date :

EXPENDITURE AND FUNDING ANALYSIS

for the year ended 31st March 2018

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.

2017/18	**Net Portfolio Final Outturn Reported £000**	**Adjustments for Movements (to)/from Earmarked Reserves £000**	**Chargeable to C F / HRA Reserves £000**	**Adjustments between Funding & Accounting Basis £000**	**Net Expenditure - CI&ES £000**
Chief Executives	2,805	51	2,856	39	2,895
Community & Enterprise	11,764	(221)	11,543	(14,604)	(3,060)
Education & Youth	99,709	1,112	100,821	5,972	106,793
Governance	7,634	350	7,984	1,613	9,597
Organisational Change	7,681	432	8,113	706	8,819
People & Resources	4,412	117	4,529	109	4,638
Planning & Environment	5,132	120	5,251	850	6,101
Social Services	63,250	149	63,399	799	64,198
Streetscene & Transportation	29,928	(317)	29,611	5,813	35,425
Corporate & Central Finance	20,735	3,192	23,927	(15,923)	8,003
Housing revenue account (HRA)	0	(276)	(276)	16,119	15,844
Theatr Clwyd	0	5	5	39	43
Cost of services	**253,049**	**4,714**	**257,763**	**1,531**	**259,295**
Other Income and Expenditure	(255,156)	20	(255,136)	21,584	(233,551)
(Surplus)/deficit on the provision of services	**(2,107)**	**4,735**	**2,628**	**23,116**	**25,743**
Opening Council Fund / HRA Reserves			33,120		
In Year Revenue Surplus / Deficit					
Council Fund (CF)			(2,903)		
Housing Revenue Account (HRA)			276		
Closing Council Fund / HRA Reserves			**30,493**		

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**
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**		

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

for the year ended 31st March 2018

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

	Note	2018 Gross Expenditure	2018 Gross Income	2018 Net Expenditure	2017 Gross Expenditure	2017 Gross Income	2017 Net Expenditure
Service Expenditure Analysis		**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Chief Executives		3,016	(121)	2,895	2,933	(37)	2,896
Community & Enterprise		43,459	(46,520)	(3,060)	54,657	(52,118)	2,539
Education & Youth		135,995	(29,203)	106,793	147,935	(22,149)	125,786
Governance		10,497	(900)	9,597	9,778	(754)	9,024
Organisational Change		11,014	(2,195)	8,819	23,757	(9,940)	13,817
People & Resources		5,030	(392)	4,638	4,797	(331)	4,466
Planning & Environment		9,646	(3,544)	6,101	10,894	(3,303)	7,591
Social Services		85,020	(20,822)	64,198	79,137	(18,246)	60,891
Streetscene & Transportation		47,348	(11,924)	35,425	46,391	(11,189)	35,202
Corporate & Central Finance		9,305	(1,302)	8,003	7,163	(728)	6,435
Housing revenue account (HRA)		48,959	(33,115)	15,844	43,751	(31,909)	11,842
Housing revenue account (HRA) - Valuations Dwellings		0	0	0	(266)	0	(266)
Theatr Clwyd		5,933	(5,889)	43	5,768	(6,013)	(245)
Cost of services		**415,222**	**(155,927)**	**259,294**	**436,695**	**(156,717)**	**279,978**
Other Operating Expenditure	**4**			26,221			23,535
Financing and Investment Income and Expenditure	**5**			20,716			22,669
Taxation and Non-Specific Grant Income	**6**			(280,488)			(274,120)
(Surplus)/deficit on the provision of services	**3**			25,743			52,062
(Surplus)/deficit arising on revaluation of non-current assets				(48,838)			(7,949)
(Surplus)/deficit arising on revaluation of available-for-sale financial assets				0			0
Actuarial (gains) or losses on pension assets and liabilities				(48,404)			80,557
Total comprehensive income and expenditure				**(71,499)**			**124,670**

MOVEMENT IN RESERVES STATEMENT

for the year ended 31st March 2018

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 20.

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

	Note	Council Fund Reserves £000	Housing Revenue Account Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves of the Authority £000
At 31st March 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	**7**	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**

BALANCE SHEET
as at 31st March 2018

	Note	2018 £000	2018 £000	2017 £000	2017 £000
NON-CURRENT ASSETS					
Property, Plant & Equipment	**8**				
Council dwellings		207,735		210,912	
Other land and buildings		313,234		271,556	
Vehicles, plant, furniture and equipment		14,577		15,918	
Surplus assets		8,934		9,008	
Infrastructure assets		153,463		151,232	
Community assets		4,721		4,721	
Assets under construction		7,512		3,789	
Total Property, Plant & Equipment			710,176		667,136
Investment properties and Agricultural Estate	**9**		29,064		28,508
Intangible assets			57		110
Long term debtors	**11**		2,387		2,211
NON-CURRENT ASSETS TOTAL			741,684		697,965
CURRENT ASSETS					
Inventories		836		1,075	
Short term debtors (net of impairment provision)	**12**	44,675		40,266	
Short term investments	**13**	0		0	
Cash and cash equivalents	**14**	31,803		6,962	
Assets held for sale	**10**	1,517		4,243	
CURRENT ASSETS TOTAL			78,831		52,546
CURRENT LIABILITIES					
Borrowing repayable on demand or within 12 month:	**15**	(58,084)		(14,377)	
Short term creditors	**16**	(30,622)		(32,404)	
Provision for accumulated absences		(1,776)		(2,651)	
Deferred liabilities	**38**	(541)		(565)	
Grants receipts in advance	**17**	(2,512)		(1,528)	
Provisions	**18**	(609)		(418)	
CURRENT LIABILITIES TOTAL			(94,144)		(51,943)
NON-CURRENT LIABILITIES					
Long term creditors	**16**	(1,342)		(240)	
Long term borrowing	**19**	(253,672)		(250,998)	
Deferred liabilities	**38**	(4,846)		(5,386)	
Provisions	**18**	(1,000)		(994)	
Other long term liabilities	**41**	(348,865)		(395,050)	
Grants receipts in advance	**17**	(1,632)		(2,382)	
NON-CURRENT LIABILITIES TOTAL			(611,357)		(655,050)
NET ASSETS			115,014		43,518

BALANCE SHEET

	Note	2018 £000	2018 £000	2017 £000	2017 £000
USABLE RESERVES	**20**				
Capital receipts reserve		14,094		10,671	
Capital grants unapplied		4,825		4,012	
Council fund		13,697		10,953	
Earmarked reserves		14,876		20,525	
Housing revenue account		1,918		1,642	
USABLE RESERVES TOTAL			49,410		47,803
UNUSABLE RESERVES	**21**				
Revaluation reserve		103,062		59,697	
Capital adjustment account		319,537		340,435	
Financial instruments adjustment account		(6,452)		(6,814)	
Pensions reserve		(348,865)		(395,050)	
Deferred capital receipts		98		98	
Accumulated absences account		(1,776)		(2,651)	
UNUSABLE RESERVES TOTAL			65,604		(4,285)
TOTAL RESERVES			115,014		43,518

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 2018

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	2018		2017	
		£000	£000	£000	£000
Net surplus or (deficit) on the provision of services		(25,743)		(52,062)	
Adjustment to surplus or deficit on the provision of services for non-cash movements		62,551		68,900	
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(20,986)		(22,811)	
Net cash flows from operating activities	**22**		15,822		(5,973)
Net cash flows from investing activities	**23**	(30,087)		(22,245)	
Net cash flows from financing activities	**24**	39,106		10,117	
			9,019		(12,128)
Net increase or decrease in cash and cash equivalents			24,841		(18,101)
Cash and cash equivalents at the beginning of the reporting period	**14**		6,962		25,063
Cash and cash equivalents at the end of the reporting period	**14**		**31,803**		**6,962**

INTRODUCTION TO NOTES

The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code) and the Council's accounting policies. The notes that follow (1 to 41) 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	**Adjustments for Capital Purposes £000**	**2017/18 Adjustments for Employee Benefit Purposes £000**	**Other Adjustments £000**	**Total Adjustments £000**
Note	**a**	**b**	**c**	
Chief Executives	0	39	0	39
Community & Enterprise	2,331	(6,314)	(10,620)	(14,604)
Education & Youth	7,817	(1,627)	(219)	5,972
Governance	1,564	76	(28)	1,613
Organisational Change	3,210	(3,701)	1,197	706
People & Resources	0	109	0	109
Planning & Environment	944	126	(220)	850
Social Services	269	530	0	799
Streetscene & Transportation	6,023	252	(462)	5,813
Corporate & Central Finance	1,343	1,550	(18,817)	(15,923)
Housing revenue account (HRA)	35,239	123	(19,243)	16,119
Theatr Clwyd	0	39	0	39
Cost of services	**58,741**	**(8,799)**	**(48,411)**	**1,531**
Other Income and Expenditure from the EFA	(16,663)	10,142	28,106	21,585
Differences between CF / HRA surplus / deficit and CI&ES surplus / deficit	**42,078**	**1,343**	**(20,305)**	**23,116**

Adjustments from Council Fund / HRA to arrive at CI&ES Amounts	**Adjustments for Capital Purposes £000**	**2016/17 Adjustments for Employee Benefit Purposes £000**	**Other Adjustments £000**	**Total Adjustments £000**
Note	**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**

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).

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-

2017/18	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 Finance £000	Theatr Clwyd £000	HRA £000	Total £000
Revenues from External Customers	(121)	(3,179)	(8,798)	(684)	(4,476)	(385)	(1,959)	(9,078)	(9,408)	(1,302)	(3,975)	(33,115)	(76,480)
Revenues from Transactions with other Operating Segments	0	(109)	(3,881)	(954)	(841)	(42)	(168)	(135)	(905)	(119)	(68)	0	(7,220)
Interest Revenues	0	0	0	0	0	0	0	0	0	(137)	0	0	(137)
Interest Expense	0	0	0	0	0	0	0	0	0	7,913	0	4,637	12,550

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 Finance £000	Theatr Clwyd £000	HRA £000	Total £000
Revenues from External Customers *	(16)	(3,124)	(2,326)	(560)	(10,953)	(331)	(1,859)	(9,611)	(7,469)	(695)	(2,250)	(31,809)	(71,002)
Revenues from Transactions with other Operating Segments	0	(95)	(3,455)	(935)	(3,772)	(7)	(164)	(153)	(934)	0	(41)	0	(9,555)
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	12,590

* Restated to account for transactions relating to Theatre Clwyd Productions ltd

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	2017/18 £000	2016/17 £000
Expenditure		
Employee Benefit Expenses	169,420	177,470
Other Service Expenses	198,452	203,115
Depreciation, Amortisation & Impairment	58,589	78,524
Interest Payments	13,090	13,401
Precept and Levies	25,886	24,684
Gain or loss on disposal of fixed assets	(559)	(2,089)
Total Expenditure	464,879	495,105
Income		
Fees, Charges and Other Service Income	(71,691)	(72,006)
Grants and Contributions	(235,687)	(237,687)
Interest and Investment Income	(2,720)	(2,153)
Income from Council Tax and Non-Domestic Rates	(129,039)	(131,197)
Total Income	(439,136)	(443,043)
Surplus or Deficit on the Provision of Services	25,743	52,062

4. OTHER OPERATING EXPENDITURE

	2018 £000	2017 £000
Precept - Office of North Wales Police and Crime Commissioner	15,836	15,070
Other preceptors - Community Councils	2,711	2,591
Levy - North Wales Fire and Rescue Authority	7,340	7,023
Net gain on the disposal of non-current assets	(559)	(2,089)
Admin. expenses on the net defined benefit liability	894	940
	26,221	23,535

5. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

An aggregate net financing and investment income and expenditure total of £20,716k (£22,669k in 2016/17), incorporates the investment losses and investment expenditure detailed below.

	2018 £000	2017 £000
Interest payable and similar charges	13,189	13,401
Investment losses and investment expenditure	2,005	2,454
Net interest on the net defined benefit liability (see note 41)	9,248	10,443
Interest and investment income	(3,727)	(3,629)
	20,716	22,669

6. LOCAL TAXATION AND NON-SPECIFIC GRANT INCOME

	2018 £000	2017 £000
Council tax income*	(79,350)	(75,293)
Non-domestic rates	(49,688)	(45,851)
Non-ringfenced government grants	(135,345)	(138,899)
Capital grants and contributions	(16,105)	(14,077)
	(280,488)	(274,120)

*2016/17 restated to include Council Tax Reduction Scheme

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 2017/18 was 63,543 band 'D' equivalent properties (62,759 in 2016/17).

The Flintshire County Council precept for a band 'D' property in 2017/18 was £1,103.55 (£1,071.41 in 2016/17). Council tax bills were based on the following multipliers for bands A- to I :-

Band	A-	A	B	C	D	E	F	G	H	I
Multiplier	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	21/9
No. of equivalent Band 'D' dwellings	7	2,235	6,187	15,897	11,510	11,878	9,822	4,928	1,102	460

Other precepts added to 2017/18 Council Tax demand notices included the North Wales Police and Crime Commissioner precept in the sum of £15,836k (£15,070k in 2016/17) and 34 Town and Community Councils who collectively raised precepts totalling £2,711k (£2,591k in 2016/17).

Analysis of the net proceeds from Council tax:

	2018 £000	2017 £000
Council tax collected	89,434	85,578
Increase/Decrease in bad debts provision	79	0
Council Tax Reduction Scheme*	(9,955)	(10,053)
Amounts written off to provision	(208)	(232)
	79,350	75,293
Less - Payable to North Wales Police and Crime Commissioner	(15,836)	(15,070)
	63,515	60,223

*Not disclosed in 2016/17 accounts

Non-Domestic Rates (NDR)

NDR is organised on a national basis. The government sets the rate poundage which in 2017/18 was 49.9p for all properties (48.6p in 2016/17). 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. 2017/18 NDR income paid into the pool was £56,747k after relief and provisions (£65,805k in 2016/17), based on a year end rateable value total of £147,698k (£154,991k in 2016/17).

Analysis of the net proceeds from non-domestic rates:

	2018 £000	2017 £000
Non-domestic rates collected	57,083	65,973
Less - Paid into NDR pool	(56,747)	(65,805)
Less - Cost of collection	(339)	(341)
Increase/Decrease in bad debts provision	(85)	168
Relief Schemes	88	5
	0	0
Receipts from pool	49,688	45,851
	49,688	45,851

7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure. The debit adjustment for the year is £27,352k (£49,154k in 2016/17)

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

2016/17	Usable Reserves: Council Fund Balance £000	Usable Reserves: Housing Revenue Account £000	Usable Reserves: Capital Receipts Reserve £000	Usable Reserves: Capital Grants Unapplied £000	Unusable Reserves £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)**

8. PROPERTY, PLANT AND EQUIPMENT

Council dwellings, other land and buildings, vehicles, plant, furniture and equipment that are held, occupied, used or contracted to be used on behalf of the 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 2017/18

	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, 2017	267,720	320,985	28,201	9,116	225,505	4,721	3,789	860,038
Additions and Acquisitions	22,192	4,610	2,122	77	8,028	0	13,747	50,776
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	34,300	0	7	0	0	0	34,307
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	0	(1,094)	0	0	0	0	0	(1,094)
Assets Derecognised	0	(34)	(1,900)	0	0	0	0	(1,934)
Reclassifications	(162)	(225)	0	(19)	0	0	0	(406)
Other movements in cost or valuation	10,024	0	0	0	0	0	(10,024)	0
At 31st March 2018	299,774	358,542	28,423	9,181	233,533	4,721	7,512	941,687
Accumulated Depreciation and Impairment								
As At 1st April, 2017	(56,808)	(49,430)	(12,283)	(108)	(74,273)	0	0	(192,902)
Depreciation charge	(5,076)	(13,213)	(3,463)	(62)	(5,797)	0	0	(27,611)
Depreciation written out to the Revaluation Reserve	0	15,739	0	0	0	0	0	15,739
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	1,227	0	0	0	0	0	1,227
Impairments written out to the Revaluation Reserve	0	1,890	0	(7)	0	0	0	1,883
Impairments recognised in the Revaluation Reserve	0	(3,246)	0	0	0	0	0	(3,246)
Reversal of Impairments recognised in the Surplus/Deficit	0	5,096	0	7	0	0	0	5,103
Impairments written out to Surplus/Deficit on the Provision of Services	0	(1,953)	0	0	0	0	0	(1,953)
Impairments recognised in the Surplus/Deficit on the Provision of Services	(30,155)	(1,485)	0	(77)	0	0	0	(31,717)
Assets Derecognised	0	34	1,900	0	0	0	0	1,934
Assets reclassified (to)/from Held for Sale	0	32	0	0	0	0	0	32
At 31st March 2018	(92,039)	(45,309)	(13,846)	(247)	(80,070)	0	0	(231,511)
Balance Sheet at 31st March 2018	207,735	313,234	14,577	8,934	153,463	4,721	7,512	710,176
Balance Sheet at 1st April 2017	210,912	271,555	15,918	9,008	151,232	4,721	3,789	667,136
Nature of Asset Holding								
Owned	207,735	313,234	9,966	8,934	153,463	4,721	7,512	705,565
Finance Lease	0	0	4,611	0	0	0	0	4,611
At 31st March 2018	207,735	313,234	14,577	8,934	153,463	4,721	7,512	710,176

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	267,720	320,986	28,201	9,116	225,505	4,721	3,789	860,038
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	(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	(56,808)	(49,430)	(12,283)	(108)	(74,273)	0	0	(192,902)
Balance Sheet at 31st March 2017	210,912	271,556	15,918	9,008	151,232	4,721	3,789	667,136
Balance Sheet at 1st April 2016	216,186	259,962	14,961	8,694	153,549	4,711	21,089	679,152
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	210,912	271,556	15,918	9,008	151,232	4,721	3,789	667,136

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)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair Value as at 31 March
	£000	**£000**	**£000**	**£000**
2017/18 Surplus Assets	0	3,261	5,674	**8,935**
2016/17 Surplus Assets	0	3,280	5,729	**9,009**

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 valuers considered these bases to be appropriate because:-

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

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

9. INVESTMENT PROPERTIES AND AGRICULTURAL ESTATE

	2018	2017
	£000	£000
Cost or Valuation		
At 1st April	28,554	30,612
Reclassifications	405	(1,868)
Additions	86	46
Revaluation Increases/Decreases to Surplus/Deficit	106	(237)
Other Adjustments	0	1
At 31st March	29,151	28,554
Depreciation and Impairments		
At 1st April	46	1
Reclassifications	0	0
Reversal of Impairments recognised in the Surplus/Deficit	0	(1)
Impairment / Depn	41	46
At 31st March	87	46
Balance Sheet at 31st March	29,064	28,508

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)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair Value as at 31 March
	£000	£000	£000	£000
2017/18				
Commercial and Industrial Estates	0	0	16,912	**16,912**
Agricultural Estate - Farms	0	0	11,290	**11,290**
Agricultural Estate - Grazing Land	0	0	861	**861**
Total	**0**	**0**	**29,063**	**29,063**
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**

Transfers between different levels of the fair value hierarchy during the year have occurred due to volatile market factors and abnormal uncertainty due to the result of the EU referendum creating a wider than normal level of uncertainty effecting the assumptions used in valuations.

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 2017/18 the Council's farms and smallholdings were valued by an external valuer, with the remainder of the valuations carried out by the Council's internal valuers.

All valuations are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors. The authority's valuation experts work closely with finance officers regarding all valuation matters.

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

Significant Observable Inputs – Level 2

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

Significant Unobservable Inputs – Level 3

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

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

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

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

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

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

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

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

10. ASSETS HELD FOR SALE

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

	Council Dwellings & Garages £000	Other Property, Plant & Equipment £000	Investment Properties £000	Total £000
At 1st April 2016	**0**	**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
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**

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
2017/18 Assets Held for Sale	0	0	1,517	**1,517**
2016/17 Assets Held for Sale	0	710	3,533	**4,243**

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.

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 valuers considered these bases to be appropriate because:-

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

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

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

11. LONG TERM DEBTORS

	2018	**2017**
	£000	**£000**
Other entities and individuals	2,387	2,211
Total	2,387	2,211

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

	2018	**2017**
	£000	**£000**
Renewal and improvement loans	2,134	1,923
First time buyer loans	100	100
Assisted car purchase loans	11	47
Affordable housing deposits	98	98
Private street works	44	43
Total	2,387	2,211

12. SHORT TERM DEBTORS

	2018 £000	2017 £000
Central government bodies	14,661	16,231
Other local authorities	1,873	1,771
NHS bodies	3,762	2,513
Public corporations and trading funds	3	0
Other entities and individuals	24,120	19,420
Council tax	2,700	2,714
	47,119	42,649
Less provision for impairment losses (note 18)	(2,444)	(2,383)
Total	44,675	40,266

13. 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.

	2018 £000	2017 £000
Investments (3 months – 365 days)	0	0
Accrued interest	0	0
Total	0	0

14. CASH AND CASH EQUIVALENTS

	2018		2017	
	£000	£000	£000	£000
Current Assets				
Temporary investments (call accounts)		0		0
Cash and cash equivalents	34,161		9,375	
Cash overdrawn	(2,358)		(2,413)	
		31,803		6,962
Total		31,803		6,962

15. BORROWING REPAYABLE ON DEMAND OR WITHIN 12 MONTHS

	2018 £000	2017 £000
Accrued interest on long term external borrowing	5,837	2,722
Loan Maturing	0	1,600
Invest to Save loan (from Welsh Government)	0	0
Energy Efficiency Loans (from Salix Finance Ltd.)	105	54
Short Term external borrowing	52,100	10,000
Accrued interest on short term external borrowing	42	1
Total	58,084	14,377

16. CREDITORS

	2018 £000	2017 £000
Short Term		
Central government bodies	5,131	8,009
Other local authorities	2,998	1,449
NHS bodies	315	596
Public corporations and trading funds	3	1
Other entities and individuals	22,175	22,349
Total	30,622	32,404
Long Term		
Other local authorities	205	0
NHS bodies	145	0
Other entities and individuals	992	240
Total	1,342	240

17. GRANT INCOME

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

	2018 £000	2017 £000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	135,345	138,899
Total Non Ringfenced Government Grants	135,345	138,899
Welsh Government (WG):		
Major Repairs Allowance	5,065	5,050
General Capital Grant	2,510	2,545
21st Century Schools	1,739	1,330
Local Transport Fund	2,001	230
Road Refurbishment Grant	1,427	0
Other WG Grants	1,802	3,017
Other Capital Grants and Contributions	1,561	1,905
Total Capital Grants and Contributions	16,105	14,077
Total	**151,450**	**152,976**

	2018 £000	2017 £000
Credited to Services		
WG		
Supporting People	5,809	5,810
DELLS Post 16	4,756	5,012
Education Improvement Grant	6,474	6,408
Flying Start	2,907	2,955
Families First	1,565	1,533
Pupil Deprivation	3,660	3,416
Concessionary Fares	1,853	2,066
Single Revenue Grant	2,897	2,822
Integrated Care Fund	1,857	1,412
Independent Living Fund	1,591	1,558
Other	8,864	6,025
Department of Work and Pensions	37,052	40,408
Arts Council Wales	2,043	2,031
Other Grants and Contributions	2,908	3,254
Total	84,236	84,710

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:

	2018 £000	2017 £000
Short Term		
Revenue Grants	1,908	1,101
Capital Grants	0	0
Capital Contributions	319	322
Revenue Contributions	285	105
Total	**2,512**	**1,528**
Long Term		
Revenue Grants	0	0
Capital Grants	0	0
Revenue Contributions	431	324
Capital Contributions	1,201	2,058
Total	**1,632**	**2,382**

18. 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 £1,609k incorporates the following balances :-

	2018	Additions	Expenditure Incurred	Amounts Reversed	Unwinding Discounting	2017
	£000	£000	£000	£000	£000	£000
Current Liabilities						
Aftercare of former landfill sites	49	4	0	0	2	43
Employee Termination Benefits	561	561	(336)	0	0	336
Employment Tribunals	0	0	(39)	0	0	39
Total	**609**	**565**	**(375)**	**0**	**2**	**418**
Non-Current Liabilities						
Aftercare of former landfill sites	995	0	0	(13)	19	989
Remediation works at former landfill sites	5	0	0	0	0	5
Total	**1,000**	**0**	**0**	**(13)**	**19**	**994**

- 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 2017/18 for the termination benefits of employees leaving the Council's employment in 2018/19.
- The employee claims provision covered the anticipated costs of employee claims against the Council.
- In accordance with the requirements of Part 2A of the Environmental Protection Act 1990 and the Council's Contaminated Land Inspection Strategy, 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 - Provision for Impairment Losses (Bad Debts)

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

	2018	2017
	£000	£000
Housing rents	578	422
Council tax	723	802
Other debtors	1,143	1,159
Total	2,444	2,383

19. LONG TERM BORROWING

Analysis	Interest Rates Minimum %	Interest Rates Maximum %	2018 £000	2017 £000
By Loan Type (Fixed Rate)				
Salix Finance (Energy Efficiency)	Interest Free		3,051	378
Government (PWLB)	0.57	9.50	230,810	230,810
Other financial institutions	4.48	4.58	18,950	18,950
Welsh Government	Interest Free		860	860
Total			253,672	250,998
By Maturity				
Between 1 and 2 years			235	105
Between 2 and 5 years			16,429	13,362
Between 5 and 10 years			17,034	14,129
More than 10 years			219,974	223,402
Total			253,672	250,998

20. 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 7.

Council Fund
The Council fund balance of £13,697k represents the value of unearmarked reserves available to the Authority (£10,953k in 2016/17).

Housing Revenue Account
The housing revenue account reserve cumulative balance of £1,918k (£1,642k in 2016/17) includes the 2017/18 HRA surplus of £276k (£125k (surplus) in 2016/17), as detailed on page 64.

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.

Earmarked Reserves

Total earmarked reserves of £14,876k (£20,525k in 2016/17) 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.
- Local Development Plan – funding for costs associated with finalising, and then implementing, the Local Development Plan
- Waste Disposal – reserve used predominantly to fund Flintshire County Council's contribution to the North Wales Residual Waste Treatment Partnership.
- Winter Maintenance – reserve set up as a contingency in the event of severe weather conditions
- 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.

- Restoration of Ewloe Offices – reserve to refurbish the council owned offices in Ewloe to allow officers to relocate to this building.
- Organisational Change/ADM – to support initial set up costs and financial technical support for contingency against any financial issues arising as a result of implementing different service delivery methods.
- Grants & Contributions – various grants and contributions from external providers that must be spent in accordance with associated restrictions on use.

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

	Balance at 31 March 2016	Transfers Out 2016/17	Transfers In 2016/17	Balance at 31 March 2017	Transfers Out 2017/18	Transfers In 2017/18	Balance at 31 March 2018
	£000	£000	£000	£000	£000	£000	£000
Service balances	3,730	(3,545)	1,426	1,611	(969)	873	1,515
School balances	2,306	(4,139)	3,389	1,556	(4,489)	4,218	1,285
Single status/equal pay	7,549	(3,223)	159	4,485	(2,970)	106	1,621
Investment in Organisational Change	1,269	(541)	210	938	(399)	900	1,439
Budget Strategy	4,460	(1,575)	7	2,892	(2,892)	0	0
Benefits equalisation	193	(108)	34	119	0	199	318
County elections	194	(186)	130	138	(152)	184	170
Supporting people	832	(445)	0	387	(387)	0	0
Local Development Plan (LDP)	647	(177)	10	480	(300)	0	180
Building control	91	(30)	61	122	(108)	41	55
Waste disposal	371	(337)	278	312	(208)	25	129
Flintshire Enterprise Ltd	73	(6)	0	67	0	41	108
Design fees	200	0	0	200	0	0	200
Winter maintenance	250	(35)	0	215	0	0	215
Car Parking	86	(60)	0	26	0	22	48
Insurance Reserves	1,221	(585)	835	1,471	(594)	928	1,805
Cash Receipting Review	241	(163)	1	79	0	4	83
Flintshire Trainees	0	0	398	398	0	78	476
Kitchen Refurbishment	0	0	110	110	(110)	0	0
Rent Income Shortfall	0	0	300	300	(150)	0	150
Schools Kitchen Ventilation	0	0	200	200	(200)	0	0
Customer Service Strategy	0	0	129	129	(26)	0	103
Capita One	0	0	109	109	(90)	0	19
PSBA	0	0	530	530	(530)	0	0
Supervision Fees	0	0	141	141	(141)	49	49
Transportation Review	0	0	170	170	0	0	170
LMS Curriculum	1,295	(1,034)	524	785	(791)	785	779
Restoration of Ewloe Offices	0	0	0	0	0	830	830
Org Change/ADM	0	0	0	0	(145)	300	155
Emergency Remediation	0	0	0	0	0	50	50
Grants & Contributions	2,737	(821)	639	2,555	(617)	986	2,924
Total	27,745	(17,010)	9,790	20,525	(16,268)	10,619	14,876

21. UNUSABLE RESERVES

The balances on unusable reserves are as follows :–

Reserves	2018 £000	2017 £000
Revaluation reserve	103,062	59,697
Capital adjustment account	319,537	340,435
Financial instruments adjustment account	(6,452)	(6,814)
Pensions reserve	(348,865)	(395,050)
Deferred Capital Receipt	98	98
Accumulated absences account	(1,776)	(2,651)
Total Unusable Reserves	65,604	(4,285)

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

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.

	2018 £000	£000	2017 £000	£000
Balance at 1st April		59,697		55,016
Upward revaluation of assets	57,051		13,654	
Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services	(8,213)		(5,705)	
Surplus or deficit on revaluation of non-current assets not posted to the surplus/deficit on the provision of services		48,838		7,949
Difference between fair value depreciation and historical cost depreciation	(5,133)		(2,721)	
Accumulated gains on assets sold or scrapped	(340)		(547)	
Amount written off to the capital adjustment account		(5,473)		(3,268)
Balance at 31st March		103,062		59,697

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.

	2018 £000	2017 £000
Balance at 1st April	(395,050)	(308,679)
Return on plan assets	10,491	84,251
Actuarial gains and losses	37,912	(164,808)
Net charges to surplus / defecit on provision of services	(28,033)	(30,827)
Employers' contributions payable to the scheme	25,815	25,013
Balance at 31st March	(348,865)	(395,050)

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

	2018 £000	2018 £000	2017 £000	2017 £000
Balance at 1st April		340,435		380,112
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	(52,983)		(50,695)	
- Revaluation losses on PP&E	(3,135)		(18,498)	
- Amortisation of intangible assets	(53)		(117)	
- Revenue expenditure funded from capital under statute	(2,590)		(8,978)	
- 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	(2,865)		(2,951)	
- Movements in the market value of investment properties debited or credited to the Comprehensive Income & Expenditure Statement	152		(235)	
	(61,474)		(81,474)	
Adjusting amounts written out of the revaluation reserve	5,472		3,268	
Net written out amount of the cost of non-current assets consumed in the year		(56,002)		(78,206)
Capital financing applied in the year:				
- Use of the capital receipts reserve	0		2,329	
- Capital grants and contributions credited to the Comprehensive Income & Expenditure statement that have been applied to capital financing	16,750		17,104	
- Statutory provision for the financing of capital investment charged against the Council Fund and HRA balances	5,506		6,232	
- Capital expenditure charged against the council fund and HRA balances	12,871		12,855	
Long term debtors adjustments - Loan Repayments	(23)		7	
		35,104		38,529
Balance at 31st March		319,537		340,435

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.

	2018 £000	2018 £000	2017 £000	2017 £000
Balance at 1st April		(6,814)		(7,177)
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	361		363	
Amount by which finance costs charged to the Comprehensive income and expenditure statement are different from finance costs chargeable in the year in accordance with statutory requirements		361		363
Balance at 31st March		(6,452)		(6,814)

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.

	2018 £000	2017 £000
Affordable homes deposits	98	98
	98	98

22. CASH FLOW STATEMENT - OPERATING ACTIVITIES

The net cash flows from operating activities of £15,822k inflow (£5,973k outflow in 2016/17) include the following interest elements:

	2018 £000	2017 £000
Interest received	129	155
Interest paid	(16,325)	(13,159)

23. CASH FLOW STATEMENT - INVESTING ACTIVITIES

	2018 £000	2017 £000
Purchase of property, plant & equipment, investment property and intangible assets	(50,861)	(50,997)
Purchase of short term and long term investments	0	0
Other payments for investing activities	(212)	(109)
Proceeds from the sale of property, plant & equipment, investment property and intangible assets	3,423	5,031
Proceeds from short term and long term investments	0	6,000
Other receipts from investing activities	17,563	17,830
Net cash flows from investing activities	(30,087)	(22,245)

24. CASH FLOW STATEMENT - FINANCING ACTIVITIES

	2018 £000	2017 £000
Cash receipts of short term and long term borrowing	44,824	10,697
Other receipts from financing activities	0	0
Cash payments for the reduction of the outstanding liability relating to finance leases	(564)	(580)
Repayment of short term and long term borrowing	(1,600)	0
Other payments for financing activities	(3,555)	0
Net cash flows from financing activities	39,106	10,117

25. 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.

	2018		2017	
Remuneration Band	**Non-Schools**	**Schools**	**Non-Schools**	**Schools**
	No.	**No.**	**No.**	**No.**
£60,000 - £64,999	3	14	2	16
£65,000 - £69,999	1	9	1	9
£70,000 - £74,999	0	10	0	9
£75,000 - £79,999	0	3	0	3
£80,000 - £84,999	0	1	0	1
£85,000 - £89,999	0	1	0	1
£90,000 - £94,999	0	1	0	2
£95,000 - £99,999	0	1	0	1
£100,000 - £104,999	0	1	0	0
	4	41	3	42

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	2017/18 Remuneration	2017/18 Employer's Pension Contributions	2016/17 Remuneration	2016/17 Employer's Pension Contributions
		£	£	£	£
Chief Executive	1	133,870	36,011	132,545	33,680
Chief Officer Governance	1	92,605	24,911	87,567	22,251
Chief Officer Education & Youth	2 3	25,392	6,830	93,236	23,691
Interim Chief Officer Education & Youth	4	78,011	20,985	64,191	16,305
Chief Officer Social Care	2	92,605	24,911	93,236	23,691
Chief Officer Community & Enterprise		92,605	24,911	91,688	23,298
Chief Officer Planning & Environment		92,605	24,911	87,567	22,251
Chief Officer Streetscene & Transportation		92,605	24,911	87,567	22,251
Chief Officer Organisational Change 1		92,605	24,911	87,567	22,251
Chief Officer Organisational Change 2		92,605	24,911	87,567	22,251
Corporate Finance Manager (Section 151 Officer)		69,100	18,512	73,336	18,635
Senior Manager (HR & OD)		64,491	17,348	63,890	16,235
		1,019,099	274,063	1,049,957	266,790

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

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

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

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

Note 3 : Employment end date 9th July 2017

Note 4 : New appointment to Chief Officer role-start date 26th June 2017. Remuneration not disclosed in 2016/17 accounts

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 (£17,772); for 17/18 this was 1:7.53 (for 2016/17 this was 1:7.72).

Exit Packages

The Council is required to disclose (in £20k bandings up to £100k with £50k bandings thereafter) the number of exit packages agreed and the cost of the packages to the Council in the financial year. Exit costs arising in 2017/18 which the Council is committed to incurring at the 31st March 2018, 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	
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17
	No.	No.	No.	No.	No.	No.	£	£
£0 - £20,000	65	58	4	21	69	79	475,116	548,945
£20,001 - £40,000	25	14	2	15	27	29	758,816	845,785
£40,001 - £60,000	8	3	0	3	8	6	355,465	282,107
£60,001 - £80,000	1	0	2	2	3	2	233,609	139,848
£80,001 - £100,000	3	0	1	0	4	0	357,855	0
£100,001 - £150,000	1	0	1	1	2	1	238,877	110,647
	103	75	10	42	113	117	2,419,738	1,927,332

26. MEMBERS' ALLOWANCES

Allowances totaling £1,417k were paid directly to members of the Council, and on their behalf in 2017/18 (£1,339k in 2016/17), including £35k paid to former members of the Council who did not return to office following the May 2017 elections.

	2018	2017
	£000	£000
Basic allowance	932	929
Special responsibility allowance	244	247
Employer's national insurance	83	84
Employer's superannuation	126	63
Members' expenses	32	16
	1,417	1,339

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

The allowances paid fall into the following bands :-

Allowance Band	2018 Number of Members	2017 Number of Members
£0 - £9,999	2	0
£10,000 - £14,999	26	39
£15,000 - £19,999	25	12
£20,000 - £24,999	5	8
£25,000 - £29,999	3	3
£30,000 - £34,999	6	5
£35,000 - £39,999	2	1
£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
	71	70

27. 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.

Figures for 2016/17 have been restated to reflect a different basis of calculation.

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 17.

Members
Members of the Council have direct control over the Council's financial and operating policies. The total of members allowances paid in 2017/18 is shown in note 26.

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 2017/18 are as follows:

- Payments £667k (£801k in 2016/17)
- Receipts £16k (£19k in 2016/17)
- Amounts owed by the Council £20k (£54k in 2016/17)
- Amounts owed to the Council £4k (£0k in 2016/17)

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 2017/18 and amounts outstanding at 31st March are as follows:

- Payments £245k (£84k in 2016/17)
- Receipts £84k (£0k in 2016/17)
- Amounts owed by the Council £44k (£21k in 2016/17)
- Amounts owed to the Council £245k (£0k in 2016/17)

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 in 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 2017/18 are as follows:

- Payments £373k (£367k in 2016/17)
- Amounts owed to the Council £4k (£0k in 2016/17)

Community Asset Transfer (CAT)
A number of Members and Senior Officers will have an interest in local community groups involved in the Council's CAT scheme. The scheme involves leasehold transfer (at nominal value) of specific Council assets to organisations

with a social purpose who plan to use the assets for the benefit of the local community. The assets have remained on the Council's balance sheet and have a combined net book value of £9,828k (£10,184k in 2016/17). In some circumstances the Council has, or plans to, issue capital grants for any necessary capital works. Transactions with these groups during 2017/18 are:

- Grants awarded £352k (£95k in 2016/17)
- Grants paid in advance £33k (£33k in 2016/17)
- Payments £48k (£44k in 2016/17)
- Amounts owed by the Council £7k (£4k in 2016/17)
- Receipts £2k (£0k in 2016/17)

Associated companies
The Council has three wholly owned subsidiaries, North East Wales Homes Ltd., Newydd Catering and Cleaning Ltd, and Theatr Clwyd Productions Ltd. These are companies limited by shares and are included in the Authority's group accounting boundary. North East Wales Homes has a loan facility with the Council, and as at 31st March 2018 this amounted to £7,106k.

Other Public Bodies

Clwyd Pension Fund
The Council is the administering authority for the Clwyd Pension Fund. Details of transactions with the Clwyd Pension Fund can be found within the Clwyd Pension Fund accounts which are available at www.clwydpensionfund.org.uk

Teachers Pensions Agency
The pension costs charged are the contribution rate set by the Department for Education on the basis of a notional fund. Teacher's pension details are set out in note 41.

North Wales Police and Crime Commissioner and North Wales Fire Authority
Police and Crime Commissioners and Fire and Rescue Authorities set their own charges to council tax payers which are then included in the council tax bill – these charges are known as the precept. Total precepts and levies paid to the Office of the North Wales Police and Crime Commissioner and the North Wales Fire and Rescue Authority amounted to £23,176k (£22,093k in 2016/17).
Other transactions with North Wales Police and Crime Commissioner and North Wales Fire Authority during 2017/18 are:

- Payments £39k (£21k in 2016/17)
- Receipts £98k (£109k in 2016/17)
- Amounts owed by the Council £5k (£5k in 2016/17)
- Amounts owed to the Council £26k (£35k in 2016/17)

Community / Town Councils
Total precepts including cemetery precepts paid to the 34 community/town councils amounted to £2,719k (£2,602k in 2016/17). Other transactions with community councils during 2017/18 are:

- Payments £114k (£64k in 2016/17)
- Receipts £360k (£276k in 2016/17)
- Amounts owed by the Council £15k (£10k in 2016/17)
- Amounts owed to the Council £63k (£59k in 2016/17)

Transactions with the following bodies during 2017/18 were as follows:

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

- Payments £1,926k (£1,710k in 2016/17)
- Receipts £7,377k (£6,424k in 2016/17)

- Amounts owed by the Council £295k (£505k in 2016/17)
- Amounts owed to the Council £3,604k (£2,531k in 2016/17)

Welsh Joint Education Committee:

- Payments £206k (£508k in 2016/17)
- Receipts £0k (£8k in 2016/17)
- Amounts owed by the Council £437k (£340k in 2016/17)

Welsh Local Government Association:

- Payments £100k (£101k in 2016/17)
- Receipts £7k (£7k in 2016/17)
- Amounts owed by the Council £0k (£1k in 2016/17)

28. AUDIT FEES

Total audit and inspection fees due during the year amounted to £370k (£363k in 2016/17). External audit services were provided by Wales Audit Office.

	2018 £000	2017 £000
Fees for the Statement of Accounts	207	210
Fees for the Local Government Measure	100	100
Fees for grants	63	53
	370	363

29. 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	2018 £000	2017 £000
Gross expenditure	996	1,034
Gross income	(1,128)	(1,100)
(Surplus) / deficit for year	(132)	(66)
Contribution to Budget		
Flintshire County Council	291	288

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	495	50.25
Wrexham County Borough Council	503	490	49.75
	1,011	985	100.00

30. AGENCY SERVICES

Flintshire County Council is one of six partners within the North Wales Trunk Road Agency (NWTRA), the other partners being Anglesey, Conwy, Denbighshire, Gwynedd and Wrexham Councils. The Streetscene & Transportation Portfolio within Flintshire County Council undertakes trunk road work on behalf of NWTRA for the Welsh Government. Reimbursement for work carried out under the Trunk Road Agency Agreement amounted to £3,103k (£2,481k in 2016/17).

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 2017/18 (£0k in 2016/17) with gross payments against the brought forward sum amounting to £649k (£355k in 2016/17), with repayments of £125k made during the year, combining to a net total payments of £524k. Of these Flintshire County Council received and issued £168k of loans (£280k in 2016/17) with £125k being repaid (£325k in 2016/17).

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 13 years' time, with the same purpose as outlined above. No loans have been issued so far. The second product, called Home Improvement Loans, is for works in making residential properties safe warm and/or secure, again with the funding to be retuned in 13 years' time. £109k has been granted in loans in year (£17k in 2016/17).

Flintshire County Council acts as an agent on behalf of Welsh Government in receiving and distributing various grants for the North Wales region. Bus Services Support Grant is used to support bus and community transport services in the region. The total received in 2017/18 was £7,692k, of which £745k was Flintshire's share and is included in Flintshire's accounts (£6,748k in 2016/17, £593k 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 2017/18 £3,495k was collected (£3,473k 2016/17). The Council also acts as agent in arranging and collecting household contents insurance for tenants' belongings on their behalf if they wish. In 2017/18 £99k was collected (£101k in 2016/17). The Council also collects heating charges from tenants living in Council owned communal buildings, and in 2017/18 £139k was collected (£161k in 2016/17).

31. 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 2018 was £45k (£61k in 2016/17) and is not included in the balance sheet.

Flintshire County Council acted 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, was apportioned to each authority to be used to give grants which accord with the stated objectives. On 29th March 2018, the funds held by Flintshire County Council (£537k) and the administration of the Fund were transferred to the Community Foundation in Wales. Flintshire County Council still holds £13k which will be transferred in 2018-19 (the fund balance was £570k in 2016/17).

In the Social Services portfolio the Social Services for Adults Section maintain individual bank accounts for service users living in the community who are unable to 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 2018 was £4,417k in 423 separate accounts (£3,912k in 408 accounts in 2016/17).

32. 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.

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, and the most recent indication from the administrator is of a levy ranging from 15% to 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.

There are 5 claims against the Council in Employment Tribunals which will be heard in the next financial year. Based on the outcomes of the cases the Council could have to pay all, some or none of the claims.

The Council has entered into long term contracts with two service providers, Newydd and AURA. There has been a transfer of Council employees to the new service providers. The Council has given pension guarantees to Newydd and Aura. These guarantees mean that if these bodies are unable to meet their pension obligations at a future point in time then the Council will assume responsibility for them.

33. CONTINGENT ASSETS

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

As the result of a successful case brought by the London Borough of Ealing against HMRC in relation to the treatment of VAT on sporting activities, Flintshire has lodged two separate claims for the recovery of VAT from previous years. HMRC has informed Flintshire that the first claim has been successful and the amount which Flintshire will receive is about £1,100k. The second claim remains outstanding and it is unclear when this will be considered by HMRC and what amount Flintshire might expect to receive.

34. 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.

- Accounting for arrangements containing a lease (embedded leases) – During 2016/17 the Council entered into an arrangement where supply and maintenance of all vehicles, along with fleet management, would be undertaken by Essential Fleet Services (EFS). The Council has reviewed the appropriate accounting guidance, sought professional advice, and concluded that this arrangement contains embedded operating leases.

- Community Asset Transfers (CATs) - involve leasehold transfer (at nominal value) of specific Council assets to organisations with a social purpose who plan to use the assets for the benefit of the local community. The lease agreements have been considered; whilst operational risk and reward transfers to the community group, the Council's view is that the risk and reward of ownership remains with the Council and therefore the value of the assets have remained on the Council's balance sheet.

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

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

- Retirement Benefit Obligations – The Council recognises and discloses its retirement benefit obligation in accordance with the measurement and presentational requirements of IAS 19 "Employee Benefits". The estimation of the net pension liability depends on a number of complex judgements and estimates relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. Changes in these assumptions can have a significant effect on the value of the Council's retirement benefit obligation. Further detail assessing the sensitivities of estimates can be found in Note 41.

- 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.

35. 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 2017/18 were as follows:-

	2018 £000	2017 £000
Total minimum revenue provision	5,505	6,233
Recharge to housing revenue account	(2,337)	(2,132)
	3,168	4,101

36. 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.

	2018 £000	2017 £000
Capital Investment		
Property, plant and equipment	50,860	50,997
Intangible assets	0	0
REFCUS	6,521	12,496
	57,381	63,493
Sources of Finance		
Capital receipts	0	(2,329)
Capital grants and contributions	(16,750)	(17,104)
Capital reserves / CERA	(12,871)	(12,855)
	(29,621)	(32,288)
Increase/(decrease) in capital financing requirement	27,760	31,205
Increase in supported borrowing	4,124	4,137
Increase in other (unsupported) borrowing	23,636	27,068
	27,760	31,205

37. FUTURE CAPITAL COMMITMENTS

At 31st March 2018, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2018/19 and future years. The major commitments, in excess of £1m, are shown below:

Contract Details	2018 Contract Value £000
Council Fund	
Connah's Quay High School	8,265
Penyffordd CP School	6,629
	14,894
Total Commitments	**14,894**

38. 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:

	2018	2017
Asset Classification	**£000**	**£000**
Vehicles, plant and equipment	4,614	5,238

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 £541k is due to be paid during the next 12 months (£565k equivalent for the previous financial year).

	2018	Repaid	New	2017
	£000	£000	£000	£000
Finance lease liabilities (net present value of the minimum lease payments):				
Current	541	24	0	565
Non-current	4,846	540	0	5,386
	5,387	564	0	5,951
Finance costs payable in future years	2,365	520	0	2,885
Minimum lease payments	7,752	1,084	0	8,836

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	
	2018	2017	2018	2017
	£000	£000	£000	£000
Not later than one year	1,006	1,084	541	565
Later than one year and not later than five years	4,313	4,501	2,718	2,661
Later than five years	2,433	3,251	2,128	2,725
	7,752	8,836	5,387	5,951

Operating Leases

In 2017/18, operating lease rentals paid amounted to £3,282k (£1,811k in 2016/17).

Asset Classification	2018 £000	2017 £000
Land	45	45
Buildings	144	139
EFS Fleet Contract	2,764	925
Vehicles, plant and equipment	329	702
	3,282	1,811

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

	Land £000	Buildings £000	EFS Fleet Contract £000	Vehicles, Plant & Equipment £000	Total £000
Not later than one year	42	160	3,050	190	3,442
Later than one year and not later than five years	92	346	12,127	189	12,754
Later then five years *	989	942	1,532	0	3,463
	1,123	1,448	16,709	379	19,659

* Any open ended agreements are calculated to 2030/31 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 2017/18, lease rentals receivable amounted to £2,829k (£3,008k in 2016/17).

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

	Land £000	Buildings £000	Total £000
Not later than one year	69	1,999	2,068
Later than one year and not later than five years	184	6,941	7,125
Later then five years *	457	8,840	9,297
	710	17,780	18,490

* Any open ended agreements are calculated to 2030/31 in line with the general average life of the longest leases

Finance Leases

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

39. 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.

IFRS 9 – Financial Instruments

The Council will adopt IFRS 9 Financial Instruments with effect from 1st April 2018. This introduces changes to the classification of financial assets and the earlier recognition of the impairment of financial assets under a new "expected credit loss" model.

The Council does not expect the reclassification changes to have a material impact upon the financial statements because the majority of its financial assets will retain the same measurement basis. To this end, on 1st April 2018 the Council irrevocably elected to present changes in the fair value of equity investments in other comprehensive income as permitted by the IFRS.

The Council does not expect the impairment changes to have a material impact upon the financial statements because the impairment charge will be immaterial for its treasury management assets (e.g. MMFs, bank deposits and bonds) and already makes a provision for doubtful debts on its service assets

IFRS 15 – Revenue from Customers with Contracts

The Council from 1st April 2018 will adopt IFRS 15 Revenue Recognition from Contracts with Customers and IPSAS 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) account for revenue recognition in accordance with these standards. IFRS 15 will require local authorities to recognise revenue in such a way that it represents the transfer of promised goods or services to the service recipient (customer) in an amount that reflects the consideration to which the authority expects to be entitled in exchange for those goods or services.

CIPFA is of the view that generally this should not have a substantial effect for local authorities with relatively predictable income streams but it may have an impact on authorities where the consideration is variable and/or when income is recognised over time. The Council does not expect the changes to have a material impact upon the financial statements.

IFRS 16 – Leases

This standard will require the Council where they are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). The Council at this time does not expect the changes to have a material impact upon the financial statements however further work is being undertaken to assess the impact of the changes.

IAS 7 Statement of Cash Flows (Disclosure Initiative) –

The adoption of the standard will potentially require the Council to provide additional analysis of Cash Flows from Financing Activities (disclosed at Note 24) in future years.

IAS 12 Income Taxes (Recognition of Deferred tax Assets for Unrealised Losses) -

This applies to deferred tax assets related to debt instruments measured at fair value. The Council does not expect the changes to have a material impact upon the financial statements.

40. FINANCIAL INSTRUMENTS

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

	Long-Term		Current	
	2018	2017	2018	2017
	£000	£000	£000	£000
Financial liabilities at amortised cost				
Principal	253,672	250,998	52,205	11,654
Accrued Interest	0	0	5,879	2,723
Borrowing	253,672	250,998	58,084	14,377
Cash overdrawn	0	0	2,358	2,413
Cash & Cash Equivalents	0	0	2,358	2,413
Finance Leases	4,846	5,386	541	565
Deferred Liabilities	4,846	5,386	541	565
Trade Payables	0	0	26,534	24,694
Within Creditors	0	0	26,534	24,694
Total financial liabilities	258,518	256,384	87,517	42,049
Financial assets at amortised cost				
Principal	0	0	0	0
Accrued Interest	0	0	0	0
Investments	0	0	0	0
Cash & Cash Equivalents	0	0	34,154	9,375
Accrued Interest	0	0	7	1
Cash & Cash Equivalents	0	0	34,161	9,376
Trade Receivables	2,387	2,211	21,371	22,061
Within Debtors	2,387	2,211	21,371	22,061
Total financial assets	2,387	2,211	55,532	31,437

Short term Creditors (note 16) includes a further £4,088k (2016/17 £5,980k) that does not meet the definition of a trade payable.

Short term Debtors (note 12) includes a further £23,304k (2016/17 £16,277k) 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:-

	2018 Net Total £000	2017 Net Total £000
Financial Assets - Bank Accounts in Credit	34,161	9,375
Financial Liabilities - Cash Overdraft	(2,358)	(2,413)
Net Position reported on Balance Sheet	31,803	6,962

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

	2018			2017		
	Financial Liabilities	Financial Assets		Financial Liabilities	Financial Assets	
	Liabilities Measured at Amortised Cost	Loans and Receivables	Total	Liabilities Measured at Amortised Cost	Loans and Receivables	Total
	£000	£000	£000	£000	£000	£000
Interest expense	(13,189)	0	(13,189)	(13,401)	0	(13,401)
Interest payable and similar charges	(13,189)	0	(13,189)	(13,401)	0	(13,401)
Interest income	0	129	129	0	141	141
Interest and investment income	0	129	129	0	141	141
Net gain/(loss)for the year	(13,189)	129		(13,401)	141	

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 2018, 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

		2018		2017	
	Fair Value Level	Carrying Amount	Fair Value	Carrying Amount	Fair Value
		£000	£000	£000	£000
Financial Liabilities					
PWLB	2	230,810	337,993	230,810	352,221
LOBOs	2	18,950	27,383	18,950	29,163
Lease payables	3	5,387	4,873	5,951	5,432
		255,147	370,249	255,711	386,816
Financial Assets					
Certificates of Deposits	2	0	0	0	0

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.

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

Disclosure of Nature and Extent of Risks Arising from Financial Instruments

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

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

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

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the 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 2018, 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.

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	£2m 5 years	£2m 5 years	£2m 25 years	£2m 5 years	£2m 10 years
AA+					
AA	£2m 4 years	£2m 4 years	£2m 15 years	£2m 4 years	
AA-	£2m 3 years	£2m 3 years	£2m 10 years	£2m 3 years	
A+	£2m 2 years	£2m 2 years	£2m 5 years	£2m 2 years	£2m 5 years
A	£2m 1 year	£2m 1 year		£2m 1 year	
A-	£2m 6 months	£2m 6 months		£2m 6 months	
Pooled Funds	£3m per fund				
BBB-	The Council is restricted to overnight deposits in its' own current account bank with a limit of £5m where the banks lowest credit rating is BBB+, BBB or BBB- (or equivalent)				

Analysis shows that if interest rates rose by 1% the financial effect would be an increase in investment income of £334k. 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.

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.

41. 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 2017/18 the Council paid £8,337k (£8,334k in 2016/17), which represents 16.48% (average) of teachers' pensionable pay (16.48% in 2016/17). The contributions due in 2018/19 are estimated to be £8,043k, 16.42% of teachers' pensionable pay.

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

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

Pensions - Other Employees

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

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

The Clwyd Pension Fund is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Clwyd Pension Fund 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 and the Clwyd Pension Fund Annual Report are available from www.clwydpensionfund.org.uk.

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	
	2018	2017	2018	2017
	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement				
Service Expenditure Analysis -				
Current service cost	26,602	18,725	0	0
Past service cost/(gain)	1	46	0	0
Curtailments/settlements	(8,712)	673	0	0
Other Operating Expenditure -				
Administration expenses	894	940	0	0
Financing and Investment Income and Expenditure				
Net interest expense	7,999	8,987	1,249	1,456
Net charge to surplus / deficit on the provision of services -	26,784	29,371	1,249	1,456
Other Comprehensive Income and Expenditure				
Remeasurement of the net defined benefit liability -				
Return on plan assets	10,491	84,251	0	0
Actuarial gains and losses - financial assumptions	36,849	(154,635)	1,063	(10,173)
Net charge to other comprehensive income and expenditure -	47,340	(70,384)	1,063	(10,173)
Net charge to Comprehensive Income and Expenditure -	74,124	(41,013)	2,312	(8,717)
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	(26,784)	(29,371)	(1,249)	(1,456)
Actual amount charged against the Council fund balance for pensions in the year				
Employers' contributions payable to scheme	22,673	21,805	3,142	3,208
Net debit/(credit) to the movement in reserves statement	(4,111)	(7,566)	1,893	1,752

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	
	2018	2017	2018	2017
	£000	£000	£000	£000
Present value of liabilities	(891,294)	(930,122)	(48,620)	(51,576)
Fair value of assets	591,049	586,648	0	0
Surplus/deficit in the scheme	(300,245)	(343,474)	(48,620)	(51,576)

The liabilities total reflects the underlying long-term commitments that the Authority has in respect of retirement benefits due. The net liability of £358,204k 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	
	2018	2017	2018	2017
	£000	£000	£000	£000
1st April	930,122	751,269	51,576	43,155
Current service cost	26,602	18,725	0	0
Interest cost	22,435	26,652	1,249	1,456
Contributions by scheme participants	4,806	4,996	0	0
Actuarial gains and losses - Financial assumptions	(36,849)	154,635	(1,063)	10,173
Benefits paid	(27,106)	(26,874)	(3,142)	(3,208)
Past service costs	1	46	0	0
Curtailments/settlements	(28,717)	673	0	0
31st March	891,294	930,122	48,620	51,576

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

	2018	2017
	£000	£000
1st April	586,648	485,745
Interest income	14,436	17,665
Administration Expenses	(894)	(940)
Return on plan assets	10,491	84,251
Employer contributions	22,673	23,437
Contributions by scheme participants	4,806	4,996
Benefits paid	(27,106)	(28,506)
Settlements	(20,005)	0
31st March	591,049	586,648

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

	2018		2017	
	£000	£000	£000	£000
Equity investments:				
UK Quoted*	0		0	
Global Quoted*	48,466		45,172	
Global Unquoted	0		0	
US*	0		0	
Japan*	0		0	
Europe*	0		0	
Emerging Markets*	41,373		36,372	
Frontier*	0		0	
Far East*	0		0	
		89,839		81,544
Bonds:				
Overseas Other	67,380		69,811	
LDI*	133,577		136,689	
		200,957		206,500
Property:				
UK*	30,143		26,399	
Overseas	7,684		13,493	
		37,827		39,892
Cash:				
Cash Accounts*	7,093		5,280	
		7,093		5,280
Alternatives:				
Hedge Funds	49,648		51,625	
Private Equity	60,878		58,665	
Infrastructure	13,594		10,560	
Timber & Agriculture	8,275		9,973	
Commodities	0		0	
Private Credit	4,728		0	
DGF	118,210		122,609	
		255,333		253,432
		591,049		586,648

* 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.

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	
	2018	2017	2018	2017
Mortality Assumptions				
Longevity at 65 for current pensioners -				
Men	23.1yrs	23yrs	23.1yrs	24yrs
Women	25.6yrs	25.5yrs	25.6yrs	26.6yrs
Longevity at 65 for future pensioners -				
Men	25.7yrs	25.6yrs	n/a	n/a
Women	28.3yrs	28.2yrs	n/a	n/a
Rate of inflation (Consumer Prices Index)	2.1%	2.3%	2.1%	2.3%
Rate of increase in salaries	3.4%	3.6%	n/a	n/a
Rate of increase in pensions	2.2%	2.3%	2.2%	2.3%
Rate for discounting scheme liabilities	2.6%	2.5%	2.6%	2.5%

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)	(18,741)	18,741
Rate of inflation (increase / decrease by 0.1%)	(16,883)	16,883
Rate of increase in salaries (increase / decrease by 0.1%)	(2,724)	2,724
Discount Rate (increase / decrease by 0.1%)	16,584	(16,584)

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 2019 is £23.3m.

The duration of the defined benefit obligation for LGPS members is 18 years, 2017/18 (18 years 2016/17).

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

for the year ended 31st March 2018

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.

	2018		2017	
	£000	£000	£000	£000
Expenditure				
Repairs and maintenance		7,354		7,189
Management and supervision		4,239		3,701
Specialist Services		1,551		1,654
Rents, rates, taxes and other charges		6		125
Depreciation and impairment of non-current assets		35,317		30,719
Valuations - Dwellings		0		(266)
Debt management costs		42		33
Increase in bad debt provision		450		330
Total expenditure		48,959		43,485
Income				
Dwelling rents (gross)	31,645		30,200	
Non-dwelling rents (gross)	364		352	
		32,009		30,552
Charges for services and facilities		1,058		719
Reimbursement of Costs		48		638
Total income		33,115		31,909
Net cost of HRA services as included in the whole authority Comprehensive Income and Expenditure Statement		**15,844**		**11,576**
Other Operating Expenditure				
Net (gain) / loss on the disposal of non-current assets		70		(1,672)
Admin. expenses on the net defined benefit liability		53		53
Financing and Investment Income and Expenditure				
Interest payable and similar charges		4,655		4,841
Net interest on the net defined benefit liability (see note 41)		521		551
Total (surplus) / deficit for the year on HRA services		**21,143**		**15,349**

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)	2018 £000	2017 £000
At 1st April		1,642	1,517
Surplus/(deficit) on the HRA income and expenditure statement		(21,143)	(15,349)
Total comprehensive income and expenditure		(21,143)	(15,349)
Adjustments between accounting and funding basis under regulations	**7**	21,419	15,474
Increase/(decrease) in year on the HRA		276	125
At 31st March		**1,918**	**1,642**

NOTES TO THE HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

1. LEGISLATION

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

2. HOUSING STOCK

The type and number of dwellings at 31st March 2018 were:-

Type	2018 No.	2017 No.
Houses	4,048	4,029
Flats	1,373	1,355
Maisonettes	10	10
Bungalows	1,794	1,795
	7,225	7,189

3. RENT ARREARS

The rents total of £1,539k (£1,094k in 2016/17) 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	2018 £000	2017 £000
Rents		
Current tenants	1378	953
Former tenants	161	141
	1,539	1,094

Provision for impairment losses (bad debts)	£000	£000
Opening provision	422	409
Written off in year	(287)	(290)
Increase in provision	443	303
	578	422

4. NON-CURRENT ASSET ACCOUNTING

Capital Expenditure and Financing

HRA capital expenditure of £29,772k was incurred as follows; £0k - Land, £21,480k - Council Dwellings, £6,659k - Assets Under Construction £712k – equipment, (£29,911k in 2016/17). Financed as follows:-

	Capital Receipts £000	Capital Grants & Contributions £000	Revenue Contributions £000	Borrowing £000	Total £000
Capital financing	0	5,332	12,248	12,192	29,772
	0	5,332	12,248	12,192	29,772

Major Repairs Allowance (MRA)

Included within the capital grants and contributions total (£5,332k) is the 2017/18 MRA allocation figure of £5,065k (£5,050k in 2016/17). 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 2017/18 in financing qualifying capital expenditure.

Capital Receipts

Gross capital receipts of £355k (£2,801k in 2016/17) were realised by way of the disposal of dwellings, land sales, and shared ownership sales:-

	2018 £000	2017 £000
Council dwellings	277	1,724
Shared Ownership Sales	78	130
Land sales	0	947
	355	2,801

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 £5,162k (£5,132k in 2016/17) is based on the 2017/18 opening net balance sheet valuations (valuation list less cumulative depreciation), with assumed nil residual values.

	2018 £000	2017 £000
Dwellings	5,056	5,030
Garages	20	20
Plant and equipment	86	82
	5,162	5,132

Impairment Losses and Revenue Expenditure Funded from Capital Under Statute

A HRA impairment adjustment total of £30,155k was accounted for in 2017/18 (£25,584k in 2016/17). No revenue expenditure funded from capital under statute was accounted for in 2017/18 (£0k in 2016/17).

5. HRA SHARE OF CONTRIBUTIONS TO / FROM PENSIONS RESERVE

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

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

	2018		2017	
	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement				
Service Expenditure Analysis -				
Current service cost	1,411		982	
Curtailments/settlements	0		37	
Other Operating Expenditure -		1,411		1,019
Administration expenses	53		53	
Financing and Investment Income and Expenditure		53		53
Net interest expense	521		551	
		521		551
Total HRA Charge		1,985		1,623
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		(1,985)		(1,623)
Actual amount charged against the HRA balance for pensions in the year:				
Employers' contributions payable to scheme		1,288		1,230

STATEMENT OF ACCOUNTING POLICIES

General Principles

The Statement of Accounts summarises the Council's transactions for the 2017/18 financial year and its position at the year end of 31st March 2018. 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 2017/18 (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 2018. Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. In particular:-

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

Borrowing Costs

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

Capital Receipts

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

Carbon Reduction Commitment Scheme

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. The scheme is currently in the fourth 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.

Cash and Cash Equivalents

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

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

Charges to Revenue for Non Current Assets

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

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

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

- 2% of debt outstanding for the housing revenue account
- 2% of council fund debt outstanding fixed at 31st March 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 the annuity method.

In addition, the Council may pay off or replace loans earlier than originally planned as part of its debt management strategy, dependent upon prevailing market conditions, risk and financial benefit. A breakdown of MRP charged for the year is disclosed in Note 35.

Employee Benefits

Benefits Payable during Employment

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

The accrual is 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.

- 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.

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.

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.

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.

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.

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.

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.

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.

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 1st April each year; in 2017/18 approximately 23% of operational non-dwelling assets were revalued. Valuations are undertaken in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards Global and UK Edition (January 2014). Valuations are carried out by the Council's in-house RICS valuers wherever possible, but in some cases external valuers are used.

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

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

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

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

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

Impairment

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

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

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

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

Depreciation

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

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

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

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

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

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

Componentisation

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

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

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

Derecognition of Property, Plant and Equipment

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

Disposals and Non-Current Assets Held for Sale

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

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

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

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

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

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

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

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

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

Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

Contingent Liabilities

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

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

Contingent Assets

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

Schools

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

Non-current Assets - Schools

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

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

Subsidiaries

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

As the Council therefore controls these entities it is required that they are consolidated in group accounts. In the Council's single entity accounts, the interests in subsidiaries is recorded at cost.

Reserves

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

Revenue Expenditure Funded from Capital Under Statute (REFCUS)

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

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

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

Value Added Tax

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

GROUP ACCOUNTS

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

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

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

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

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

The Group Accounts include:

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

NEW Homes

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

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

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

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

NEW Homes balance sheet shows that it owns non-current assets, these currently equate to 37 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 £5.6m.

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.

Newydd Catering & Cleaning Ltd

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

On incorporation the Council is listed as having significant control in relation to the company; owns more than 75% of shares, holds more than 75% of voting rights and has the right to appoint / remove the majority of the Board of Directors

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

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

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

Theatr Clwyd Productions Ltd

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

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

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

Accounting Policies

The accounting policies for the Group follow those adopted by Flintshire County Council in the single entity statements, as detailed on pages 68 to 84. Where the subsidiaries accounting policies are different, adjustments have been made on consolidation to align any differences in accounting treatment.

GROUP MOVEMENT IN RESERVES STATEMENT

for the year ended 31st March 2018

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

GROUP 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 COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

for the year ended 31st March 2018

	2018 Gross Expenditure	2018 Gross Income	2018 Net Expenditure	2017 Gross Expenditure	2017 Gross Income	2017 Net Expenditure
Service Expenditure Analysis	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Chief Executives	3,014	(121)	2,893	2,933	(37)	2,896
Community & Enterprise	50,518	(46,927)	3,592	64,869	(52,295)	12,574
Education & Youth	131,535	(29,203)	102,333	147,935	(22,149)	125,786
Governance	10,494	(889)	9,605	9,781	(754)	9,027
Organisational Change	9,877	(2,079)	7,798	23,757	(9,940)	13,817
People & Resources	5,030	(384)	4,646	4,799	(256)	4,543
Planning & Environment	9,645	(3,544)	6,100	10,894	(3,303)	7,591
Social Services	84,288	(20,822)	63,466	79,137	(18,246)	60,891
Streetscene & Transportation	47,327	(11,871)	35,457	46,391	(11,189)	35,202
Corporate & Central Finance	9,305	(1,302)	8,003	7,163	(721)	6,442
Housing revenue account (HRA)	48,838	(33,115)	15,723	43,769	(31,909)	11,860
Housing revenue account (HRA) - Valuations	0	0	0	(266)	0	(266)
Theatr Clwyd	4,661	(4,539)	121	5,768	(6,013)	(245)
Cost of services	**414,532**	**(154,796)**	**259,736**	**446,930**	**(156,812)**	**290,118**
Other Operating Expenditure			26,221			23,535
Financing and Investment Income and Expenditure			20,890			22,685
Taxation and Non-Specific Grant Income			(280,488)			(284,173)
(Surplus)/deficit on the provision of services			26,358			52,165
Tax expenses of subsidiary			(219)			(5)
Group (Surplus)/deficit			26,139			52,160
(Surplus)/deficit arising on revaluation of non-current assets			(50,199)			(9,144)
(Surplus)/deficit arising on revaluation of available-for-sale financial assets			0			0
Tax relating to other comprehensive income			357			0
Actuarial (gains) or losses on pension assets and liabilities			(49,164)			80,557
Total comprehensive income and expenditure			**(72,867)**			**123,573**

GROUP BALANCE SHEET

as at 31st March 2018

	Note	2018 £000	2018 £000	2017 £000	2017 £000
NON-CURRENT ASSETS					
Property, Plant & Equipment					
Council dwellings		207,735		210,912	
Other land and buildings		323,217		276,057	
Vehicles, plant, furniture and equipment		14,622		15,918	
Surplus assets		8,934		9,009	
Infrastructure assets		153,463		151,232	
Community assets		4,721		4,721	
Assets under construction		10,364		7,633	
Total Property, Plant & Equipment	1		723,056		675,482
Investment properties and Agricultural Estate			29,064		28,508
Intangible assets			57		110
Long term investments			0		0
Long term debtors			2,387		2,211
NON-CURRENT ASSETS TOTAL			754,564		706,311
CURRENT ASSETS					
Inventories		940		1,075	
Short term debtors (net of impairment provision)		36,116		36,642	
Short term investments		0		0	
Cash and cash equivalents		32,361		7,173	
Assets held for sale		1,517		4,243	
Current tax asset		213		5	
CURRENT ASSETS TOTAL			71,147		49,138
CURRENT LIABILITIES					
Borrowing repayable on demand or within 12 months		(58,084)		(14,377)	
Short term creditors		(29,513)		(32,836)	
Provision for accumulated absences		(1,776)		(2,651)	
Deferred liabilities		(541)		(565)	
Grants receipts in advance		(2,512)		(1,528)	
Provisions		(609)		(418)	
Current Tax Liability		213		0	
CURRENT LIABILITIES TOTAL			(92,822)		(52,375)
NON-CURRENT LIABILITIES					
Long term creditors		(1,342)		(240)	
Long term borrowing		(253,672)		(250,998)	
Deferred liabilities		(4,846)		(5,386)	
Provisions		(2,131)		(994)	
Other long term liabilities		(352,215)		(395,050)	
Grants receipts in advance		(1,632)		(2,382)	
Deferred Tax Liability		0		(921)	
NON-CURRENT LIABILITIES TOTAL			(615,838)		(655,971)
NET ASSETS			117,051		47,103

GROUP BALANCE SHEET

as at 31st March 2018

	Note	2018 £000	2018 £000	2017 £000	2017 £000
USABLE RESERVES					
Capital receipts reserve		14,094		10,671	
Capital grants unapplied		4,825		4,012	
Council fund		13,486		10,774	
Earmarked reserves		(2,320)		20,525	
Housing revenue account		14,876		1,642	
Profit and Loss Reserve		1,918		178	
USABLE RESERVES TOTAL			46,879		47,802
UNUSABLE RESERVES					
Revaluation reserve		107,630		63,283	
Capital adjustment account		319,537		340,435	
Financial instruments adjustment account		(6,452)		(6,814)	
Pensions reserve		(348,865)		(395,050)	
Deferred capital receipts		98		98	
Accumulated absences account		(1,776)		(2,651)	
UNUSABLE RESERVES TOTAL			70,172		(699)
TOTAL RESERVES			117,051		47,103

GROUP CASH FLOW STATEMENT

for the year ended 31st March 2018

	2018		2017	
	£000	£000	£000	£000
Net surplus or (deficit) on the provision of services	(25,977)		(52,098)	
Adjustment to surplus or deficit on the provision of services for non-cash movements	62,764		69,026	
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(20,886)		(10,811)	
Net cash flows from operating activities		15,901		6,117
Net cash flows from investing activities	(33,353)		(34,250)	
Net cash flows from financing activities	42,640		10,109	
		9,287		(24,141)
Net increase or decrease in cash and cash equivalents		25,188		(18,024)
Cash and cash equivalents at the beginning of the reporting period		7,173		25,197
Cash and cash equivalents at the end of the reporting period		**32,361**		**7,173**

1. PROPERTY, PLANT AND EQUIPMENT

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

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

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

I have audited the financial statements of:

- Flintshire County Council; and
- Flintshire County Council's Group.

for the year ended 31 March 2018 under the Public Audit (Wales) Act 2004.

Flintshire County Council's financial 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 Statement, Movement on the Housing Revenue Account Statement and the related notes, including a summary of significant accounting policies.

Flintshire County Council Group's financial 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.

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 2017-18 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial position of Flintshire County Council and Flintshire County Council Group as at 31 March 2018 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the [council [and its group] in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the responsible financial officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about Flintshire County Council or Flintshire County Council Group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The responsible financial officer is responsible for the other information in the annual report and accounts. The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated later in my report, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements 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 other matters

In my opinion, based on the work undertaken in the course of my audit:

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18;
- The information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Annual Governance Statement has been prepared in accordance with guidance.

Matters on which I report by exception

In the light of the knowledge and understanding of Flintshire County Council and Flintshire County Council's Group and its environment obtained in the course of the audit, I have not identified material misstatements in the Narrative Report or the Annual Governance Statement.

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 financial 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.

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.

Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 9, the responsible financial officer is responsible for the preparation of the statement of accounts, Flintshire County Council Group which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

In preparing the statement of accounts, the responsible financial officer is responsible for assessing the council's and group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Anthony J Barrett
For and on behalf of the Auditor General for Wales
14 September 2018
Signature

24 Cathedral Road
Cardiff
CF11 9LJ
Date: September 2018

2017/18

Flintshire County Council – Annual Governance Statement

What is Governance?

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

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

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

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

- being lean, modern, efficient and effective
- being designed, organised and operated to meet the needs of communities and the customer; and
- working with its partners to achieve the highest possible standards of public service for the well-being of Flintshire as a County.

To meet these aspirations the Council has set the **standards** of:-

- achieving excellence in corporate governance and reputation.
- achieving excellence in performance against both our own targets and against those of high performing peer organisations.
- being modern and flexible, constantly adapting to provide the highest standards of public, customer, and client service and support.
- using its four resources - money, assets, people and information - strategically, effectively and efficiently.
- embracing and operating the leanest, least bureaucratic, efficient and effective business systems and processes.

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

To achieve these standards the Council's **behaviours** are:-

- showing strategic leadership both of the organisation and our partnerships.
- continuously challenging, reviewing, changing and modernising the way we do things.
- being as lean and un-bureaucratic as possible.
- using new technology to its maximum advantage.
- using flexible working to its maximum advantage.

The Council is committed to the **principles** of being:-

- a modern, fair and caring employer.
- fair, equitable and inclusive in its policies and practices.
- conscientious in planning and managing its activities, and making decisions, in a sustainable way.

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

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.

What is the Annual Governance Statement?

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

In this document the Council:

- acknowledges its responsibility for ensuring that there is a sound system of governance;
- summarises the key elements of the governance framework and the roles of those responsible for the development and maintenance of the governance environment;
- describes how the Council has monitored and evaluated the effectiveness of its governance arrangements in ~~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 financial year 2017/18 and up to the date of approval of the statement of accounts.

How has the Annual Governance Statement been prepared?

The initial review of the Council's governance framework was carried out by the Corporate Governance Working Group. This group prepared assessment questionnaires for each 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 6-12 of the document. Principles **highlighted in Green** reflect those which the Chief Officers assessed as being applied consistently well across the Council. Principles assessed as needing further improvement are detailed on pages 18-20.

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

What are the key principles of the Corporate Governance Framework?

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

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

Principle A

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

Sub Principles:

Behaving with Integrity	Demonstrating strong commitment to ethical values	Respecting the rule of law

How we do this:

Behaving with Integrity

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

Demonstrating strong commitment to ethical values

- 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**

Respecting the rule of law

- 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.

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:

Openness

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

Engaging comprehensively with institutional stakeholders

- 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

Engaging stakeholders effectively, including individual citizens and service users

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

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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

Defining outcomes

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

Sustainable economic, social and environmental benefits

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

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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

Determining interventions

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

Planning interventions

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

Optimising achievement of intended outcomes

- 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

Principle E

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

Sub Principles:

Developing the entity's capacity	Developing the capability of the entity's leadership and other individuals

How we do this:

- **We review our operations, performance, and use of assets on a regular basis to ensure their continuing effectiveness by:**
  - **Review of service delivery, performance and risks through team meetings and quarterly formal reporting,**
  - **Programme boards' development and monitoring**
- **The Council reviews the sufficiency and 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 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**
  - **The Leader and the Chief Executive have clearly defined and distinct leadership roles**
- Individual and organisational requirements are supported through:
  - Corporate induction for new employees to the Council
  - Inductions for employees in new jobs
  - Continued learning and development for employees identified through the competency based appraisal system and one to one meetings
  - **A comprehensive range of training and development opportunities available, in partnership with Coleg Cambria and professional bodies.**
  - **Feedback and shared learning to the organisations both through reports and interactive sessions such as the 'Academi'**
- **To support and maintain the physical and mental wellbeing of the workforce a range of interventions is provided including: Occupational Health Service, Signposting employees to Care First (independent Counselling support), Management Awareness and Support, internal training and awareness sessions to support stress related absences**

Principle F

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

Sub Principles:

Managing risk	Managing performance	Robust internal control	Managing data	Strong public financial management

How we do this:

Managing risk

- Risk Management is an integral part of all activities and decision making through:
  - **Application of risk management policy and strategy**
  - Use of the Council's Risk Management system, CAMMS
  - Identification of all risks and appropriate mitigations and transitional plans reported to Committees
  - **Clear allocation of management for risk responsibility with oversight by senior management and chief officers**
  - **Assurance by Internal Audit and Audit Committee**

Managing performance

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

Robust internal control

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

Managing data

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

Strong public financial management

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

Principle G

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

Sub Principles:

Implementing good practice in transparency	Implementing good practices in reporting	Assurance and effective accountability

How we do this:

Implementing good practice in transparency

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

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 Council Plan**
  - **Annual Statement of Accounts demonstrate how the Council has achieved performance, value for money and the stewardship of its resources**
  - **Progress against the Well-being Plan**
- **The Annual Governance Statement is published following robust and rigorous challenge to assess and demonstrate good governance.**

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.**
  - **Any 'limited/red' assurance opinion are reported to Audit Committee in full and progress monitored closely**
  - **Peer challenge and inspection from regulatory bodies and external compliance reviews. The outcomes from these inspections are used to inform and improve service delivery**
  - Through effective commissioning and monitoring arrangements and compliance with Council's procedures, the Council gains assurance on risk associated with delivering services through third parties and any transitional risks.
  - Reports are presented to Cabinet and an annual report to Audit Committee of external feedback

Contributors to an effective Governance Framework

Council	– Approves the Corporate Plan (Improvement Plan) – Endorses the Constitution – Approves the policy and financial frameworks
Cabinet	– 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	– Help raise the profile of internal control, risk management and financial reporting issues within the Council, as well as providing a forum for the discussion of issues raised by internal and external auditors
Standards & Constitution & Democratic Services Committee	– Standards Committee promotes high standards of conduct by elected and co-opted members and monitors the operation of the Members' Code of conduct. – Constitution & Democratic Services Committee considers and proposes changes to the Constitution and the Code of Corporate Governance.
Portfolio Programme Boards	– 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	– 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	– Set governance standards – Lead and apply governance standards across portfolios – Undertake annual self assessment
Internal Audit	– Provide an annual independent and objective opinion on the adequacy and effectiveness of internal control, risk management and governance arrangements – Investigates fraud and irregularity

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

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

Chief Officers Team

- Corporate oversight and strategic planning
- Annual Corporate Governance Assessment
- Implement and monitor regulatory and other governance protocols

Monitoring Officer

- Legal and regulatory assurance
- Monitors the operation of the Constitution
- Ombudsman investigations

Section 151 Officer

- Proper administration of the Council's financial affairs

Information Governance

- Designated Senior Information Risk Owner (SIRO)
- Data Protection procedures
- Information Security & Records Management procedures

Internal Audit

- 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

- Policy review and challenge
- Overview & scrutiny of topics
- Corporate & Portfolio Performance & Risk monitoring

Audit Committee

- Self-assessment of Audit Committee
- Review effectiveness of internal and external audit
- Consider the adequacy of the internal control, risk management and Governance arrangements

Risk Management

- Risk Management Policy and Strategy
- Quarterly monitoring and reporting of Strategic Risks

External Audit / Inspections

- Financial statements audit
- Thematic & national reviews
- Other external inspections

Counter Fraud

- Anti-Fraud and Corruption & Whistleblowing arrangements
- Codes of Conduct for Officers and Members
- Financial and Contract Procedure Rules

2016/17?

The 2016/17 Annual Governance Statement contained 14 key improvement areas as i) Internal Council Governance issues – those derived from the portfolio, Overview and Scrutiny and Audit Committee annual self-assessments that affect the internal governance arrangements of the Council; and,

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ii) Strategic Improvement Plan issues – those that were identified as part of the Improvement Plan for 2016/17 which remain un-mitigated i.e. a 'Red' risk status.
The issues and how they were addressed are below:

Internal Council Governance issues	Risk	Mitigation	Management Comment	Current Status
Views and experiences of citizens, service users and organisations of different backgrounds including reference to future needs are taken into account	• 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.	Integrated impact assessments (IAA) now developed and used to inform 2018/19 budget. CAMMS system been updated with IAA for all new efficiency projects; process to be operational from April 2018. Although the Council has policies and procedures to ensure the lawfulness of its decisions the potential for legal and judicial challenges remain an ongoing risk to the authority.	Open Until Integrated Impact Assessment fully embedded.
Identifying and managing risks to the achievement of outcomes	• 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.	Risks are well managed during transitional and implementation phases. An implementation template has been developed to track implementations and associated risks. Early indications identify risks are well managed throughout all phases of strategic delivery. Outcomes have been achieved as demonstrated by regular performance monitoring. The Council's Risk Management Policy and Strategy has been	Open Risks managed well in practice and Policy and Strategy been updated; however, not yet consistently embedded.

Internal Council Governance issues	Risk	Mitigation	Management Comment	Current Status
			reviewed to reflect consistency of 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.	• 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.	Council Plan and other related plans and strategies have been mapped to ensure that there are no inconsistencies or duplication.	Closed Council plan, Well-being Plan, Financial Business Plans all in place. Service and portfolio plans in place for operational services.
Ensuring capacity exists to generate the information required to review service quality regularly	• Reduction in service quality • Inability to benchmark and compare service quality	Ensure that service reform, succession and workforce planning takes into account information requirements.	Services review where benchmarking is going to improve information to inform service quality. The Council has corporate membership of APSE Performance Networks providing the opportunity to a high number of services to benchmark.	Open Identified as risk in the 2017/18 AGS questionnaire
Developing and maintaining an effective workforce plan to enhance strategic allocation of resources.	• 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 and	Comprehensive workforce planning continues to be carried out across the authority. The risk to the sustainability of service provision remains moderate.	Open Identified as risk in 2017/18 AGS questionnaire

Internal Council Governance issues	Risk	Mitigation	Management Comment	Current Status
		additional support for growth and continued service delivery.		
Effective arrangements for safe collection, storage, use and sharing data	• Legal challenge and fines • Personal confidentiality breached	Provision of clear guidelines, awareness and appropriate training. Oversee and supervision of arrangements by managers.	Policies and procedures remain in place covering all aspects of data protection. These are being reviewed as part of the implementation of the General Data Protection Regulation (GDPR) on 2nd May 2018. From this date the financial penalties increase to 20 million Euros and data subjects can seek compensation. Despite mitigation the risk of legal challenges and fines relating to a breach of data protection remains a real and significant risk for the Council.	Open Insufficient evidence that all is embedded. Supported by Internal Audit report.
Ensure there is effective internal financial management in place	Mis-management of public funds	Financial Procedure Rules (FPR's) and Contract Procedure Rules (CPR's) are in place and regularly reviewed. The Council has an internal audit function who periodically test the Councils internal control and provides an annual report on assurance.	The management controls in place from Internal Audit review and the Financial Procedure Rules are still in place and subject to regular review.	Closed Supported by WAO report.

Strategic Issues from the 2016/17 Improvement Plan	Risk	Mitigation	Management Comment	Current Status
Fragility and sustainability of the care home sector	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.	Regional work with providers to discuss fragility and the impact of admissions into acute hospitals and early discharge has been undertaken. Work with new providers to support their entry into the Flintshire market is ongoing. The Welsh Government cap on day care has increased from £60 to £70 per week with incremental progression to £100 per week over time to support the sector.	Open Although progress has been made the level of risk remains due to the ongoing fragility of the sector.
Council funding for adaptations and home loans will not be sufficient to meet demand	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.	New commissioning framework is in place to speed up the allocation of work to address the increase in demand for Disabled Facilities Grant (DFG) funding. Further process improvements have been identified.	Open The new framework will need to be monitored to ensure value for money. Supported by the Internal Audit report.
Numbers of school places not matching the changing demographics	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	Reducing unfilled school placed via school organisation change is an ongoing process. School change projects can take between three and five years from inception to delivery before reductions of unfilled placed can be realised. This continues to be an ongoing process linked to the School	Open Work is ongoing to meet the national target.

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Strategic Issues from the 2016/17 Improvement Plan	Risk	Mitigation	Management Comment	Current Status
			Modernisation Programme. To supplement this Council working closely with schools to consider innovative ways for reduction in capacity on a school by school basis with the objective of meeting national targets of circa 10% unfilled placed in all school sectors.	
Limited funding to address the backlog of known repair and maintenance work in Education and Youth assets	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.	The School Modernisation Programme is one of the strategic options to address the repairs and maintenance backlog.	Open Capital business cases for improvement and repair and maintenance projects in schools are considered through the Council's business case process.
Available funding for energy efficient measures may fall short of public demand	• 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	All potential sources of external funding proactively targeted for support. Use made wherever possible of innovative forms of finance. Managing public expectation as far as possible.	There remains more demand for energy efficiency measures than the current level of funding allows.	Open Expectations are being managed as far as possible and other sources of funding are being actively considered.
Funding will not be secured for priority flood alleviation schemes	Flood alleviation schemes will not be delivered leading to increased risks of	Review our approach to funding capital projects	Flintshire's local risk management strategy contains an action to 'identify projects and programmes that are affordable, maximising	Open A service review is

Strategic Issues from the 2016/17 Improvement Plan	Risk	Mitigation	Management Comment	Current Status
	damage to infrastructure and community disturbance.		capital funding from internal and external sources'.	intended to create a more effective approach / structure that balances the ability to secure funding for flood elevation works with the delivery of statutory duties under the flood and water management act.
The scale of the financial challenge	The Council has insufficient funding to meet its priorities and obligations.	The Council's Medium Term Financial Strategy and efficiency programme. National negotiations on local government funding.	The impact of the final settlement for Flintshire was a 0.2% decrease in funding. Budget options were considered in two stages with members and agreed in principle by the Council in December 2017. Final budget options were agreed in February 2017.	Open The initial forecast for 2019/20 has been considered by Cabinet in April 2018 and will continue to be closely monitored.

What are the significant governance and strategic issues identified during 2017/18?

The review of the effectiveness of the Council's governance framework has identified the following significant issues that will need to be addressed during 2018/19. These are categorised as:

i) Internal Council Governance issues – those derived from the portfolio, Overview and Scrutiny and Audit Committee annual self-assessments that affect the internal governance arrangements of the Council.
ii) Strategic Council Plan issues – those that have been identified as part of the Council Plan for 2017/18 which remain un-mitigated i.e. a 'Red' risk status.

i) Internal Council Governance issues	**Risk**	**Mitigation**
Communication and Engagement	• The views and experiences of citizens, service users and organisations of different background including reference to future needs will not be taken into account in decision making and communication of decisions • Lack of effective feedback mechanisms to inform stakeholders how their views have been taken into account: stakeholders remain uninformed and less likely to support service change • Lack of structures to encourage public participation	• Embedding of the Integrated Impact Assessment • Communication strategies developed and actioned for all major decisions affecting the public • Ensure that effective feedback mechanisms are built into communication strategies, taking into account the diversity of communication methods
Capacity to provide effective information to support service decisions	• Absence of rounded and robust information to inform decisions	• Review organisational capacity to support information, research and data as a collective
Workforce planning	• Absence of effective workforce planning leads to poor allocation of strategic resources and potential loss or under-utilisation of skills and	• Creation of robust workforce planning tools to promote discussion and further planning • Support 'build our own' ethos with appropriate

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i) Internal Council Governance issues	Risk	Mitigation
	capacity	tools
Appropriate induction processes	• Council's ethos, objectives and ways of working will not be provided to new recruits on a timely basis; new recruits will lack the knowledge, ambition and drive that the Council portrays	• Review of both corporate induction and individual service induction approaches
Training and development	• Absence of employee / organisation requirement mapping to optimise individual's skills and ambition with the objectives and capacity of the organisation	• Review to ensure that all individual and organisational requirements are supported with ongoing training and development opportunities
Risk management	• Risks are not clearly escalated within the organisation with a clear allocation of responsibility	• Embedding of new escalation protocol as part of the revised Risk Management Policy and Strategy
Performance management: (Identified by Overview and Scrutiny Committee chair)	• Council's approach to performance management and monitoring is not fully understood; leading to ineffective challenge and scrutiny	• Member workshop: understanding the Council's performance management approach and supporting systems
Agreed actions within the Red / limited (4) assurance Internal Audit reports are implemented.	• Failure to address control and governance issues identified as part of the audit work undertaken	• Detailed actions plan in place to address the findings, including the establishment of an oversight board.

ii) Strategic Issues from the Council Plan	Risk	Mitigation
Supportive Council: Availability of sufficient funding to resource key priorities – with particular reference to Disabled Facilities Grants (DFGs)	• Demand for DFGs and adaptations are not met due to budget availability • DFGs are not delivered in a timely manner; under-performance nationally	• Response to Internal Audit recommendations to improve processes
Supportive Council:	• Council will not recover income to offset costs	• Early intervention for tenants claiming Universal

ii) Strategic Issues from the Council Plan	Risk	Mitigation
Debt levels will rise if tenants are unable to afford to pay their rent or council tax	• Tenants will fall into more categories of debt • Potential rise in homelessness presentations	Credit to tackle rent arrears and encourage payment of rent • Avoid new or escalating arrears to ensure that homelessness is prevented where possible
Supportive Council: Demand outstrips supply for residential and nursing home care bed availability	• Lack of residential and nursing home care bed availability leading to more hospital stays • Increased stress on carers • Primary care resources stretched further	• Expansion of Marleyfield to support the medium term development of the nursing sector is ongoing. • Re-phasing of Integrated Care Fund capital to fit in with the Council's capital programme has been agreed by Welsh Government • Other active workstreams, including the development of resources to support the sector, diagnostic reviews for providers and Care Conferences
Supportive Council: • Knowledge and awareness of safeguarding not sufficiently developed in all portfolios • Failure to implement safeguarding training may impact on cases not being recognised at an early stage.	• Lack of optimisation of using the Council's resources and workforce to support safeguarding	• Inclusion of safeguarding in Corporate Induction • Employee training opportunities provided on a regular basis • Mentor support provided by senior managers and link officers
Learning Council: Sustainability of funding streams	• Reductions to Education Improvement Grant and other grants at short notice lead to reduced service delivery, when demand for pupil support is increasing	• Collective working with Head Federations to consider options and opportunities • Internal and external campaigning for a reversal of WG policy
Learning Council: Numbers of school places not matching the changing demographics	• Unfilled school places do not meet national targets • Increased repair and maintenance burden	• School modernisation programme • Council and schools work to consider innovative ways for reduction in capacity

ii) Strategic Issues from the Council Plan	Risk	Mitigation
Learning Council: Limited funding to address the backlog of known repair and maintenance works in Education & Youth assets	• Inefficient school estate • Surplus places • Poor condition and suitability of school estate	• School modernisation programme • Capital business cases submitted through council process
Green Council: Funding will not be secured for priority flood alleviation schemes	• Flood alleviation works will not be implemented effectively with appropriate funding	• Service review to balance ability to secure funding for flood alleviation works alongside statutory duties
Green Council: Adverse weather conditions on the highway network	• Road conditions across the Council are adversely affected	• Resurfacing and permanent patching schemes prioritised for summer period • Timely responses to repair network as defects identified
Service Council: The scale of the financial challenge	• The Council has insufficient funding to meet its priorities and obligations	• The Council's Medium Term Financial Strategy and efficiency programme. • National negotiations on local government funding.

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

Colin Everett – Chief Executive

Cllr. Aaron Shotton – Leader of the Council

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

- Behaving with integrity, demonstrating strong commitment to ethical values & respecting the rule of the Law
- Ensuring Openness & Comprehensive Stakeholder Engagement
- Defining Outcomes in terms of Sustainable Economic, Social & Environmental Benefits
- Determining the Interventions to optimise the achievements of the intended outcomes
- Developing the Council's capacity, including capability of its leadership & individuals within it
- Managing risks & performance through robust internal control & strong financial management
- Implementing good practices in transparency, reporting & audit to deliver effective accountability
- Assurance Statement

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

Public Key Documents: Annual Review / Production

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

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

Mae'r dudalen hon yn wag yn bwrpasol

Summary of corrections made to the draft financial statements which should be drawn to the attention of the Audit Committee

During the audit the Wales Audit Office identified the following misstatements that have been corrected, but which should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process.

Exhibit 1: summary of corrections made to the draft financial statements

Nature of correction	Reason for correction	Impact
The **'Cash Flow Statement'** was amended: • 'Adjustment to surplus or deficit on the provision of services for non-cash movements' from £58,996,000 to £62,551,000. • 'Net cash flows from financing activities' from £42,661,000 to £39,106,000.	The Cash Flow statement was amended to fully comply with CIPFA's Code of Practice on Local Authority Accounting in the United Kingdome 2017-18 (the Code) as non-cash movements were included in error.	Corresponding adjustments were made to the associated sub-totals in the Cash Flow Statement. The changes had no other impact on the Council's financial statements. **Presentation disclosure only.**
Note 37 'Future Capital Commitments' was amended to include 'Total Commitments' of £14,894,000.	The Council excluded the disclosure of capital commitments, contrary to Code requirements.	The change had no other impact on the Council's financial statements. **Presentation disclosure only.**
Note 38 'Leasing – Operating Leases – Minimum lease payments due under operating leases in future years – EFS Fleet Contract' was amended: • 'Later than one year and not later than five years' from £13,660,000 to £12,128,000. • 'Later than five years' from £0 to £1,532,000.	The analysis of minimum lease payments for the Essential Fleet Services Contract did not agree with supporting records.	The change had no other impact on the Council's financial statements. **Presentation disclosure only.**
Note 41 'Pensions – Basis of Estimating assets and Liabilities – Impact of Increase on Defined Benefit Obligation' - 'Longevity (increase/decrease in 1 year)' was amended from £(18,061,000) to £(18,741,000).	The disclosure was amended as the analysis incorrectly excluded unfunded teachers amounts.	The change had no other impact on the Council's financial statements. **Presentation disclosure only.**

Nature of correction	Reason for correction	Impact
The **'Housing Revenue Account – Income and Expenditure and Movement in Reserves Statement – Income'** was amended: • **'**Non- dwelling rents' from £1,470,000 to £364,000. • 'Charges for services and facilities' from £0 to £1,058,000. • 'Reimbursement of costs' from £0 to £48,000.	The analysis of income was miss-classified as it did not agree to supporting records.	The change had no other impact on the Council's financial statements. **Presentation disclosure only.**
The '**Group Comprehensive Income and Expenditure Statement – Service Expenditure Analysis – Theatre Clwyd'** was amended for: • 'Gross Expenditure' from £7,252,000 to £4,661,000. • 'Gross Income' from £(7,130,000) to £(4,539,000)	The Group Comprehensive Income and Expenditure Statement contained transposition errors that arose from the consolidation process. Theatre Clwyd Productions Company expenditure was incorrectly added to the Flintshire County Council's gross expenditure rather than netting it off the Council's income. The same error was applied to gross income.	Adjustments below the Wales Audit Office reporting threshold were also made to the gross expenditure and income of 'Community and Enterprise' for NEW Homes. Corresponding adjustments were made to the Gross Expenditure and Income for the 'Cost of services'. The error overstated both gross income and gross expenditure by corresponding amounts, which netted off the adjustment having no other impact on the Council's financial statements. **Presentation disclosure only.**
The '**Group Cash Flow Statement'** was amended for: • 'Adjustment to surplus or deficit on the provision of services for non-cash movements' from £59,406,000 to £62,764,000. • 'Net cash flows from investing activities' from £(37,554,000) to £(33,353,000). • 'Net cash flows from financing activities' from £50,217,000 to £42,640,000.	The movements in the draft Group Cash Flow Statement did not reconcile to movements in the group accounts.	Corresponding adjustments were made to the associated sub-totals in the Group Cash Flow Statement. The changes had no other impact on the Council's financial statements. **Presentation disclosure only.**

Colin Everett
Chief Executive
Prif Weithredwr

Appendix 3

CYNGOR Sir y Fflint Flintshire COUNTY COUNCIL

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

Your Ref/Eich Cyf

Our Ref/Ein Cyf

Date/Dyddiad 12 September 2018

Ask for/Gofynner am

Direct Dial/Rhif Union

Representations regarding the 2017-18 financial statements

This letter is provided in connection with your audit of the financial statements (including that part of the Remuneration Report that is subject to audit) of Flintshire County Council and of its Group for the year ended 31 March 2018 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 2017-18; in particular the financial statements give a true and fair view in accordance therewith; and
- 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:

County Hall, Mold. CH7 6NB
www.flintshire.gov.uk
Neuadd y Sir, Yr Wyddgrug. CH7 6NB
www.siryfflint.gov.uk

- 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
- staff from whom you determined it necessary to obtain audit evidence.

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

Financial statement representations

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

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

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

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

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

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

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

Representations by Flintshire County Council

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

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by the Flintshire County Council on 12 September 2018.

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:
Gary Ferguson
Corporate Finance Manager
Chief Finance Officer

12 September 2018

Signed by:
Councillor Paul Cunningham
Chair of Flintshire County Council

12 September 2018

Mae'r dudalen hon yn wag yn bwrpasol

APPENDIX 4

CLWYD PENSION FUND COMMITTEE

Date of Meeting	Wednesday, 5th September 2018
Report Subject	Clwyd Pension Fund Accounts 2017/18
Report Author	Corporate Finance Manager

EXECUTIVE SUMMARY

The report presents:-

- For member approval the final version of the Clwyd Pension Fund Statement of Accounts for the 2017/18 financial year, incorporating those changes agreed with Wales Audit Office (WAO) during the course of the audit.

- WAO's Audit of Financial Statements Report and Management Letter for the Clwyd Pension Fund Accounts.

- Letter of Representation for the Clwyd Pension Fund.

RECOMMENDATIONS	
1	That Members consider the WAO Audit of Financial Statements Report and Management Letter.
2	That Members approve the final version of the Statement of Accounts for the 2017/18 financial year.
3	That Members approve the Letter of Representation to the Clwyd Pension Fund.

REPORT DETAILS

1.00	**Annual Accounts**
	Governance
1.01	As previously reported the Clwyd Pension Fund accounts are now required to be reported separately from the main County Council accounts which means that they need to be subject to separate approval by Members. As explained at the last Committee, the Council have now resolved the delegation to approve the Pension Fund Accounts to the Clwyd Pension Fund Committee.

	Pension Fund Accounts
1.02	The audit of the 2017/18 accounts is now substantially complete, although the audit continues up until the point at which the accounts are formally signed off by the auditors.
1.03	A copy of the Statement of Accounts for 2017/18 is attached as Appendix 1 and these incorporate all changes agreed with WAO during the course of the audit.
1.04	WAO are required to provide an opinion and communicate relevant matters arising from the audit to the Committee charged with the governance of the Clwyd Pension Fund. Attached as Appendix 2 is the Audit of Financial Statements Report and Management Letter and WAO will be in attendance at the Pension Fund Committee to present this report.
1.05	The report highlights details of any significant issues arising from the audit together with recommendations from WAO, and also a summary of the corrections made to the financial statements from the draft stage.
1.06	The Letter of Representation requires the Committee to confirm the accuracy of the audit. In this letter, the Committee confirms to the WAO that all the information contained the financial statements is true and accurate and that all information has been disclosed. This is enclosed as Appendix 1 of the WAO report attached.
1.07	It is pleasing to note that the WAO are reporting that the Pension Fund's draft Statement of Accounts were prepared to a good standard with comprehensive and timely working papers and that there were no material weaknesses in our internal controls identified.

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

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

4.00	**RISK MANAGEMENT**
4.01	Note 17 of the Pension Fund accounts discloses the risks to which the Fund is exposed from using different types of financial instrument and how those risks are managed. These form part of the Pension Fund risk

	register (along with strategic and operational risks) which is subject regular scrutiny by the Committee, internal and external audit.

5.00	**APPENDICES**
5.01	Appendix 1 –Clwyd Pension Fund Statement of Accounts 2017/18 Appendix 2 –WAO Audit of Financial Statements Report and Management Letter.

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

7.00	**GLOSSARY OF TERMS**
7.01	(a) **CPF – Clwyd Pension Fund** – The Pension Fund managed by Flintshire County Council for local authority employees in the region and employees of other employers with links to local government in the region (b) **Administering authority or scheme manager** – Flintshire County Council is the administering authority and scheme manager for the Clwyd Pension Fund, which means it is responsible for the management and stewardship of the Fund. (c) **PFC – Clwyd Pension Fund Committee** - the Flintshire County Council committee responsible for the majority of decisions relating to the management of the Clwyd Pension Fund (d) **LGPS – Local Government Pension Scheme** – the national scheme, which Clwyd Pension Fund is part of (e) **Financial Audit -** The annual external audit of the Clwyd Pension Fund's Statement of Accounts. (f) **Material -** A concept used to inform judgements regarding the accuracy of the Clwyd Pension Fund's Statement of Accounts. The basis could be quantitative with an assigned value or qualitative and affected by issues that are legal, regulatory, or politically sensitive. (g) **Statement of Accounts / Final Accounts / Financial Accounts or Statements: -** The Clwyd Pension Fund's annual finance report providing details of the Pension Fund's financial performance and

	position at the end of the financial year. The format is prescribed to enable external comparison with other LGPS. (h) **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. (i) **Financial Year -** the period of 12 months commencing on 1 April

CLWYD PENSION FUND ACCOUNTS
for the year ended 31st March 2018

FUND ACCOUNT

2016/17 £000		Note	2017/18 £000
	Dealings with members, employers and others directly involved in the Fund		
(76,439)	Contributions	7	(105,079)
(2,797)	Transfers in		(4,839)
(79,236)			**(109,918)**
	Benefits payable :		
54,744	Pensions	8	56,739
10,413	Lump sums (retirement)		12,058
1,560	Lump sums (death grants)		1,800
66,717			**70,597**
5,586	Payments to and on account of leavers	9	5,689
72,303			**76,286**
(6,933)	**Net (additions)/withdrawals from dealings with members**		**(33,632)**
17,475	Management expenses	10	23,538
10,542	**Net (additions)/withdrawals including fund management expenses**		**(10,094)**
	Returns on Investments		
(7,432)	Investment income	11	(10,060)
0	Tax on investment income		
(310,601)	Change in market value of investments	12	(77,179)
(318,033)	**Net return on investments**		**(87,239)**
(307,491)	**Net (increase)/decrease in the net assets available for benefits during the year**		**(97,333)**
(1,380,675)	**Opening net assets of the scheme**		(1,688,166)
(1,688,166)	**Closing net assets of the scheme**		**(1,785,499)**

NET ASSETS STATEMENT

2016/17 £000s		Note	2017/18 £000s
1,685,928	**Investment Assets**	**13**	1,781,826
1,685,928	**Net Investment Assets**		**1,781,826**
	Long-term debtors	**18**	29
4,545	**Debtors due within 12 months**	**18**	6,225
(2,307)	**Creditors**	**19**	(2,581)
1,688,166	**Net assets of the fund available to fund benefits at the end of the reporting period**		**1,785,499**

Note: The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed in the actuary's report at page 27.

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

General

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

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

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

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

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

Benefits

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

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

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

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

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

Governance

Flintshire County Council, as the pension fund administering authority, has delegated management of the Fund to the Clwyd Pension Fund Committee (the "Committee"). The Committee comprises five elected Members from Flintshire County Council and four co-opted members comprising two elected Members from unitary authorities, one other scheme employer representative and one scheme member representative, each with equal voting rights, access to training and to information. The Committee is responsible for both the administration and investment policy of the Fund. Following the separation of the pension fund accounts from the Council's accounts under the Accounts and Audit (Wales) Regulations 2018, the Council's Audit Committee delegated responsibility for approving the annual pension fund accounts to the Pension Fund Committee.

In accordance with the Public Service Pensions Act 2013, the Council has set up a Local Pension Board to oversee the governance of the Pension Fund. The Board met three times in 2017/18 and has its own Terms of Reference. Board members are independent of the Pension Fund Committee.

Investment Strategy

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

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

In March 2018, the Council approved the establishment of a Joint Governance Committee to oversee the pooling of the investments of the eight LGPS pension fund in Wales under the auspices of the Wales Pensions Partnership (WPP). WPP has appointed Link Fund Solutions Ltd (Link) to establish and run a collective investment vehicle for the sole use of the LGPS in Wales.

Membership

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

- Scheduled bodies, 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 bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

There are 43 employer bodies within the Fund with active members (including Flintshire County Council) and over 46,000 members are detailed below.

2016/17 No.		2017/18 No.
40	Number of employers with active members	**43**
15,748	Active members	16,543
11,985	Pensioners receiving benefits	12,296
15,679	Deferred Pensioners	17,822
43,412		**46,661**

The scheduled bodies which contributed to the Fund during 2017/18 are:

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

The admitted bodies contributing to the Fund are:

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

NOTE 2 - BASIS OF PREPARATION

The Statement of Accounts summarises the Fund's transactions for the 2017/18 financial year and its position at year end as at 31st March 2018. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. Some comparative figures have been reclassified to present the accounts in line with the 2017/18 Code.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 26 basis, is disclosed in the actuary's report at page 27 of these accounts.

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

- **IFRS 9 Financial Instruments**, which introduces extensive changes to the classification and measurement of financial assets, and a new "expected credit loss" model for impairing financial assets. The impact will be to reclassify assets currently classified as loans and receivables to amortised cost. There are not expected to be any changes in the measurement of financial assets and the Fund does not at this stage anticipate any adjustments for impairments.

- **IFRS 15 Revenue from Contracts with Customers**, presents new requirements for the recognition of revenue, based on a control-based revenue recognition model. The Fund does not have any revenue streams within the scope of the new standard.
- **IAS 7 Statement of Cash Flows (Disclosure Initiative)**, will potentially require some additional analysis of Cash Flows from Financing Activities, however since the Fund is not currently required to prepare a Cash Flow Statement it does not anticipate any additional disclosure.
- **IAS 12 Income Taxes (Recognition of Deferred Tax Assets for Unrealised Losses)**, applies to deferred tax assets related to debt instruments measured at fair value. Currently the Fund does not hold such financial instruments.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In summary, accounting policies adopted are detailed as follows:

Fund Account – Revenue recognition

Contribution income

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

Transfers to and from other schemes

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

Foreign currency transactions

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

Investment income

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

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

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

Fund Account – expense items

Benefits payable

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

Taxation

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

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

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

Management expenses

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

Administration, oversight and governance expenses are also accounted for on an accruals basis. All Flintshire County Council staff costs are charged direct to the Fund and management, accommodation and other support service costs are apportioned to the Fund in accordance with Council policy.

Investment management expenses are accounted for on an accruals basis and include the fees paid and due to the fund managers and custodian, actuarial, performance measurement and investment consultant fees.

Net Assets Statement

Financial instruments

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

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

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

Cash and cash equivalents

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

Actuarial present value of promised future retirement benefits

The actuarial value of promised future retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of the Code and IAS26. As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a report from the actuary (see page 27).

Additional Voluntary Contributions (AVCs)

AVCs are not included in the accounts in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds Regulations 2016, but are disclosed as a Note only (see Note 20).

NOTE 4 - CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Pension fund liability

The net pension fund liability is re-calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines. This estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and set out in the actuary's report at page 27. These actuarial re-valuations are used to set future contribution rates and underpin the fund's most significant investment management policies, for example in terms of the balance struck between longer term investment growth and short-term yield/return.

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

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the year-end date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates. The items in the Net Assets Statement at 31 March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows.

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits (see page 27)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries and pensions are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance a 10% decrease in future investment returns would reduce the current funding level of 76% to 68%. A 10% increase in the current valuation of estimated future pension liabilities would reduce the funding level to 70%, and a combination of the two would reduce the funding level to 60%.

Value of investments at level 3

The Pension Fund contains investments in private equity, hedge funds and pooled funds including property, infrastructure, timber and agriculture, that are classified within the financial statements as level 3 investments in note 15 to these accounts. The fair value of these investments is estimated using a variety of techniques which involve some degree of tolerance around the values reported in the Net Assets Statement. Note 15 summarises the techniques used, the key sensitivities underpinning the valuations and the sensitivity or tolerance around the values reported.

NOTE 6 - POST BALANCE SHEET EVENTS

The accounts outlined within the statement represent the financial position of the Clwyd Pension Fund as at 31st March 2018. Performance of global financial markets since this date may have affected the financial value of pension fund investments as reported in the Net Asset Statement, but do not affect the ability of the Fund to pay its pensioners.

NOTE 7 - ANALYSIS OF CONTRIBUTIONS RECEIVABLE

By employer

2016/17 £000s		2017/18 £000s
(26,936)	Administering Authority - Flintshire County Council	(27,479)
(48,150)	Scheduled bodies	(74,495)
(1,353)	Admitted bodies	(3,105)
(76,439)	**Total**	**(105,079)**

By type

2016/17 £000s		2017/18 £000s
(14,429)	**Employees contributions**	(14,829)
	Employers contributions:	
(32,257)	Normal contributions	(36,175)
(28,562)	Deficit contributions	(52,570)
(1,191)	Augmentation contributions	(1,505)
(62,010)	**Total employers' contributions**	**(90,250)**
(76,439)		**(105,079)**

The figure of £1.191m in 2016/17 was restated from Other income in the 2016/17 accounts to Contribution income in line with the Code.

NOTE 8 – BENEFITS PAYABLE

By employer

2016/17 £000s		2017/18 £000s
25,206	Administering Authority - Flintshire County Council	27,066
40,605	Scheduled bodies	42,330
906	Admitted bodies	1,201
66,717		**70,597**

By type

2016/17 £000s		2017/18 £000s
54,744	Pensions	56,739
10,413	Lump sums (retirement)	12,058
1,560	Lump sums (death grants)	1,800
66,717		**70,597**

NOTE 9 – PAYMENTS TO AND ON ACCOUNT OF LEAVERS

2016/17 £000s		2017/18 £000s
5,212	Transfer values paid (individual)	5,316
106	Refunds of contributions	101
268	Other	272
5,586	Total	**5,689**

NOTE 10 – MANAGEMENT EXPENSES

2016/17 £000s		2017/18 £000s
1,633	Oversight and Governance	1,399
14,474	Investment Management Expenses (see Note 10A)	20,570
1,368	Administration costs	1,569
17,475	**Total**	**23,538**

The Oversight and Governance costs include the fees payable to the Wales Audit Office for the external audit of the Fund of £39,000 for 2017/18 (£39,000 in 2016/17).

Note 10A – INVESTMENT MANAGEMENT EXPENSES

2016/17 £000s		2017/18 £000s
267	Transaction costs	941
11,200	Fund Management Fees	15,761
31	Custody Fees	31
2,976	Performance related fees	3,837
14,474	**Total**	**20,570**

Fund management fees increased significantly during the year due to a combination of additional investments being made during the year (which incurred management fees), increases in fees based on the fund value and regulatory requirements.

NOTE 11 - INVESTMENT INCOME

2016/17 £000s		2017/18 £000s
(3,236)	Private equity income	(4,593)
(1,584)	Pooled Investments	(2,509)
(2,501)	Pooled property investments	(2,540)
(111)	Interest on cash deposits	(17)
0	Other income	(401)
(7,432)	**Total**	**(10,060)**

NOTE 12 – RECONCILIATION OF MOVEMENTS IN INVESTMENTS AND DERIVATIVES

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

	Market Value 1 April 2016	Purchases	Sales	Change in market value	Market Value 31 March 2017
	£000s	£000s	£000s	£000s	£000s
Bonds	170,331	80,140	(64,003)	12,153	198,621
Pooled investment vehicles	745,393	87,547	(114,384)	261,882	980,438
Pooled Property Funds	109,233	7,968	(11,272)	8,785	114,714
Infrastructure	27,351	2,281	(5,365)	7,494	31,761
Timber and agriculture	25,937	219	(1,758)	4,705	29,103
Private equity	147,822	33,290	(38,335)	27,612	170,389
Hedge Fund	139,221	0	(553)	(11,389)	127,279
	1,365,288	**211,445**	**(235,670)**	**311,242**	**1,652,305**
Other investment balances:					
Cash	15,034			(641)	33,623
Net investment assets	**1,380,322**			**310,601**	**1,685,928**

The categories of asset have been restated in 2016/17 to align with the Code as stated in Note 2.

NOTE 13A – ANALYSIS OF INVESTMENTS

2016/17 £000		2017/18 £000
	Bonds	
	Overseas	
198,621	Corporate unquoted	204,372
	Pooled investment vehicles:	
	Overseas	
29,103	Timber and agriculture - unquoted LLP	25,772
234,467	Managed equity funds - quoted	117,023
3,018	Managed equity funds - unquoted	146,973
	Infrastructure	
13,043	Limited Liability Partnerships - quoted	11,764
18,718	Limited Liability Partnerships - unquoted	30,361
18,137	Liability driven investments - quoted	0
375,721	Liability driven investments - unquoted	400,005
82,747	Multi strategy investments - quoted	80,751
266,348	Multi strategy investments - unquoted	273,431
0	Fixed income funds - unquoted	15,378
	Pooled property investment vehicles	
0	Open-ended unquoted	42,578
114,714	Closed-ended LLP unquoted	72,944
	Private equity	
	Limited Liability Partnerships:	
17,966	Unquoted - Opportunistic funds	30,647
1,013	Quoted private equity funds	0
151,410	Unquoted private equity funds	157,751
123,725	**Hedge Funds unquoted**	150,885
3,554	**Hedge Funds quoted**	
1,652,305		**1,760,635**
33,623	Cash	21,191
1,685,928	**Total investment assets**	**1,781,826**
1,685,928	**NET INVESTMENT ASSETS**	**1,781,826**

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NOTE 13B – ANALYSIS BY FUND MANAGER

2016/17 £000	%		2017/18 £000	%
393,858	23.9	Insight	400,005	22.7
198,621	12.0	Stone Harbor	204,372	11.6
183,475	11.1	Mobius	188,710	10.7
214,022	13.0	Investec	159,306	9.0
127,279	7.7	MAN FRM	150,885	8.6
106,336	6.4	Wellington	122,182	6.9
82,747	5.0	Pyrford	80,751	4.6
0	0.0	Blackrock	67,228	3.8
0	0.0	Permira	15,378	0.9
152,423	9.2	Private Equity	157,752	9.0
114,714	6.9	Property	115,522	6.6
31,761	1.9	Infrastructure	42,125	2.4
17,966	1.1	Opportunistic	30,647	1.7
29,103	1.8	Timber/Agriculture	25,772	1.5
1,652,305	**100.0**	**Total**	**1,760,635**	**100.0**

The UK holdings as at 31st March 2018 account for 31% of total investments at market value.

2016/17 £000	%		2017/18 £000	%
519,585	31	UK	554,152	31
1,132,720	69	Overseas	1,206,483	69
1,652,305	100		1,760,635	100

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

2016/17 £000	%	Manager	Holding	2017/18 £000	%
393,858	23.3	Insight	LDI Active 22 Fund	400,005	22.4
128,862	7.6	Stone Harbour	SHI LIBOR Multi Strategy No2 Portfolio	132,224	7.4
131,149	7.8	Investec	OEIC Global Strategic Equity Fund Sterling GBP	74,586	4.2

NOTE 14 – DERIVATIVES

No derivative instruments were held by Clwyd Pension Fund at 31 March 2018 or 31 March 2017.

NOTE 15 - FAIR VALUE OF INVESTMENTS

Fair Value – Basis of valuation

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

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

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

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

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

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

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

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

	Assessed Valuation Range (+/-) %	Market at 31 March 2017 £000	Value on Increase £000	Value on Decrease £000
Pooled investment vehicles (incl LDI)	10%	12,768	14,045	11,491
Pooled Property Funds	10%	74,795	82,275	67,316
Infrastructure	10%	18,718	20,590	16,846
Timber and agriculture	10%	29,103	32,013	26,193
Private equity (incl Opportunistic Fund	15%	169,376	194,782	143,970
Hedge Fund	10%	9,634	10,597	8,671
Total		**314,394**	**354,302**	**274,487**

The following tables show the position of the Fund's assets at 31st March 2018 based on the Fair Value hierarchy:

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

2016/17	Quoted Market Price Level 1 £000	Using observable inputs Level 2 £000	With significant unobservable inputs Level 3 £000	Total £000
Bonds	0	198,621	0	198,621
Pooled investment vehicles	335,351	632,319	12,768	980,438
Pooled Property Funds	0	39,919	74,795	114,714
Infrastructure	13,043	0	18,718	31,761
Timber and agriculture	0	0	29,103	29,103
Private equity	1,013	0	169,376	170,389
Hedge Fund	3,554	114,091	9,634	127,279
Total	**352,961**	**984,950**	**314,394**	**1,652,305**

NOTE 15A: TRANSFERS BETWEEN LEVELS 1 AND 2

£84.720m was transferred from Level 1 to Level 2 following further information about the pricing methodology used for the Investec Diversified Growth Fund.

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

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

The Fund holds no other assets or liabilities at fair value.

	Market Value 1 April 2016 £000	Purchases £000	Sales £000	Transfers into Level 3 £000	Transfers out of Level 3 £000	Realised gains/ (losses) £000	Unrealised gains/ (losses) £000	Market Value 31 March 2017 £000
Financial assets at fair value through profit and loss								
Pooled investment vehicles (incl LDI) [b]	315,530				(302,762)			12,768
Pooled Property Funds	70,245	7,968	(10,774)			2,875	4,481	74,795
Infrastructure	15,934	1,938	(5,227)			727	5,346	18,718
Timber and agriculture	25,937	219	(1,632)				4,579	29,103
Private equity (incl Opportunistic Funds)	145,824	33,290	(37,595)			14,467	13,390	169,376
Hedge Fund	8,013						1,621	9,634
Net investment assets	**581,483**	**43,415**	**(55,228)**	**0**	**(302,762)**	**18,069**	**29,417**	**314,394**

(a) Transferred to level 2 to reflect re-appraisal of pricing data of the fund during the year

(b) Transferred to level 2 to reflect re-appraisal of pricing data of the fund during the year

The categories of asset have been restated in 2016/17 to align with the Code as stated in Note 2.

NOTE 16 - FINANCIAL INSTRUMENTS

NOTE 16A - CLASSIFICATION OF FINANCIAL INSTRUMENTS

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

2016/17 Fair Value through profit and loss £000	2016/17 Loans and receivables £000	2016/17 Financial liabilities at amortised cost £000		2017/18 Fair Value through profit and loss £000	2017/18 Loans and receivables £000	2017/18 Financial liabilities at amortised cost £000
			Financial assets:			
198,621			Bonds	204,372		
980,438			Pooled investment vehicles	1,033,560		
114,714			Property	115,522		
31,761			Infrastructure	42,125		
29,103			Timber and agriculture	25,772		
170,389			Private equity	188,399		
127,279			Hedge Fund	150,885		
	33,623		Other investment assets - cash		21,191	
	250		Debtors		314	
1,652,305	**33,873**	**0**		**1,760,635**	**21,505**	**0**
			Financial liabilities:			
		(531)	Creditors			(760)
0	**0**	**(531)**		**0**	**0**	**(760)**
1,652,305	**33,873**	**(531)**	**Total**	**1,760,635**	**21,505**	**(760)**

NOTE 16B: NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

2016/17 £000		2017/18 £000
	Financial assets:	
311,242	Designated at fair value through profit and loss	77,179
(641)	Loans and receivables	0
	Financial liabilities:	
0	Designated at fair value through profit and loss	0
0	Financial liabilities at amortised cost	0
310,601	**Total**	**77,179**

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

Procedures for Managing Risk

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

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

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

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

The current strategy is to hold:

- 81% in return-seeking investments comprising UK and overseas equities pooled funds, investment property funds, hedge funds, private equity, venture capital and infrastructure;

- 19% in investments that move in line with the long-term liabilities of the Fund. This is referred to as Liability Driven Investment (LDI) and comprises UK and overseas government and corporate bonds, and repurchase agreements which allow the Fund to gain unfunded exposure to gilts.

Market Risk

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

Market risk is also managed through manager diversification with no single manager managing more than 24% of Fund assets. Currently the maximum holding within any one fund manager is 22.7% with Insight managing the LDI mandate, which is within this limit.

Price risk

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

The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments. The following table demonstrates the change in the net assets available to pay benefits if the market price had increased or decreased by an average of 6.69%, which is the three-year price volatility as advised by JLT Group for the Fund's investment strategy.

Assets exposed to price risk	Value	3 year volatility range	Value on increase	Value on decrease
	£000s	%	£000s	£000s
As at 31 March 2017	1,685,928	7.94%	1,827,458	1,544,398
As at 31 March 2018	**1,781,826**	**8.00%**	**1,902,970**	**1,618,300**

Interest Rate Risk

The Fund invests in cash-based financial instruments for the primary purpose of obtaining a return on investments. Bonds and cash are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The table below demonstrates the change in value of these assets had interest rates varied by 1%. It should be noted that the value of bonds varies inversely to interest rates.

Assets exposed to interest rate risk	Value	Value on 1% increase	Value on 1% decrease
	£000s	£000s	£000s
As at 31 March 2017	232,244	230,594	233,894
As at 31 March 2018	**225,563**	**223,731**	**227,395**

Currency Risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in foreign exchange rates. The Fund is exposed to currency risk because some of the Fund's investments are held in overseas markets through pooled vehicles. The Committee manages currency risk through its Tactical Asset Portfolio allocation which covers any financial instruments that are denominated in any other currency other than GPB. The following table sets out the Fund's potential currency exposure as at 31st March 2018:

Assets exposed to currency risk	Value £000s	Percentage change %	Value on increase £000s	Value on decrease £000s
As at 31 March 2017	1,132,720	5.95%	1,200,087	1,065,353
As at 31 March 2018	**1,204,394**	**8.85%**	**1,310,981**	**1,097,808**

Credit Risk

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

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

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

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

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

Liquidity Risk

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

The Fund has immediate access to its cash holdings. The Fund defines liquid assets as assets that can be converted to cash within three months, subject to normal market conditions. As at 31 March 2018, liquid assets were £1,462m representing 82% of total fund assets (£1,387m at 31 March 2017 representing 82% of the Fund at that date). The majority of these investments can in fact be liquidated within a matter of days.

NOTE 18 – DEBTORS

2016/17 £000s		2017/18 £000s
0	**Long-term debtors**	29
	Short-term debtors	
1,129	Contributions due - Employees	1,172
2,572	Contributions due - Employers	3,393
12	H.M. Revenue and Customs	14
582	Administering authority	1,328
0	Prepayments	303
250	Sundry debtors	15
4,545	**Total Short-term debtors**	**6,225**
4,545	**Total**	**6,254**

2016/17 £000s		2017/18 £000s
12	Central Government	17
3,935	Other Local Authorities	5,349
598	Other Entities and individuals	888
4,545	**Total**	**6,254**

NOTE 19 – CREDITORS

2016/17 £000		2017/18 £000
(7)	Contributions received in advance	(9)
(1,259)	Benefits payable	(1,708)
(90)	Added years	(9)
(418)	Administering authority	(531)
(2)	H.M. Revenue and Customs	(4)
(531)	Sundry creditors	(320)
(2,307)	**Total**	**(2,581)**

2016/17 £000		2017/18 £000
(3)	Central Government Bodies	(4)
(508)	Other Local Authorities	(540)
(1,796)	Other Entities and Individuals	(2,037)
(2,307)	**Total**	**(2,581)**

NOTE 20 - ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCs)

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

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

2016/17 £000		2017/18 £000
807	Contributions in the year	**922**
	Value of AVC funds at 31 March:	
5,069	Prudential	5,213
462	Equitable Life	420
5,531	**Total**	**5,633**

NOTE 21 – AGENCY SERVICES

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

2016/17 £000s		2017/18 £000s
551	Conwy County Borough Council	534
1,823	Denbighshire County Council	1,778
3,209	Flintshire County Council	3,136
22	Powys County Council	21
2,255	Wrexham County Borough Council	2,190
51	Coleg Cambria	57
67	Other employers	58
7,978	**Total**	**7,774**

NOTE 22 - RELATED PARTY TRANSACTIONS

Governance

Under legislation, introduced in 2004, Councillors are entitled to join the Pension Scheme. As at 31st March 2018, four Members of the Clwyd Pension Fund Committee had taken this option.

The four Co-opted Members of the Pension Fund Committee receive fees in relation to their specific responsibilities as members of the Committee in the form of an attendance allowance that is in line with that adopted by Flintshire County Council.

Flintshire County Council

During the year Flintshire County Council incurred costs of £1.6m (£1.4m restated in 2016/17) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The restatement was to reflect supplies and services costs omitted from the 2016/17 disclosure. The costs have been included within Oversight & Governance costs and administration expenses at Note 10.

Key Management Personnel

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

2016/17 £000s		2017/18 £000s
15	Short-term benefits	26
44	Post-employment benefits	6
59	**Total**	**32**

NOTE 23 MATERIAL ITEMS OF INCOME AND EXPENSE

For the purpose of this Note, the Council considers material items of income and expense to be those exceeding £18m. During the year the Fund incurred the following material transactions:

- Sold £70m from the Investec Global Equities Fund and invested £70m in the Blackrock Global Equity Tracker Fund;
- Transferred £385m from the Insight Umbrella Holding to the Insight Liability Driven Investment (LDI) Fund; and
- Invested £20m in the MAN FRM Hedge Fund of Funds.

NOTE 24 - CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

As at 31 March 2018, the Fund has contractual commitments of £760m (£672m in 2016/17) in private equity, infrastructure, timber and agriculture, and property funds, of which £523m (£517m in 2016/17) has been deployed, leaving an outstanding commitment of £237m (£155m at 31 March 2017).

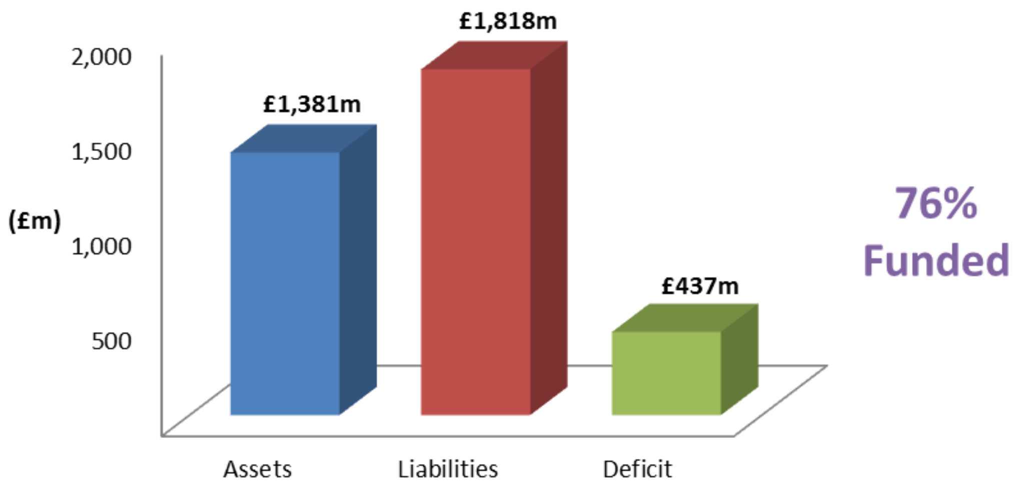
CLWYD PENSION FUND

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2018 - STATEMENT BY THE CONSULTING ACTUARY

This statement has been provided to meet the requirements under Regulation 57(1)(d) of The Local Government Pension Scheme Regulations 2013.

An actuarial valuation of the Clwyd Pension Fund was carried out as at 31 March 2016 to determine the contribution rates with effect from 1 April 2017 to 31 March 2020.

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



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

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

The FSS sets out the process for determining the recovery plan in respect of each employer. At the most recent actuarial valuation the average deficit recovery period was 15 years, and the total initial recovery payment (the "Secondary rate") for the three years commencing 1 April 2017 is approximately £29.4 million per annum. For most employers, the Secondary rate will increase 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 could 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 31 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 FSS. Any different approaches adopted, e.g. with regard to the implementation of contribution increases and deficit recovery periods, are as determined through the FSS consultation process.

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

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

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

The assets were assessed at market value.

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

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

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

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2018 (the 31 March 2017 assumptions are included for comparison):

	31 March 2017	31 March 2018
Rate of return on investments (discount rate)	2.5% per annum	2.6% per annum
Rate of CPI Inflation / CARE revaluation	2.3% per annum	2.1% per annum
Rate of pay increases*	3.55% per annum	3.35% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension) / Deferred revaluation	2.3% per annum	2.2% per annum

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

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

During the year, corporate bond yields rose slightly, resulting in a higher discount rate being used for IAS 26 purposes at the year-end than at the beginning of the year (2.6% p.a. versus 2.5% p.a.). The expected rate of long-term rate of CPI inflation decreased during the year, from 2.3% p.a. to 2.1%. Both of these factors served to decrease the liabilities over the year.

The value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31 March 2017 was estimated as £2,642 million. Interest over the year increased the liabilities by c£66 million, and net benefits accrued/paid over the period also increased the liabilities by c£28 million (after allowing for any increase in liabilities arising as a result of early retirements/augmentations). There was then a decrease in liabilities of £107 million due to "actuarial gains" (i.e. the effect of actuarial assumptions used, referred to above).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2018 is therefore £2,629 million.

Paul Middleman
Fellow of the Institute and Faculty of Actuaries
Mercer Limited
May 2018

Mark Wilson
Fellow of the Institute and Faculty of Actuaries
Mercer Limited
May 2018

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

THE CLWYD PENSION FUND'S RESPONSIBILITIES

The Pension Fund 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 Pension Fund, 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 David Hughes
Chair to the Clwyd Pension Fund

Date : **5 September 2018**

THE CHIEF FINANCE OFFICER'S RESPONSIBILITIES

The Chief Finance Officer is responsible for the preparation of the Pension Fund'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 Clwyd Pension Fund at 31st March 2018, and the amount and disposition at that date of its assets and liabilities.

Signed:

Gary Ferguson CPFA
Corporate Finance Manager (Chief Finance Officer)

Date: **5 September 2018**

WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru
Auditor General for Wales

Audit of Financial Statements Report and Management Letter – **Clwyd Pension Fund**

Audit year: 2017-18

Date issued: August 2018

Document reference: 769A2018-19

Contents

This document summarises the conclusions on the 2017-18 audit including our recommendations for the year. The Auditor General intends to issue an unqualified audit report on your financial statements.

Summary report

Introduction

1 The purpose of this report is twofold:

- to set out for consideration the matters arising from the audit of the financial statements of Clwyd Pension Fund (the Pension Fund) for 2017-18, that require reporting to those charged with governance, in time to enable appropriate action; and
- to formally communicate the completion of our audit and capture the recommendations arising from our audit work for the year.

2 The Auditor General's responsibilities were set out in our Audit Plan that was noted by the Audit Committee in March 2018 along with your responsibilities as those charged with governance; we do not repeat them in detail again here.

3 We are particularly grateful to Pension Fund for their assistance, co-operation and good quality of working papers and the draft accounts provided.

4 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 at 31 March 2018 and its income and expenditure for the year then ended.

5 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.

6 The quantitative level at which we judge such misstatements to be material for the Pension Fund is £17.8 million. Whether an item is judged to be material can also be affected by certain qualitative issues such as legal and regulatory requirements and political sensitivity.

Status of the audit

7 We received the draft Pension Fund financial statements on 15 June 2018, fourteen days prior to the statutory deadline of 30 June 2018, and have now substantially completed the audit work.

8 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 and agreed these issues with Pension Fund officers and the Corporate Finance Manager.

Proposed audit report

9 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.

10 The proposed audit report is set out in Appendix 2.

Significant issues arising from the audit

Uncorrected misstatements

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

Corrected misstatements

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

Other significant issues arising from the audit

13 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.

We have no concerns about the qualitative aspects of your accounting practices and financial reporting

14 The 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 on a timely basis.

15 With the advent of the earlier production and publication of local government annual accounts by the end of May and July respectively by 2020-21, the 2017-18 draft accounts were received on 15 June 2018, two weeks ahead of the statutory deadline. The earlier preparation was achieved as part of the Pension Fund's initiative to prepare for the early production and publication of local government body annual accounts required by 2020-21.

16 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 outcomes 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.

17 Last year Internal Audit reported progress in addressing our 2015-16 recommendation on the need for the Pension Fund to address remaining differences in the monthly reconciliations of the transactions relating to lump sums and death benefit pension payments between the financial ledger and the pensions administration system. Internal Audit followed up progress in addressing the remaining differences in 2017-18 and concluded that there were no outstanding matters.

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

18 We did not encounter any significant difficulties during the audit. The Pension Fund and Worth Technical Accounting Solutions (who prepared the draft financial statements) maintained an open and constructive dialogue with the audit team throughout the audit. As a result, the audit process has gone smoothly. We were not restricted in our work and we received the information that we required for our audit in a timely manner.

19 There are no other matters to report to you. In particular:

- There were no significant matters discussed and corresponded upon with management which we need to report to you.
- We did not identify any material weaknesses in your internal controls.

Independence and objectivity

20 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.

21 With regards to the exception noted above, a member of the audit team has close family who are members of the Pension Fund. We have taken appropriate steps to ensure that the audit team member has not been involved in any audit work on pension payments or payroll. We have complied with ethical standards and in our professional judgment, we are independent and our objectivity is not compromised. There are no relationships between the Wales Audit Office and the Pension Fund that we consider to bear on our objectivity and independence.

Appendix 1

Final Letter of Representation

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

5 September 2018

Representations regarding the 2017-18 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 2018 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 2017-18; 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
  - staff from whom you determined it necessary to obtain audit evidence.

- The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- Our knowledge of fraud or suspected fraud that we are aware of and that affects the 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 the Clwyd Pension Fund Committee on 5 September 2018.

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 David Hughes Chair of Clwyd Pension Fund Committee
5 September 2018	5 September 2018

Appendix 2

Proposed independent auditor's report of the Auditor General to the members of Flintshire County Council as administering authority for the Clwyd Pension Fund

Report on the audit of the financial statements

Opinion

I have audited the financial statements of the Clwyd Pension Fund for the year ended 31 March 2018 under the Public Audit (Wales) Act 2004. The Clwyd Pension Fund's financial statements comprise the fund account, the net assets statement and the related notes, including a summary of significant accounting policies. 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 2017-18 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2018, and of the amount and disposition at that date of its assets and liabilities; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the pension fund in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the responsible financial officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the pension fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Report on other requirements

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 financial 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.

Certificate of completion of audit

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

Responsibilities

Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the financial statements set out on page 30, the responsible financial officer is responsible for the preparation of the financial statements, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the responsible financial officer is responsible for assessing the pension fund's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Anthony J Barrett
For and on behalf of the Auditor General for Wales
7 September 2018

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 the Clwyd Pension Fund

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

Value of correction	Nature of correction	Reason for correction
Note 8 Benefits Payable Value of £1,708,000 The correction also affects the Fund Account and the Net Asset Statement.	The Note 8 'Benefits payable' increased from £68,889,000 to £70,597,000 due to the following amendments: • 'Administering Authority – Flintshire County Council' from £26,524,000 to £27,066,000 • 'Scheduled bodies' from £39,217,000 to £42,330,000. • 'Admitted bodies' from £3,238,000 to £1,201,000. 'Benefits payable' in Note 19 was also amended from £0 to £1,708,000 and corresponding adjustments were made 'Other entities and individuals' disclosed in the subsequent table. The adjustments were also reflected in the 'Fund Account' and 'Net Asset Statement'.	To ensure: • 'Benefits Payable' was correctly classified between 'Scheduled' and 'Admitted' bodies; and • Note 19 was not prepared in accordance with the Pension Fund's accounting policies as lump sum accruals for retirements and death grants were excluded in error.
Note 13A Analysis of investments Reanalysed for 'Pooled investment vehicles: Overseas'.	The table containing the analysis of investments was amended to reflect the classification of investments disclosed in Note 15 'Fair value of Investments'.	To ensure the financial statements fully comply with the requirements of the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2017-18.
Note 13B Analysis by Fund Manager Narrative disclosure.	An additional table was added to the disclosure showing the spilt between UK and Overseas holdings at the 31 March 2018.	To ensure the financial statements fully comply with the requirements of the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2017-18.

Wales Audit Office
24 Cathedral Road
Cardiff CF11 9LJ

Tel: 029 2032 0500
Fax: 029 2032 0600
Textphone.: 029 2032 0660

E-mail: info@audit.wales
Website: www.audit.wales

Swyddfa Archwilio Cymru
24 Heol y Gadeirlan
Caerdydd CF11 9LJ

Ffôn: 029 2032 0500
Ffacs: 029 2032 0600
Ffôn testun: 029 2032 0660

E-bost: post@archwilio.cymru
Gwefan: www.archwilio.cymru

AUDIT COMMITTEE

Date of Meeting	Wednesday, 12 September 2018
Report Subject	School Reserve Balances Year Ending 31 March 2018
Cabinet Member	Cabinet Member for Education
Report Author	Chief Officer, Education & Youth
Type of Report	Operational

EXECUTIVE SUMMARY

The overall level of reserves held by Flintshire schools was £1.275m at 31 March 2018. This is a decrease of 11% compared with the previous year. Overall secondary schools net deficit increased by £410k or 47%. This was offset by a £314k (15%) increase in primary reserves. A summary of the position is shown in table 1.

Table 1

School Sector	2017-18 Schools Delegated Budget	March 2018 Balance surplus/ (deficit)	March 2017 Balance surplus/ (deficit)	Change Between Years
	£'000	£'000	£'000	£'000
Primary	48,105	2,393	2,079	314
Secondary	40,145	-1,286	-876	-410
Specialist	3,832	168	230	-62
Overall Totals	92,082	1,275	1,433	-158

RECOMMENDATIONS	
1	To note the school reserves balances as at the 31 March 2018.

REPORT DETAILS

1.00	EXPLAINING SCHOOL BALANCES
1.01	The analysis of reserve balances for each school in Flintshire at the end of March 2018 is shown at appendix 1. It should be noted that in March the Authority received an unexpected, although welcome, school maintenance grant from Welsh Government of £710k, the full value of which was allocated to schools. This had a positive effect on the outturn position of school reserve balances however it does to some extent mask the underlying trend.
1.02	Secondary school budgets continue to be under pressure. At the end of the financial year six of Flintshire's 11 secondary schools had deficits amounting to £1.591m. Without the school maintenance grant school reserve balances would have been £246k worse. The level of reserves held by schools with positive balances is less than 2% of budget which highlights concerns about the financial resilience of the secondary school sector in Flintshire. There are a number of factors which have contributed to the current financial position. The ongoing austerity measures over recent years have resulted in schools having to absorb inflationary increases in pay, pension and NI increases. Another factor has been the demographic changes in the distribution of pupils across the primary and secondary sectors. Secondary pupil numbers have been declining whilst primary pupil numbers have been increasing and this has resulted in a redistribution of funding between sectors. This trend is now reversing and pupil numbers in the secondary sector are set to increase which will have a positive financial impact on the secondary sector.
1.03	Primary balances in Flintshire showed an overall increase of £314k, which if adjusted for the maintenance grant would actually be a reduction of £141k (7%). As in previous years primary balances have held up well despite the continuing pressure of austerity measures. Primary Headteachers have been proactive in managing their budgets however as referred to in 1.02 above primary pupils numbers are forecast to reduce and this will create challenges for Headteachers in managing their budgets.
1.04	At the end of the financial year there were 3 primary schools with deficit balances totalling £57k compared with 4 primary schools with total deficits of £51k in the previous year. There were 19 primary schools with balances greater than £50k. This reduces to 16 if adjusted for the school maintenance grant. This compares with 14 schools in the previous year. **Surplus Balances** In accordance with the Authority's Scheme, schools must provide a statement on how they intend to use any surplus over £50k for primary schools and over £100k for secondary schools and specialist schools. The Authority also requires a statement from schools as to the use that the

	governing body proposes to make of a school balance which exceeds 5% of the school budget share or £10,000, whichever is the greater. The Schools Accounting Team request and scrutinise this information paying particular attention to those schools with balances over £50k/£100k. However, in 2017/18 the Authority indicated to schools that given the continuing pressures on budgets a flexible approach would be adopted to surplus balances.
1.05	The ongoing pressures and the focus for Headteachers on managing a difficult financial situation and striving for educational excellence is a constant pressure. Staffing generally equates to a majority proportion of a school's budget, so schools must have a long-term plan that takes into account potential staffing changes through retirement, mobility, progression, change in numbers, etc. The Schools Accounting Team provides financial support to schools through a service level agreement. In consultation with schools the service level agreement was reviewed last year and an enhanced level of service was offered to primary schools. Most schools signed up for the enhanced service and the new offer was implemented from September 2017.
1.06	The Schools Accounting Team are working with schools to take a longer-term view of their financial position, not a year-on-year approach. As a minimum, schools will need to set up a three-year budget plan (schools in deficit a five-year plan) which is regularly reviewed and rolled forward, looking at how they can remain sustainable and continue to deliver excellent educational outcomes. As part of this, schools will need to carefully consider their staffing mix, and plan how they will make most effective use of their staff.
1.07	**Deficit Balances** Governors have no legal right to set a deficit budget without the consent of the Authority and should not presume that such consent will be granted. However, the Authority will consider approving a licensed deficit to a school where it agrees that there are circumstances in which it would be unreasonable for that school to balance its budget in the current financial year. Outside this provision, schools should ensure that total planned expenditure for the financial year should not exceed the budget share, adjusted by amounts carried forward from the previous financial year. The Authority has no power to write off the deficit balance of any school. Deficit balances are carried forward every year by the deduction of the relevant amounts from the following year's budget share. The Authority has a licensed deficit guidance and procedure which schools must adhere to. Appendix 2 see extract from the Scheme for Financing Schools Appendix 3 Licensed deficit application guidance

1.08	We are developing resources for Headteachers and governors to support them in carrying out financial health checks. • An **efficiency metric**, which indicates how a school's efficiency compares to similar schools. • A **benchmarking report card**, which encourages comparisons of spending data between similar schools. • A **top-ten checks list**, which provides guidance as to the types of questions governing bodies may wish to ask their school leadership teams relating to financial health. This will be assisted by the national schools benchmarking tool which is being developed by Welsh Government.

2.00	**RESOURCE IMPLICATIONS**
2.01	The impact of continuing austerity measures on the financial resilience of schools is an area of concern.

3.00	**CONSULTATIONS REQUIRED / CARRIED OUT**
3.01	This report will be submitted to Education & Youth Scrutiny Committee and the Schools Budget Forum in September. The report has been circulated to all Headteachers.

4.00	**RISK MANAGEMENT**
4.01	As funding levels to schools decrease as a consequence of the austerity measures facing local government, there is a risk that more schools will slip into a deficit position. The Schools Accounting Team have developed a risk rating process to identify schools where the financial position is a cause for concern so that they can target their support.
4.02	To balance budgets schools may need to review their staffing structures which may result in redundancies.
4.03	Continued pressure on school finances may result in increased class sizes, a reduced curriculum and falling standards.
4.04	Schools forecasting a significant deficit position will be required to apply for a licensed deficit. The application will be reviewed by the Finance Manager and approval granted by the Chief Officer.
4.05	Schools deficits are funded by the overall collective balances of schools, however there is a risk that the level of deficits will exceed the positive balances. This means that the Authority will have to consider how net deficit school budgets are funded.

5.00	APPENDICES
5.01	**APPENDIX 1 – Final School Balances 2017-18** **APPENDIX 2 – Extract Scheme for Financing Schools** **APPENDIX 3 - Licensed Deficit Application Guidance**

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	None. **Contact Officer:** Lucy Morris, Education & Youth Finance Manager **Telephone:** 01352 704016 **E-mail:** Lucy.morris@flintshire.gov.uk

7.00	GLOSSARY OF TERMS
7.01	**School Reserves** Reserves are sums of money that schools carry forward from one year to the next. They arise from underspends and overspends against school allocations over time. Schools are responsible for managing their own finances. The level of reserves held by an individual school will depend on a number of factors. These will include the timing of receipt of income and of payments, and the level of contingency fund the school governing body considers appropriate and the particular plans each school has for expenditure.
	Benchmarking The process of measuring the performance of a school's products, services, or processes against those of another school either of a similar size and demographic or a school considered to be the best in the sector. The point of benchmarking is to identify internal opportunities for improvement.
	Flintshire County Council's Scheme for Financing Schools The Scheme defines the financial relationship between Flintshire County Council and its maintained schools. The Scheme details the financial management arrangements to which the Authority and its schools are required to adhere. The framework for this Scheme is based on legislative provisions contained in sections 45-53 of the School Standards and Framework Act, 1998 and as further detailed in The School Funding (Wales) Regulations 2010.

Mae'r dudalen hon yn wag yn bwrpasol

Flintshire County Council **Appendix 1**

Schools Reserve Balances as at March 31 2018

School	Delegated Budget 2017/18 £	2017/18 Final Balance £	Balance as % of Delegated Budget	2016/17 Final Balance £
BRYNFORD CP	361,363	35,179	9.7%	25,883
BUCKLEY WESTWOOD CP	762,973	4,689	0.6%	6,298
BUCKLEY SOUTHDOWN	1,229,843	12,853	1.0%	62,005
BUCKLEY MOUNTAIN LN	1,396,693	92,497	6.6%	43,271
CAERWYS VP	291,589	16,663	5.7%	16,598
CARMEL CP	627,426	16,609	2.6%	26,242
YSGOL Y FOEL	254,650	2,190	0.9%	4,052
YSGOL PARC Y LLAN	481,356	44,469	9.2%	35,663
BRYN DEVA	956,932	14,860	1.6%	34,044
GOLFTYN CP	1,344,163	62,864	4.7%	56,685
WEPRE CP	1,072,319	55,770	5.2%	57,060
CAE'R NANT	1,253,043	96,483	7.7%	41,776
DRURY CP	521,211	-10,815	-2.1%	2,880
EWLOE GREEN	1,198,694	25,578	2.1%	38,786
BRYN GARTH CP	406,092	22,797	5.6%	29,336
FLINT CORNIST DRIVE	1,049,488	60,857	5.8%	58,319
YSGOL CROES ATTI	810,767	5,545	0.7%	1,024
FLINT GWYNEDD JR	1,547,797	93,131	6.0%	47,919
FLINT ST MARYS RC	1,007,244	78,019	7.7%	72,435
GREENFIELD CP	937,639	44,774	4.8%	25,371
GRONANT CP	301,149	28,090	9.3%	16,609
GWERNAFFIELD CP	462,072	77,471	16.8%	77,303
GWERNYMYNYDD CP	292,644	57,718	19.7%	18,146
GWESPYR PICTON	242,063	32,145	13.3%	16,133
HAWARDEN VILLAGE	1,322,498	41,797	3.2%	10,492
HAWARDEN PENARLAG	673,235	20,841	3.1%	14,030
HR KINNERTON DERWEN	677,564	46,936	6.9%	27,418
ST WINEFRIDES RC	549,153	-15,360	-2.8%	-25,621
YSGOL GWENFFRWD	735,188	58,126	7.9%	66,181
YSGOL ESTYN HOPE	738,763	2,390	0.3%	16,038
LEESWOOD CP	497,372	6,565	1.3%	18,749
LIXWM CP	306,366	31,572	10.3%	37,578
MOLD YSG GLANRAFON	1,131,605	34,434	3.0%	25,015
MOLD BRYN COCH	2,122,860	48,838	2.3%	9,493
MOLD YSG BRYN GWALI	773,286	86,046	11.1%	86,021
MOLD ST DAVIDS RC	359,184	30,709	8.5%	27,519
MOSTYN BRYN PENNANT	564,766	52,441	9.3%	49,149
NANNERCH VP	279,842	20,669	7.4%	742
NERCWYS VP	269,870	25,886	9.6%	25,854
NORTHOP OWEN JONES	475,774	24,115	5.1%	1,462
NORTHOP HALL CP	643,273	41,248	6.4%	30,639
YSGOL PENYFFORDD	948,794	86,898	9.2%	43,129
PENTROBIN VP	401,053	15,667	3.9%	-249
QUEENSFERRY CP	693,721	39,916	5.8%	76,141
RHOS HELYG CP	530,695	21,545	4.1%	31,255
SALTNEY ST ANTHONYS	566,639	34,203	6.0%	45,854
SALTNEY FERRY CP	509,695	17,992	3.5%	1,586
SALTNEY WOOD MEM	608,383	20,076	3.3%	-3,600
SANDYCROFT CP	1,157,261	7,550	0.7%	40,786
SEALAND CP	687,159	8,073	1.2%	2,782
ST ETHELWOLDS VP	413,992	8,219	2.0%	13,988
VEN EDWARD MORGAN	941,885	69,134	7.3%	72,548
TY FYNNON	1,061,580	61,009	5.7%	36,108
SYCHDYN CP	638,590	44,306	6.9%	32,201
TRELAWNYD VP	364,732	61,018	16.7%	21,587
TRELOGAN CP	309,184	7,322	2.4%	5,628
YSG TERRIG TREUDDYN	271,407	21,550	7.9%	16,677
WHITFORD VP	445,655	38,862	8.7%	20,879
ABERMORDDU	710,067	55,619	7.8%	62,608

Flintshire County Council

Schools Reserve Balances as at March 31 2018

BAGILLT GLAN ABER	550,388	95,795	17.4%	83,299
BAGILLT MERLLYN	610,653	-31,105	-5.1%	-21,566
BROUGHTON CP	1,571,983	21,131	1.3%	38,096
YSGOL MYNYDD ISA	2,011,073	12,590	0.6%	47,334
YSGOL MAES Y FELIN	1,170,380	147,849	12.6%	142,768
TOTAL	**48,104,775**	**2,392,905**		**2,044,433**

Total Deficit	**-57,280**	-0.1%	**-51,036**
Total Underspend	**2,450,186**	5.1%	**2,095,469**
Net	**2,392,905**	**5.0%**	**2,044,433**

School	Delegated Budget 2017/18 £	2017/18 Final Balance £	Balance as % of Delegated Budget	2016/17 Final Balance £
BUCKLEY ELFED HS	3,089,179	53,223	1.7%	-139,804
CONNAHS QUAY HIGH	4,200,764	-164,379	-3.9%	-106,958
JOHN SUMMERS HIGH* closed	657,027		0.0%	-4,926
FLINT HIGH	3,405,993	80,210	2.4%	50,854
RICHARD GWYN	2,957,061	-412,779	-14.0%	-426,957
HAWARDEN HIGH	4,901,172	69,706	1.4%	65,125
HOLYWELL HIGH	1,737,564	-585,964	-33.7%	-270,244
CASTELL ALUN HIGH	5,501,415	59,538	1.1%	101,494
MOLD ALUN HIGH	6,674,338	43,018	0.6%	36,926
YSGOL MAES GARMON	2,268,322	-245,321	-10.8%	-249,557
ARGOED HIGH	2,756,545	-26,002	-0.9%	83,545
ST DAVIDS HIGH	1,995,956	-157,105	-7.9%	-15,575
TOTAL	**40,145,337**	**-1,285,856**	**-3.2%**	**-876,076**

Total Deficit	**-1,591,551**	**-4.0%**	**-1,214,021**
Total Underspend	**305,695**	**0.8%**	**337,945**
Net	**-1,285,856**	**-3.2%**	**-876,076**

School	Delegated Budget 2017/18 £	2017/18 Final Balance £	Balance as % of Delegated Budget	2016/17 Final Balance £
YSGOL PEN COCH	1,733,042	100,622	5.8%	57,886
YSGOL MAES HYFRYD	2,099,017	67,571	3.2%	172,108
TOTAL	**3,832,059**	**168,193**	**4.4%**	**229,994**

Total Deficit	**0**	**0.0%**	**0**
Total Underspend	**168,193**	**4.4%**	**229,994**
Net	**168,193**	**4.4%**	**229,994**

92,082,171	**1,275,242**	**1.4%**	**1,398,351**

Total Deficit	**-1,648,831**	**-1.8%**	**-1,265,057**
Total Underspend	**2,924,073**	**3.2%**	**2,663,408**
Net	**1,275,242**	**1.4%**	**1,398,351**

Appendix 2: Licensed Deficits - Flintshire Scheme for Financing Schools (Extract)

Section 4.5

Governors have no legal right to set a deficit budget without the consent of the Authority and must not presume that such consent will be granted. However, the Authority will consider approving a licensed deficit to a school where it agrees that there are circumstances in which it would be unreasonable for that school to balance its budgets in-year. This will be funded from the collective surplus of school balances held by the Authority on behalf of schools. A deficit is considered to exist where a school has a negative balance which exceeds £5,000 or 1% of the delegated budget.

The detailed arrangements applying to this scheme are set out below:

(a) the maximum length of time over which a school may repay a deficit is three years. In exceptional circumstances and with the support of the Chief Education Officer and the Corporate Finance Manager this period may be extended to a maximum of five years.

(b) deficit arrangements may be agreed in the following circumstances

- Falling pupil numbers for one year which is expected to be followed by rising pupil numbers in future years
- Spreading the cost of cyclical maintenance works over two or more years
- Other circumstances agreed by the Authority to be reasonable;

(c) the maximum level of deficit which may be agreed is 10% of a school's Budget Share. In exceptional cases this may be increased with the approval of Chief Education Officer and the Corporate Finance Manager.

(d) school's wishing to apply to the Local Authority to set a deficit budget must consult the Schools Accountant in the first instance and must have regard to the advice given if they subsequently choose to apply for a deficit. A higher level of budget monitoring will be required by the school and Authority for the period of the deficit and until such a time afterwards as the Authority is satisfied that the school is maintaining a balanced budget.

(e) Requests for licensed deficits will not normally be approved unless the school can produce a recovery plan which, in the view of the Authority, is realistic, prudent and does not exceed three years. Schools have a duty to identify potential deficits and to plan recovery action early. The Local Authority expects the Recovery Plan to be submitted by 1 June. The format of the Recovery Plan, and arrangements for its submission, will be specified by the Authority in the Finance Manual.

(g) Where a licensed deficit application exceeds 5% of budget, where in the opinion of officers repayment is likely to prove particularly challenging, or where it has been identified through the monitoring process that the school is unlikely to meet its repayment targets, the Authority may impose additional restrictions on a school during the term of the license, as part of the license, eg the right of approval of specified staffing appointments or of contracts over a specified value. The need for such restrictions would be assessed on a school by school basis.

Appendix 3: Flintshire County Council Licensed Deficit Application and Recovery Plan

Deficit Budgets

Governing Bodies must not plan for a deficit budget – that is where planned expenditure exceeds anticipated income plus permitted reserves – without first agreeing a 'Licensed Deficit' arrangement with the Authority.

Similarly, where routine Budget Monitoring indicates that a School is forecasting an overall deficit for the financial year, the Governing Body must seek a 'Licensed Deficit' arrangement with the Authority without delay. The application for a licensed deficit must be received by the Finance Team within 60 days of the identification of the deficit position.

The template which needs to be completed to apply for a Licensed Deficit is set out below.

Licensed deficits will only be approved if a robust recovery plan has been produced by the school. Once the Schools Accountant is satisfied that the documentation provided fulfils the requirements, it will be forwarded onto the Chief Education Officer, Corporate Finance Manager and the Finance Manager for final approval.

Once the application has been approved a confirmation letter will be sent to the school. At this point your deficit budget will be loaded on to the General Ledger.

During the period of a licensed deficit, schools will not be permitted to recruit any staff or undertake any virements without the prior discussion and agreement of the Schools Accountant.

The confirmation letter will outline the procedures to be followed during the period of the licensed deficit as follows:

- Income and expenditure reports will be produced at the end of each accounting month, showing actual spending against the budget. This will be copied to the Chair of the Finance Committee.

- The Finance Committee should meet and receive a report on the budget position at least twice a term. At least once per term the Finance Committee must report in full to the Governing Body on the progress against the licensed deficit recovery plan.

  The Assigned Finance Officer will perform the following checks:

- Actual monthly expenditure for staff appear in line with the staffing spreadsheets and agreed budget assumptions provided by the school

- Actual expenditure / income appear in line with planned / agreed budgets and corrective action is being taken where necessary.

On a termly basis the Assigned Finance Officer will consider the need for a meeting with the school to review the schools progress. The frequency of these visits will be reviewed on an on-going basis throughout the duration of the licensed deficit.

The Authority cannot, under any circumstances, write off a deficit.

The Governing Body must adhere to any recovery plan agreed with the authority, and regularly monitor adherence to the plan and contact the Finance Manager (Education) if it appears that the milestones cannot be met.

Flintshire County Council Licensed Deficit Application and Recovery Plan

School Name

____

<u>What level of deficit are you applying for:-</u>

<u>2018/2019</u> **<u>£</u>**	**<u>2019/2020</u>** **<u>£</u>**	**<u>2020/2021</u>** **<u>£</u>**	**<u>2021/2022</u>** **<u>£</u>**	**<u>2022/2023</u>** **<u>£</u>**
£0,000	**£0,000**	**£0,000**	**£0,000**	**£0,000**

There is an expectation that schools will recover deficit budgets within 3 years and in exceptional circumstances 5 years. Please document the reasons in the box below if the deficit application exceeds 3 years. Please note that where a school applies for a deficit recovery plan in excess of 3 years further authorisation is required from the Chief Education Officer and Chief Finance Officer.

<u>Reason for Deficit</u>

Please include in this section the reasons for the deficit budget and the circumstances leading up to the current position

Recovery Plan
Please include in this section a detailed narration of the recovery plan including the action to be taken and detailed timescales which link in with your agreed projections as approved by your governing body. (Please attach a copy of the minutes from your finance sub-committee as evidence of approval)

Action	*Target Date*	*Value of Saving £*

Additional Information to support your request for an agreed deficit.

School

Signed	______________	Headteacher	Date	__________
Signed	______________	Chair of the Governing Body	Date	__________
Signed	______________	Chair of the Finance Committee	Date	__________

Authority

Signed	______________	Chief Education Officer	Date	__________
Signed	______________	Finance Manager (Education)	Date	__________
Signed	______________	Chief Finance Officer	Date	__________

Mae'r dudalen hon yn wag yn bwrpasol

AUDIT COMMITTEE

Date of Meeting	12 September 2018
Report Subject	Annual Review of Strategic Risks
Report Author	Chief Executive

EXECUTIVE SUMMARY

This risk management update provides a position statement on the strategic risks contained within the Council's 2017/18 Council Plan.

The Council Plan 2017/18 was adopted by the Council in September 2017; this report provides an annual assessment of the strategic risks contained within the Plan.

The 48 strategic risks within the Council Plan have been successfully managed with the majority being assessed at the end of the year as minor or insignificant 6 (12%) or moderate 29 (63%) which is an improvement on the initial risk assessment which was minor / insignificant 3 (6.5%) and moderate 31 (67.5%). The major (red) risks stayed at 12 (26%) during the year. Of the original 12 red risks four reduced in significance, whilst another four risks increased in significance to become 'red'.

RECOMMENDATIONS	
1	To note the status for the 2017/18 end of year summary of the strategic risks of the Council priorities of the Council; endorsing the successful management of risks, where these are in control by the Council.

REPORT DETAILS

1.00 STRATEGIC RISKS

1.01 Council Priorities – Strategic Risks

The Council adopted the Council Plan for 2017/18 in September 2017. The adoption of the plan and its priorities provides the opportunity to monitor the strategic risks aligned to those priorities and sub priorities; this is done on a quarterly basis by each of the Overview and Scrutiny Committees and reported to Audit Committee at the mid and end of year point. This end of year report is to assure the Committee that the risk levels which are in the control of the Council are moving in a positive direction and have been successfully managed.

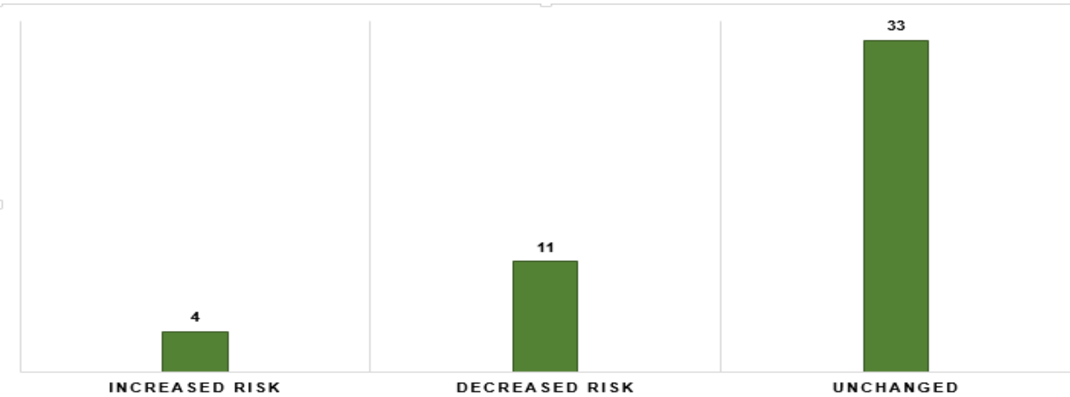
1.02 The Audit Committee's role is to ensure that the process and approach for managing risks is robust. As part of this process the Overview and Scrutiny committees have received quarterly progress reports against the Council Plan for 2017/18. These have included a template for each risk capturing:

- the nature of each risk;
- the gross and net (initial and current) RAG status for each risk;
- current actions already in place to mitigate the risk;
- further activity to mitigate the risk;
- risk trend (via arrows).

1.03 **Monitoring our Risks**

Analysis of the current risk levels for the strategic risks identified in the Council Plan is as follows:

Analysis of the direction of travel for the strategic risks identified in the Council Plan is as follows:



A summary of the status of all risks captured in the Council Plan is attached at Appendix 1. An analysis of the current status of the 46 risks measured over the year is shown in Table 1 below and shows the general positive change from the initial assessment to the end of year position.

Table 1: Comparative assessment (rounded figures)

Net risk status	Initial Assessment	End Year Position
Insignificant: (green)	0 (0%)	2 (4.5%)
Minor: (yellow)	3 (6.5%)	4 (8.5%)
Moderate: (amber)	31 (67.5%)	28 (61%)
Major : (red)	12 (26%)	12 (26%)
Severe: (black)	0	0

The twelve areas of major (red) risk are described below including 4 risk areas (marked*) which have increased in significance during the year:

The 12 major (red) risks are: -

Priority: Supportive Council
Risk (i): Availability of sufficient funding to resource key priorities*
Risk (ii): Customer expectations for the timeliness of adaptations undertaken through Disabled Facilities Grants (DFGs) may not be met due to competing demands on resources*
The performance on DFG timescales has been an area of challenge over time. There are projects underway to improve performance including rolling out use of the new adaptations procurement framework and further process improvements. However, demand upon the DFG budget required delaying the least urgent cases in the latter part of 2017/2018 which impacted upon average time scales for DFGs.

Performance timescales and processes for the timely completion of Disabled Facilities Grant adaptations are now the subject of a managerial overview group to examine causes and put in place improvements.

Risk: Debt levels will rise if tenants are unable to afford to pay their rent or council tax*
The first year of Universal Credit full service resulted in an increase in rent arrears for our tenants. Council Tax collection rates, however, appear to be unaffected at this stage. Work continues in 2018/19 to target early intervention for tenants claiming Universal Credit to tackle rent arrears and to encourage payment of rent to avoid new or escalating arrears in order to ensure that homelessness is prevented wherever possible and rent collection is maximised.

Risk: Demand outstrips supply for residential and nursing home care bed availability.
The expansion of Marleyfield to support the medium term development of the nursing sector is ongoing. The re-phasing of Integrated Care Fund capital to fit in with our capital programme was agreed by Welsh Government. There remain several active workstreams, including the development of resources to support the sector, diagnostic reviews for providers.

	Risk (i): Knowledge and awareness of safeguarding not sufficiently developed in all portfolios **Risk (ii): Failure to implement safeguarding training may impact on cases not being recognised at an early stage.** Safeguarding is included within the corporate induction procedures, ensuring new employees can recognise the signs and know how to make a report. Safeguarding awareness workshops were delivered during National Safeguarding Week in November 2017 and further training was delivered in January 2018. A safeguarding page is available on the intranet providing resources to support employees and managers. This work remains a priority. **Priority: Learning Council** **Risk: Sustainability of funding streams.** The sustainability of grant funding remains a major and live risk with further cuts to grant funding anticipated in 2019/20. Concern during 2017/18 about the future year's funding from 2018/19 onwards was demonstrated by a total reduction in Education Improvement Grant (EIG) of 7.69% which was a cash reduction in grant funding of £525k. A significant element (£175k) of this reduction was the removal of Minority Ethnic Achievement Grant (MEAG) funding from the EIG. Following high levels of concern raised with Welsh Government by all authorities about the removal of MEAG, Welsh Government issued additional grant funding in July to allow Authorities time to develop a sustainable model for delivery of MEAG services with partner local authorities – Flintshire received £117k. The distribution of the remaining 'cut' £350k (5.3%) in EIG was agreed by the GWE Management Board as the primary recipient of the grant. As over 80% of the grant is delegated to schools the reduction has impacted schools directly. Withdrawal of grants without notification and late notification of new grant income streams by Welsh Government create challenges and risks for the local authority. **Risk: Numbers of school places not matching the changing demographics.** Reducing unfilled school places via school organisation change is an ongoing process. School change projects can take between three and five years from inception to delivery before reductions of unfilled places can be realised. This continues to be an ongoing process linked to the school modernisation programme. To supplement this the Council continues to work closely with schools to consider innovative ways for reduction in capacity on a school by school basis (i.e. alternative use of school facilities by other groups) with the objective of meeting national targets of circa 10% unfilled places in all school sectors. **Risk: Limited funding to address the backlog of known repair and maintenance works in Education & Youth assets.** Continuation of the School Modernisation programme is one of the strategic options available to address the repair and maintenance backlog. The programme continuation also: i) supports a reduction of unfilled places; ii)

	provides a more efficient school estate and concentrates resources on teaching by removal of unwanted fixed costs in infrastructure and leadership; and iii) ensures that the condition and suitability of the school estate is improved. Additionally, future year's capital business cases supplement the 21st Century Schools investment programme. **Priority: Green Council** **Risk: Funding will not be secured for priority flood alleviation schemes** Measure 10 of Flintshire's Local Flood Risk Management Strategy is to "identify projects and programmes which are affordable, maximising capital funding from internal and external sources". The Flood Risk Management have now designed a more affordable, modular scheme to replace that previously designed and approved to alleviate Mold's flooding. **Risk: Adverse weather conditions on the highway network*** The risk trend increased due to the severity of the winter increasing the likelihood of the risk occurring. Road conditions throughout the County were detrimentally affected following poor winter weather and, given the severity of this winter period, the local network has been adversely affected by road surface defects and potholes. Repairing the Council's roads is a priority for the service and resources were provided to identify and then prioritise the roads in need of repair. Additional funds, resources and contractors were deployed across the county over several weeks in efforts to repair the network as the defects were identified. Schemes for the resurfacing and permanent patching contracts were prioritised for the summer period, which commenced in June 2018. This more expensive and permanent repair to the road surface is part of the annually planned maintenance regime. **Priority: Serving Council** **Risk: The scale of the financial challenge** The impact of the Final settlement for Flintshire was a decrease in funding of 0.9%. The Final settlement reduced the decrease in funding to 0.2%. Stage 1 budget options were approved in November 2017 and Stage 2 options were considered and agreed in principle with Council in December 2017 with a couple of areas being referred to specific scrutiny committees for further consideration. The annual budget for 2017/18 has now been set. An initial forecast for 2019/20 was considered by Cabinet in April 2018; the risk remains high for future budget years.
1.04	Four major (red) risks reduced in significance during 2017/18: **Priority: Supportive Council** **Risk: Annual allocation of the Integrated Care Fund (ICF) - Short term funding may undermine medium term service delivery** The re-phasing of agreed Integrated Care Fund (ICF) capital funding was agreed to fit with our capital programme. Welsh Government confirmed the ongoing use of ICF revenue funding for existing projects. The Chair of the North Wales Regional Partnership Board and the Chief Executive of the Betsi Cadwaladr University Health Board (BCUHB) have created an agreement around the allocation of funds to support delivery of medium term services.

	Risk: Rate of increase of adult safeguarding referrals will outstrip current resources Responsibilities within Adult Safeguarding and First Contact and Intake have been realigned, with no additional resource. Safeguarding Managers are able to effectively delegate tasks for high priority cases; this ensures that those enquiries that do not meet timescales are of a lower priority. Quarter 1 monitoring is showing an increase in safeguarding reports, so the risk remains open until we can be sure that we can continue to manage these effectively. **Risk: The supply of affordable housing will continue to be insufficient to meet community needs** Partnership working with the RSLs (Registered Social Landlords), the SHARP (Strategic Housing and Regeneration Programme) team and developers informs the type and tenure of any new build; acquisitions and ultimately identifies gaps for future investment. This is achieved through a process of pulling together information from the SARTH (Single Access Route to Housing), the affordable housing register and the Homelessness team, ensuring the demand informs supply. There is a shortfall in affordable housing as identified in the Local Housing Market Assessment, but the housing which is being provided is focused on meeting the needs of those in urgent housing need. **Priority: Learning Council** **Risk: Impact of Additional Learning Needs reforms** The Additional Learning Needs (ALN) and Education Tribunal (Wales) Bill received Royal Assent in January 2018 and became the Additional Learning Needs and Education Tribunal (Wales) Act 2018. The implementation date has been revised to September 2020, with 2019 being the publication date for the draft Code of Practice. Four regional ALN Transformational Leads have been appointed to oversee and support the implementation of the Act and they took up post in March. An audit tool has been generated for local authorities to complete; this will give greater insight into the risks posed by the Act across the intervening two year period prior to implementation in 2020.

2.00	**RESOURCE IMPLICATIONS**
2.01	There are no direct resource implications related to this report.

3.00	**CONSULTATIONS REQUIRED / CARRIED OUT**
3.01	Consultations with Chief Officers, senior managers and both Internal and external audit (Wales Audit Office) have been undertaken whilst addressing various aspects of this report.

4.00	**RISK MANAGEMENT**
4.01	The Council's strategic Council priority risks are being effectively managed through the Council's adopted risk management approach.

5.00	**APPENDICES**
5.01	Appendix 1: Council Plan 2017/18 summary risk register Appendix 2: Council Plan 2017/18 risk report

6.00	**LIST OF ACCESSIBLE BACKGROUND DOCUMENTS**
6.01	**2017/18 Council Plan** **Contact Officer:** Karen Armstrong, Corporate Business and Communications Executive Officer **Telephone:** 01352 702740 **E-mail:** Karen.armstrong@flintshire.gov.uk

7.00	**GLOSSARY OF TERMS**
7.01	(1) **Council Plan:** the document which sets out the annual priorities of the Council. It is a requirement of the Local Government (Wales) Measure 2009 to set Council Objectives and publish an Council Plan. (2) **Wales Audit Office:** works to support the Auditor General as the public sector watchdog for Wales. They aim to ensure that the people of Wales know whether public money is being managed wisely and that public bodies in Wales understand how to improve outcomes. (3) **Risk Management** - the process of **identifying** risks, **evaluating** their potential consequences (impact) and **managing** them. The aim is to reduce the frequency (likelihood) of risk events occurring (wherever this is possible) and minimise the severity of their consequences (impact) if they occur. Threats are managed by a process of controlling, transferring or retaining the risk. Opportunities are managed by identifying strategies to maximise the opportunity or reward for the organisation.

Mae'r dudalen hon yn wag yn bwrpasol

Committee: Audit Committee

Report Title: Risk Management update 2017/18

Report Purpose: To provide an end of year position statement of the 2017/18 Council Plan Strategic Risks

Date: 12 September 2018

Executive Summary

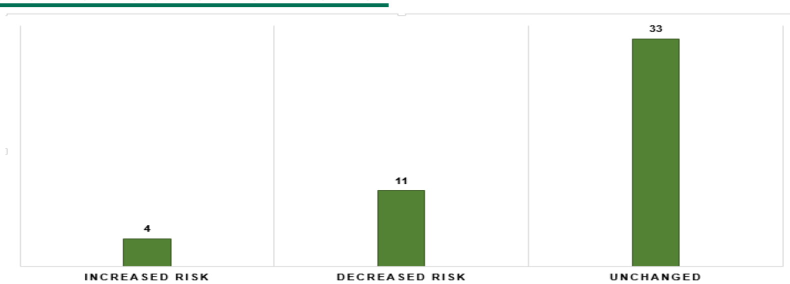
46 risks identified within the Council Plan 2017/18

Comparative assessment at year end

Net risk status	Initial Assessment	End Year Position
Insignificant: (green)	0 (0%)	2 (4.5%)
Minor: (yellow)	3 (6.5%)	4 (8.5%)
Moderate: (amber)	31 (67.5%)	28 (61%)
Major: (red)	12 (26%)	12 (26%)
Severe: (black)	0	0

NB. Four red risks decreased in significance; and four other risks increased to 'red'

Overall direction of travel



12 Remaining red risks

1.Supportive Council: Availability of sufficient funding to resource key priorities*

2. Customer expectations for the timeliness of adaptations undertaken through Disabled Facilities Grants (DFGs) may not be met due to competing demands on resources*

3. Debt levels will rise if tenants are unable to afford to pay their rent or council tax*

4. Demand outstrips supply for residential and nursing home care bed availability

5. Knowledge and awareness of safeguarding not sufficiently developed in all portfolios

6. Failure to implement safeguarding training may impact on cases not being recognised at an early stage

7. Learning Council: Sustainability of funding streams

8. Numbers of school places not matching the changing demographics

9. Limited funding to address the backlog of known repair and maintenance works in Education & Youth assets

10. Green Council: Funding will not be secured for priority flood alleviation schemes

11. Adverse weather conditions on the highway network*

12: **Serving Council:** The scale of the financial challenge

* = increased risk during 2017/18

Mae'r dudalen hon yn wag yn bwrpasol

Integrated Risk Manager

A CAMMS SOLUTION

Risk Report 2017/18

Flintshire County Council

Tudalen 221

CYNGOR Sir y Fflint Flintshire COUNTY COUNCIL

Print Date: 24-Aug-2018

Risk Summary

Strategic Risks

Tudalen 222

Strategic Risks

1 Supportive Council

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST164	Annual allocation of the Integrated Care Fund (ICF) - Short term funding may undermine medium term service delivery	Strategic Risk	Susie Lunt - Senior Manager, Integrated Services and Lead Adults	Jacque Slee - Team Manager Performance	Red	Amber		Open

Potential Effects: Insufficient funding to sustain medium term service delivery.

Lead Supporting Officer Comments: The re-phasing of agreed Integrated Care Fund (ICF) capital funding has been agreed to fit with our capital programme. Welsh Government have confirmed the ongoing use of ICF revenue funding for existing projects. The Chair of the North Wales Regional Partnership Board and the Chief Executive of the Betsi Cadwaladr University Health Board (BCUHB) have created an agreement around the allocation of funds to support delivery of medium term services.

Last Updated: 12-Jul-2018

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST157	Availability of sufficient funding to resource key priorities	Strategic Risk	Niall Waller - Service Manager - Enterprise and Regeneration	Melville Evans - Senior Manager - Housing Programmes	Amber	Red		Open

Potential Effects: Should resources prove to be insufficient then the Council will be able to process further applications for adaptations leading to delays in the process. This in turn will lead to reputational damage to the Council.

Lead Supporting Officer Comments: All budgets are monitored monthly to ensure there is sufficient availability for funding key priorities. However, as demography and expectations change with reduced resources the Council is continually reviewing opportunities to meet requirements. The Council was forced to delay the least urgent Disabled facilities Grant (DFG) cases in the latter part of 2017/18 due to demand on the service.

Last Updated: 23-Apr-2018

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST155	Capital borrowing limits for council housing	Strategic Risk	Melville Evans - Senior Manager - Housing Programmes	Denise Naylor - Housing Programmes Support Manager	Amber	Amber		Open

Potential Effects: i) reduction in construction and delivery of Council houses

Lead Supporting Officer Comments: Discussions are in progress between the Council and Welsh Government to secure additional borrowing approval. Welsh Government has unallocated borrowing head room for council owned properties. There has been a Welsh Government consultation on the approach to lifting the borrowing cap. Further information will be available in the Summer 2018. For affordable rental properties the NEW Homes Business Plan will explore funding opportunities.

Last Updated: 18-Apr-2018

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST156	Customer expectations for the timeliness of adaptations undertaken through Disabled Facilities Grants (DFGs) may not be met due to competing demands on resources	Strategic Risk	Niall Waller - Service Manager - Enterprise and Regeneration		Amber	Red		Open

Potential Effects: There will be a reputational risk to the Council if adaptations fail to meet the expectations of customers. This in increased because of the national ranking of performance by Welsh Government.

Lead Supporting Officer Comments: The performance on DFG timescales has been an area of challenge over time. There are projects underway to improve performance including rolling out use of the new adaptations procurement framework and further process improvements. However, demand upon the DFG budget required a slow down of the least urgent cases in the latter part of 2017/2018 which will impact upon average time scales for DFGs.

Last Updated: 16-Apr-2018

Tudalen 223

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST160	Debt levels will rise if tenants are unable to afford to pay their rent or council tax	Strategic Risk	Jen Griffiths - Benefits Manager	Sheila Martin - Income Team Leader	Amber	Red		Open

Potential Effects: With the introduction of universal credit and reduction in benefits being paid it is anticipated that tenants will struggle to maintain their payments increasing the level of debts owed to the Council for Rent and Council Tax.

Lead Supporting Officer Comments: The first year of Universal Credit full service has resulted in an increase in rent arrears for our tenants. Council Tax collection rates, however, appear to be unaffected at this stage. Work will continue in 2018/19 to target early intervention for tenants claiming Universal Credit to tackle rent arrears and to encourage payment of rent to avoid new or escalating arrears in order to ensure that homelessness is prevented wherever possible and rent collection is maximised.

Last Updated: 20-Apr-2018

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST159	Demand for advice and support services will not be met	Strategic Risk	Jen Griffiths - Benefits Manager	Suzanne Mazzone - Commissioning Officer	Amber	Amber		Open

Potential Effects: The impact of Welfare Reform on Flintshire households increasing the demand for advice and support to levels beyond what resource can handle in a timely manner.

Lead Supporting Officer Comments: During 2017/18 demand has continued to increase for advice and support services within the County. The development of the Welfare Response Team has assisted with the implementation of Universal Credit. Referrals to wider support services increased during the year and increasing numbers of residents are presenting with underlying debt issues. Managers across Customer Services, Neighbourhood Housing and Revenues and Benefits are continuing to work together to develop early intervention strategies.

Last Updated: 13-Apr-2018

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST163	Demand outstrips supply for residential and nursing home care bed availability	Strategic Risk	Jane M Davies - Senior Manager, Safeguarding & Commissioning	Jacque Slee - Team Manager Performance	Red	Red		Open

Potential Effects: Increase is hospital admissions and delayed transfers. Increased pressure on primary care services leading to deteriorating relationship with local partners.

Lead Supporting Officer Comments: The expansion of Marleyfield to support the medium term development of the nursing sector continues under the direction of Programme Board.
The re-phasing of ICF capital to fit in with our capital programme, as been agreed by WG.

The Strategic Opportunity Review was completed and a report was presented to Cabinet in October. There are several active workstreams, including the development of resources to support the sector, diagnostic reviews from providers and a Care Conference which was held in February hosted by Business Wales. A ministerial visit took place in May '18.

The care@flintshire portal has been populated with useful information to support providers. Approval has been received for a feasibility study into Microcare, with funding from Cadwyn Clwyd Last Updated: 12-Jul-2018

Tudalen 225

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST153	Department for Works and Pensions Welfare Reform Programme, including Universal Credit full service implementation which would place increasing demand on the Council for affordable and social housing	Strategic Risk	Jenni Griffith - Flintshire Connects Manager	Denise Naylor - Housing Programmes Support Manager, Suzanne Mazzone - Commissioning Officer	Amber	Amber		Open

Potential Effects: Welfare reforms may potentially impact the Council's ability to offer affordable housing to those affected. Examples of the types of reforms that will have may impact include: LHA Cap - Residents affected by the LHA cap who are already excluded form the private rented sector due to affordability may not be able to afford social rents Bedroom Tax - This has been in place for some time for those residents that are under occupying properties and in receipt of housing benefit and will continue under Universal Credit role out.

Lead Supporting Officer Comments: Applicants who are affected by bedroom tax are given urgent priority for rehousing to more affordable accommodation.
The proposed property for the shared housing pilot received full planning permission and work has been undertaken to establish demand. Due to Government changes and the withdrawal of plans to introduce shared room rate for under 35s the demand in social housing for shared accommodation has lessened. Applicants contacted expressed a preference for self contained properties and we were unable to establish demand for the shared housing pilot. This will of course have an effect on the demand for affordable one bedroom properties.

Last Updated: 30-Apr-2018

Tudalen 226

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST167	Deprivation of Liberty Safeguarding (DoLS) assessment waiting list increases	Strategic Risk	Jane M Davies - Senior Manager, Safeguarding & Commissioning	Jacque Slee - Team Manager Performance	Amber	Amber		Open

Potential Effects: Increased waiting times for DoLS assessments and impact on reputation of the Council.

Lead Supporting Officer Comments: Actions taken to realign the responsibilities of the teams to meet the demands of the increase in adult safeguarding enquiries may have the unwanted effect of increasing the waiting list for DoLS assessments. Work has recently been undertaken to review the individuals awaiting a DoLS assessment. In addition, work is being undertaken to review community DoLS applications and incorporate these within the existing waiting list, and DoLS for children needs to be considered. In due course this will have an impact on the number of cases on the waiting list. The waiting list continues to be actively managed, with urgent and review authorisations being prioritised.

Last Updated: 12-Jul-2018

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST169	Failure to implement safeguarding training may impact on cases not being recognised at an early stage.	Strategic Risk	Fiona Mocko - Strategic Policies Advisor	Jane M Davies Senior Manager Safeguarding & Commissioning	Red	Red		Open

Potential Effects: Employees will not identify potential safeguarding issues. Referrals will not be made through the right channels which may delay investigation or result in evidence being contaminated. Adults and children will not be safeguarded

Lead Supporting Officer Comments: Safeguarding is included in the corporate induction ensuring all new employees have a basic understanding of safeguarding. Safeguarding training is provided regularly ensuring employees have the opportunity to access appropriate training. Types of safeguarding training provided and attendance by Portfolio are monitored at the Corporate Safeguarding Panel.

Last Updated: 19-Apr-2018

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST151	Homelessness will remain a growing area of demand due to the current economic climate	Strategic Risk	Katie Clubb - Community Support Services Manager	Suzanne Malone Commissioning Officer	Amber	Amber		Open

Potential Effects: Homelessness remains an area of risk. The lack of suitable, settled accommodation for those on welfare benefits has caused delays in being able to achieve positive outcomes for customers.

Lead Supporting Officer Comments: Homelessness remains a risk as a result of a number of factors. The introduction of welfare reforms and Universal Credit has created additional barriers to being able to successfully discharge duties to customers. The number of people presenting to the authority for help has increased during each quarter. Vacant posts in the team have been filled and new staff have been fully trained within their roles. This should see more outcomes achieved. Additional funding has been granted to develop Landlord incentives within the private rented sector and also to consider a Housing First pilot.

Last Updated: 23-Apr-2018

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST168	Knowledge and awareness of safeguarding not sufficiently developed in all portfolios	Strategic Risk	Fiona Mocko - Strategic Policies Advisor	Jane M Davies - Senior Manager, Safeguarding & Commissioning	Red	Red		Open

Potential Effects: Employees will not recognise when adults and children are at risk and will not take appropriate action.

Lead Supporting Officer Comments: Safeguarding is included within the corporate induction procedures, ensuring new employees can recognise the signs and know how to make a report. Safeguarding awareness workshops were delivered during National Safeguarding Week in November 2017 and further training was delivered in January 2018. A safeguarding page is available on the intranet providing resources to support employees and managers.

Last Updated: 12-Apr-2018

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST166	Rate of increase of adult safeguarding referrals will outstrip current resources	Strategic Risk	Jane M Davies - Senior Manager, Safeguarding & Commissioning	Jacque Slee Team Manager Performance	Red	Yellow		Open

Potential Effects: Employees will not recognise when adults and children are at risk and will not take appropriate action.

Lead Supporting Officer Comments: Safeguarding is included within the corporate induction procedures, ensuring new employees can recognise the signs and know how to make a report. Safeguarding awareness workshops were delivered during National Safeguarding Week in November 2017 and further training was delivered in January 2018. A safeguarding page is available on the intranet providing resources to support employees and managers.

Last Updated: 12-Apr-2018

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST154	Reduction of land supply for council housing construction	Strategic Risk	Melville Evans - Senior Manager - Housing Programmes	Denise Naylor - Housing Programmes Support Manager	Amber	Green		Closed

Potential Effects: Reduction in number of units delivered

Lead Supporting Officer Comments: Potential land for development of housing through the Strategic Housing and Regeneration Programme (SHARP) has been identified which, if viable, could reach the target of 500 new social and affordable houses by 2021.

Last Updated: 20-Apr-2018

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST161	The local economy will suffer if residents have less income to spend	Strategic Risk	Jen Griffiths - Benefits Manager	Suzanne Mazzone - Commissioning Officer	Amber	Amber		Open

Potential Effects: The local economy will see a decline if residents are not able to spend at current levels

Lead Supporting Officer Comments: Welfare Rights and Supporting People teams worked with residents during the year to explore areas of income maximisation for residents of the county. Last Updated: 13-Apr-2018

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST152	The supply of affordable housing will continue to be insufficient to meet community needs	Strategic Risk	Melville Evans - Senior Manager - Housing Programmes	Denise Naylor - Housing Programmes Support Manager	Red	Amber		Open

Potential Effects: i) Increase in homelessness ii) Increased pressure on the Housing Options Team iii) Increase in people sleeping rough

Lead Supporting Officer Comments: The Housing Strategy Manager works in partnership with the RSLs (Registered Social Landlords), the SHARP (Strategic Housing and Regeneration Programme) team and developers to inform the type and tenure of any: new build; acquisitions and ultimately identify gaps for future investment. This is achieved through a process of pulling together information from the SARTH (Single Access Route to Housing), the affordable housing register and the Homelessness team, ensuring the demand informs supply. There is a shortfall in affordable housing as identified in the Local Housing Market Assessment, but the housing which is being provided is focused on meeting the needs of those in urgent housing need.

Last Updated: 18-Apr-2018

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST158	Universal Credit Full Service roll out - negative impact upon Council services	Strategic Risk	Jen Griffiths - Benefits Manager	Dawn Barnes - Training Officer	Amber	Amber		Open

Potential Effects: The impact of Welfare Reform on Flintshire households increasing the demand for advice and support to levels beyond what resource can handle in a timely manner. Potential increased in rent arrears and decrease of Council Tax collection. Potential increased risk of homelessness and need for accommodation. Increased demand in existing support services

Lead Supporting Officer Comments: During 2017/18 rent arrears increased and there is work on-going to identify the reason for this. During 2018/19 focus will be on early identification and intervention to prevent the problem from escalating.   Council Tax Collection has been under pressure, however, collection rates in 2017/18 have not been impacted. Work will continue to closely monitor Universal Credit impacts on Council Services.

Last Updated: 20-Apr-2018

2 Ambitious Council

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST170	Infrastructure investment does not keep pace with needs and business is lost to the economy	Strategic Risk	Andrew Farrow - Chief Officer - Planning, Environment and Economy	Niall Waller - Service Manager - Enterprise and Regeneration	Amber	Amber		Open

Potential Effects: infrastructure is essential to facilitating economic growth in Flintshire. If infrastructure is not improved then investment opportunities will be jeopardised and new jobs will not be created. Overloaded infrastructure will also increase the likelihood of business investment being lost to better serviced areas.

Lead Supporting Officer Comments: The North Wales Growth Deal will include a package of strategic infrastructure investment projects. At the local level the Deeside Plan sets out a strategy for transport investment to maximise the benefit of economic growth. Welsh Government has already announced major investment in strategic road infrastructure and in public transport to help deliver this strategy.

Last Updated: 23-Apr-2018

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST171	Support for businesses in Flintshire doesn’t meet their needs and fails to encourage investment	Strategic Risk	Andrew Farrow - Chief Officer - Planning, Environment and Economy	Niall Waller - Service Manager - Enterprise and Regeneration	Amber	Amber		Open

Potential Effects: Businesses feedback that they highly value the service provided by the Council to help them to navigate wider support and overcome barriers to growth. Business networking activity delivered by the Council also assist businesses to work and trade together. Reduction of this support may make the County less successful as a location for business.

Lead Supporting Officer Comments: The business development service in Flintshire remains responsive to business needs. The Council works closely alongside Welsh Government and other agencies to provide a co-ordinated service.

Last Updated: 17-Apr-2018

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST173	The region having a sufficient voice at Welsh Government and UK Government levels to protect its interests	Strategic Risk	Andrew Farrow - Chief Officer - Planning, Environment and Economy	Niall Waller - Service Manager - Enterprise and Regeneration	Amber	Yellow		Open

Potential Effects: Decisions are taken on national and regional economic issues, infrastructure investment or other programmes which do not meet the needs of the Flintshire economy.

Lead Supporting Officer Comments: The Council has a lead role in developing the role and functions of the North Wales Economic Ambition Board and is closely involved in the work of the Mersey Dee Alliance. The Council also represents the region on the Rail Task Force and supports the All Party Parliamentary Group on transport. The Council is closely involved in the development of the outline projects for the regional Growth Deal and both the Leader of the Council and Chief Executive play a leading role in the development of the new shadow Joint Committee for North Wales.

Last Updated: 23-Apr-2018

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST172	The stability of local and sub regional economies	Strategic Risk	Andrew Farrow - Chief Officer - Planning, Environment and Economy	Niall Waller - Service Manager - Enterprise and Regeneration	Amber	Amber		Open

Potential Effects: Instability in the local and regional economies would lead to reduced business investment and significant job losses.

Lead Supporting Officer Comments: The Council continues to monitor changes and trends in the UK and regional economies that may have an impact on Flintshire's economy. The main area of uncertainty, Brexit, remains difficult to predict and quantify whilst the negotiated settlement with the European Union remains unknown.

Last Updated: 17-Apr-2018

3 Learning Council

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST176	Impact of Additional Learning Needs reforms	Strategic Risk	Jeanette Rock - Senior Manager - Inclusion and Progression	Vicky Barlow - Senior Manager - School Improvement Systems	Red	Amber		Open

Potential Effects: The proposed legislation provides an increased level of legal protection to children and young people with additional learning needs. There is a risk that schools and the Local Authority may be unprepared ahead of the implementation of the Bill and therefore unable to meet the requirements placed on them by the Bill. This may result in schools not being able to meet needs effectively and a potential increase in the requests for centrally funded intervention and provision. This is likely to present the Local Authority with an additional financial pressure.

Lead Supporting Officer Comments: The sustainability of grant funding remains a major and live risk with further cuts to grant funding anticipated in 2019/20.
Concern during 2017/18 about the future year's funding from 2018/19 onwards was demonstrated by a total reduction in Education Improvement Grant (EIG) of 7.69% which was a cash reduction in grant funding of £525k. A significant element (£175k) of this reduction was the removal of Minority Ethnic Achievement Grant (MEAG) funding from the EIG. Following high levels of concern raised with Welsh Government by all authorities about the removal of MEAG, Welsh Government issued additional grant funding in July to allow Authorities time to develop a sustainable model for delivery of MEAG services with partner local authorities – Flintshire received £117k. The distribution of the remaining 'cut' £350k (5.3%) in EIG was agreed by the GWE Management Board as the primary recipient of the grant. As over 80% of the grant is delegated to schools the reduction has impacted schools directly.
Withdrawal of grants without notification and late notification of new grant income streams by Welsh Government create challenges and risks for the local authority.

Last Updated: 23-Apr-2018

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST175	Leadership capacity does not match school needs	Strategic Risk	Vicky Barlow - Senior Manager - School Improvement Systems	Jeanette Rock - Senior Manager - Inclusion and Progression	Amber	Amber		Open

Potential Effects: Reduced stakeholder confidence in Education services. Downturn in school performance and under achievement . Increase in the number of schools in Estyn category of concern/need of significant improvement

Lead Supporting Officer Comments: Each primary, secondary and special school has support through a designated Supporting Improvement Adviser. The Regional School Improvement Service (GwE)leadership development programme is being further developed for across the region and with bespoke programme developing for Flintshire schools which is being offered during the spring term. This is for current and aspiring leaders at all levels. Focused professional development has been offered during 2017 - 2018 for Deputy Headteachers and Acting Headteachers. New and Acting Headteachers are also engaged in the regional development programme for new headteachers. Support is provided to Governing Bodies through Local Authority / GwE partnership protocol for recruitment to senior leadership posts.

Last Updated: 19-Apr-2018

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST180	Limited funding to address the backlog of known repair and maintenance works in Education & Youth assets	Strategic Risk	Damian Hughes - Senior Manager, School Planning & Provision	Vicky Barlow - Senior Manager - School Improvement Systems	Red	Red		Open

Potential Effects: The fabric of Education and Youth buildings will continue to decline

Lead Supporting Officer Comments: Continuation of the School Modernisation programme is one of the strategic options available to address the repair and maintenance backlog. The programme continuation will also i) Support a reduction of unfilled places ii) Provide a more efficient school estate and concentrate resources on teaching by removal of unwanted fixed costs in infrastructure and leadership iii) Ensure that the condition and suitability of the school estate is improved. Additionally, in future years capital business cases will be submitted through the Council process to supplement the 21st Century Schools investment programme

Last Updated: 12-Apr-2018

Tudalen 234

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST177	Local employers and learning providers do not work closely enough to identify and meet the skills based needs of the future	Strategic Risk	Vicky Barlow - Senior Manager - School Improvement Systems	Niall Waller - Service Manager - Enterprise and Regeneration	Amber	Amber		Open

Potential Effects: Employers will increasingly struggle to fill vacancies and may leave the area. Young people will not be able to benefit from the growth of the local economy and may need to move away to secure employment that matches their skills. If the skills base fails to match employer needs in the future then the area will struggle to compete for investment.

Lead Supporting Officer Comments: In addition to current work to link schools, learners and employers there are a number of proposals for further work being developed as part of the North Wales Growth Deal including an enhanced careers offer and further STEM support for schools. In addition, learning provision is guided by the Regional Skills Strategy which sets out the needs of the economy.

Last Updated: 16-Apr-2018

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST179	Numbers of school places not matching the changing demographics	Strategic Risk	Damian Hughes - Senior Manager, School Planning & Provision	Vicky Barlow - Senior Manager - School Improvement Systems	Red	Red		Open

Potential Effects: Higher teacher ratios, unfilled places, backlog maintenance pressures, inefficient estate

Lead Supporting Officer Comments: Reducing unfilled school places via school organisation change is an ongoing process. School change projects can take between three and five years from inception to delivery before reductions of unfilled places can be realised. This continues to be an ongoing process linked to the school modernisation programme. To supplement this the Council will continue to work closely with schools to consider innovative ways for reduction in capacity on a school by school basis (i.e. alternative use of school facilities by other groups) with the objective of meeting national targets of circa 10% unfilled places in all school sectors.

Last Updated: 12-Apr-2018

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST178	Sustainability of funding streams	Strategic Risk	Claire Homard - Senior Manager - School Improvement	Vicky Barlow - Senior Manager - School Improvement Systems	Red	Red		Open

Potential Effects: Reduced capacity to deliver targeted support to schools.

Lead Supporting Officer Comments: The sustainability of grant funding remains a major and live risk. The Council has received notification of a 7.69% cut to the Education Improvement Grant, resulting in a real terms reduction of approximately quarter of a million pounds. This grant funds a range of posts within schools e.g. Foundation Phase Support Staff and central service delivery within the portfolio. There is limited guidance available at the current time from Welsh Government (WG) to be able to strategically plan for the implementation of this cut. Additionally, other grants e.g. Small and Rural School grant which was made available this year do not appear on the grant schedule for 2018/19. The School Uniform Grant for yr 7 pupils entitled to Free School Meals has also been withdrawn without prior notification, leaving a potential cost pressure for the Council or schools to absorb. There remains considerable concern about the future of the Minority Ethnic Achievement Grant (MEAG) as Welsh Government advised it had been transferred into the Revenue Support Grant. The Welsh Local Government Association (WLGA) have challenged this and discussions at the highest level at WG are continuing. Currently only £7.5m of the original £12.5m grant for all Local Authorities in Wales has been confirmed. A cut in funding will result in reduced service delivery in the portfolio, where demand for pupil support is increasing.

Last Updated: 09-May-2018

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST174	Those schools who do not recognise their need for improvement and external support	Strategic Risk	Vicky Barlow - Senior Manager - School Improvement Systems	Jeanette Rock - Senior Manager - Inclusion and Progression	Amber	Amber		Open

Tudalen 236

Potential Effects: Downturn in school performance and under achievement. Increase in the number of schools in Estyn category of concern/need of significant improvement

Lead Supporting Officer Comments: The Council has a Service Level Agreement in place with GwE - the regional school improvement service. Fortnightly Quality Board meetings are in place between the Senior Manager for School Improvement and GwE Core Leads for primary and secondary. There is also a half -termly Local Authority Standards Board. The Council is represented at the regional Quality Board for standards and the GwE Management Board. Annual review of categorisation process for all schools has been completed with no appeals from schools in the local authority. Business plans are reviewed regularly.

Last Updated: 19-Apr-2018

4 Green Council

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST189	Adverse weather conditions on the highway network	Strategic Risk	Barry Wilkinson - Highways Networks Manager	Lynne Fensome - Management and Support Manager	Amber	Red		Open

Potential Effects: Increase in cost to future planned repairs as network deteriorates beyond that can be rectified by planned maintenance Increase in insurance claims

Lead Supporting Officer Comments: The risk trend has increased due to the severity of the winter increasing the likelihood of the risk occurring. Road conditions throughout the County are detrimentally affected following poor winter weather and, given the severity of this winter period, the local network has been adversely affected by road surface defects and potholes. Repairing the Council's roads is a priority for the service and resources were provided to identify and then prioritise the roads in need of repair. Additional funds, resources and contractors were deployed across the county over several weeks in efforts to repair the network as the defect were if identified. Schemes for the resurfacing and permanent patching contracts have been prioritised for the summer period, which will commence in June 2018. This more expensive and permanent repair to the road surface is part of the annually planned maintenance regime.

Last Updated: 01-May-2018

Tudalen 237

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST184	Customer expectations around the delivery of flood alleviation schemes are not effectively managed	Strategic Risk	Ruairi Barry - Senior Engineer	Lynne Fensome - Management and Support Manager	Yellow	Yellow		Open

Potential Effects: Reduced public confidence to effectively manage flood risk

Lead Supporting Officer Comments: The Council has powers under Section 14 of the Land Drainage Act 1991 to undertake works "*so far as may be necessary for the purpose of preventing flooding or mitigating the damage caused by flooding in their area"*. A programme of local schemes has been developed in line with national guidance and transparent risk based priority criteria. The programme is to be continually updated and will be communicated via published Flood Risk Management Plans (FRMPs) to assist in managing customer expectations around the delivery of schemes. Skills and resources within the Team will to be developed and focused to ensure the programme is deliverable. A service review will identify a more effective approach/structure that balances the delivery of flood alleviation works with undertaking statutory duties under the Flood and Water Management Act.

Last Updated: 19-Apr-2018

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST183	Funding will not be secured for priority flood alleviation schemes	Strategic Risk	Ruairi Barry - Senior Engineer	Lynne Fensome - Management and Support Manager	Red	Red		Open

Potential Effects: Flooding of homes and businesses across the county Potential homelessness

Lead Supporting Officer Comments: Measure 10 of Flintshire's Local Flood Risk Management Strategy is to "identify projects and programmes which are affordable, maximising capital funding from internal and external sources". The Flood Risk Management have now designed a more affordable, modular scheme to replace that previously designed and approved to alleviate Mold's flooding.

Last Updated: 19-Apr-2018

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST186	Insufficient funding to ensure our highways infrastructure remains safe and capable of supporting economic growth	Strategic Risk	Barry Wilkinson - Highways Networks Manager	Lynne Fensome - Management and Support Manager	Amber	Amber		Open

Potential Effects: Deterioration of the condition of highways in Flintshire

Lead Supporting Officer Comments: Preventative and corrective work has been completed across a number of improvement and maintenance schemes of the highest ranked sites within the network as planned, in accordance with available funding. Priority is given to the areas of the network that require the investment whilst considering the local infrastructure. The service area intends to make best use of available funds and apply them to the areas of the network that requires the investment whilst considering the surrounding local infrastructure.

Last Updated: 25-Apr-2018

Tudalen 239

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST190	Lack of community support for transport options	Strategic Risk	Ceri Hansom - Integrated Transport Unit Manager	Lynne Fensome - Management and Support Manager	Yellow	Yellow		Open

Potential Effects: i) Planned programme of community transport hubs not delivered. iii) Decreased passenger numbers on bus services. iii) Increase in individual car usage

Lead Supporting Officer Comments: Community based transport services can play an important part in an integrated passenger transport provision and transport network. Community Benefit clauses included in all new transport routes awarded (except local bus). This is a free service provided by the successful tenderer as a Community Benefit. A minimum of 1.5% of mileage per annum is required from each tenderer (capped at 150 miles per annum). Delivery is dependent on the ability and willingness of the local communities and transport operators to support and deliver sustainable transport arrangements.

Last Updated: 20-Apr-2018

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST185	Lack of holistic air quality data across the region leading to on cost for the Council to manage its own review	Strategic Risk	Dave L Jones - Environmental Health Officer	Lynne Fensome - Management and Support Manager	Yellow	Green		Closed

Potential Effects: Knock on effect for capacity within the team to manage own review

Lead Supporting Officer Comments: All six North Wales authorities have now contributed to the regional report and the findings have been accepted by Welsh Government.

Last Updated: 25-Apr-2018

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST182	Limitations on suitable Council sites with sufficient area for larger scale renewables schemes and suitable connections to the electric grid	Strategic Risk	Sadie Smith - Energy Conservation Engineer	Lynne Fensome - Management and Support Manager	Amber	Amber		Open

Potential Effects: Failure to meet Welsh Government renewable energy targets and the actions set out in the Council's renewable energy action plan

Lead Supporting Officer Comments: We are continuing with an ongoing review of the available sites, particularly in terms of the agricultural estate and the viability of these sites. Two sites have been prioritised as the most suitable sites and grid connection offers accepted. We have developed a good working relationship with Scottish Power Energy Networks which has allowed for informal discussions to take place ahead of formal plans being submitted. This helps in workload capacity of the team and in moving forward with the prioritised sites. Alternatives to grid connections are also considered as part of the process to provide more innovative solutions. This includes selling to a large user which may be a more financially viable option given the costs of connecting to the grid and ultimately delivers both greater financial savings and greater income opportunities.

Last Updated: 25-Apr-2018

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST181	Reduction of the Single Environment Grant	Strategic Risk	Tom Woodall - Access and Natural Environment Manager	Lynne Fensome - Management and Support Manager	Amber	Amber		Open

Potential Effects: Income targets not met Potential reduction could impact staffing resource to maintain service delivery

Lead Supporting Officer Comments: Welsh Government have reduced the Environmental and Sustainable Development grant by £110k for 2017/18. This was better than the forecasted expectation therefore the allocations across the two portfolios have been maintained and projects continue to be delivered. However this remains a risk in that the quality of the bid submissions needs to be maintained to ensure full draw down of the grant. Further reductions for 2018/19 will again lead to a potential reduction in services that can be delivered. We await the notification of the grant for 2018/19.
For 2018/19 waste and flood allocations are to be removed from the Single Revenue Grant (SRG). Resources will be allocated to support Local Environment Quality (LEQ) and Natural Resources Management (NRM) through the existing SRG mechanism.

Last Updated: 13-Apr-2018

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST187	Sufficient funding will not be found to continue to provide subsidised bus services.	Strategic Risk	Ceri Hansom - Integrated Transport Unit Manager	Lynne Fensome - Management and Support Manager	Amber	Amber		Open

Potential Effects: Decrease in bus services to residents, particularly in rural areas

Lead Supporting Officer Comments: Withdrawal of subsidies could affect viability of some marginal commercial bus services impacting on people with disabilities, younger people, people employed on low wages, who are unable to drive, and those who may have no alternative choice of travel. There is also a potential impact on rural communities, where no alternative transport services exist and there is heavy reliance on private cars for travel.

Last Updated: 20-Apr-2018

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST188	Supply chain resilience	Strategic Risk	Katie Wilby - Transportation and Logistics Manager	Lynne Fensome - Management and Support Manager	Amber	Amber		Open

Potential Effects: Transport services cannot be provided

Lead Supporting Officer Comments: The control measures have been put in place to mitigate against another major transport services provider going into administration or not able to meet the required operating standards. New processes have been established and officers are carrying out both safety compliance checks and also finance compliance checks on contractors

Last Updated: 02-May-2018

Tudalen 241

5 Connected Council

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST194	Limitations on public funding to subsidise alternative models	Strategic Risk	Ian Bancroft- Chief Officer - Strategic Programmes	Ian Bancroft- Chief Officer - Strategic Programmes	Amber	Amber		Open

Potential Effects: Reductions in funding to these models by the public sector resulting in the new to stop or close services and facilities

Lead Supporting Officer Comments: Review meetings are providing an update on the future financial context so organisations can plan for potential reductions when appropriate. Draft Business Plans for 2018/19 are currently being prepared and shared with the Council and these will identify if funding for the future enables the organisations to be sustainable.
These plans show funding levels for organisations moving forward into 2018/19 are sustainable.

Last Updated: 16-Apr-2018

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST193	Market conditions which the new alternative delivery models face	Strategic Risk	Ian Bancroft- Chief Officer - Strategic Programmes	Ian Bancroft- Chief Officer - Strategic Programmes	Amber	Amber		Open

Potential Effects: More competition from other agencies or decreasing use of the services means they are in the future unsustainable

Lead Supporting Officer Comments: Established reviews are planned with each of the Alternative Delivery Models. Two reviews have taken place with Aura Leisure and Libraries and concluded that the first year business plan is being delivered and agreed subject to cabinet approval the second year business plan.

Last Updated: 16-Apr-2018

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST196	Newly established Social Enterprises and Community Asset Transfers failing in their early stages of development.	Strategic Risk	Ian Bancroft Chief Officer - Strategic Programmes	Ian Bancroft Chief Officer - Strategic Programmes	Amber	Amber		Open

Potential Effects: Social enterprises cease trading and asset return to the Council.

Lead Supporting Officer Comments: Review meetings have been held with all Community Asset Transfers (CATs) that transferred 2015-17. The second year review meetings are now complete as are the first reviews for organisations that took on Community Asset Transfers after 1 April 2017.

Last Updated: 27-Apr-2018

Tudalen 243

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST195	Procurement regulations stifling our ability to develop local community and third sector markets	Strategic Risk	Ian Bancroft - Chief Officer- Strategic Programmes	Ian Bancroft - Chief Officer - Strategic Programmes	Amber	Amber		Open

Potential Effects: Social and third sector organisation not able to grow through the winning of new contracts.

Lead Supporting Officer Comments: Draft Community Benefits Strategy agreed by Cabinet and workshop held with the procurement team to start implementation of this strategy.

Engagement with the community and third sector on the strategy is now being planned. Small working group have developed and are delivering a plan to help council staff commission in a way that delivers community benefits.

Last Updated: 16-Apr-2018

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST191	The capacity and appetite of the community and social sectors	Strategic Risk	Ian Bancroft- Chief Officer - Strategic Programmes	Ian Bancroft- Chief Officer - Strategic Programmes	Amber	Amber		Open

Potential Effects: Lack of capacity to and desire of the sector resulting in unsustainable community and social sector projects such as Community Asset Transfers and Alternative Delivery Models

Lead Supporting Officer Comments: Sustained progress on growth of the social sector with development of new Community Asset Transfers and Alternative Delivery Models. The emphasis will now be on sustaining this delivery and maximising its impact. Regular review meetings and partnership board meetings are in place.

Last Updated: 16-Apr-2018

Tudalen 244

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST192	The willingness of the workforce and Trade Unions to embrace change	Strategic Risk	Ian Bancroft- Chief Officer - Strategic Programmes	Ian Bancroft- Chief Officer - Strategic Programmes	Amber	Amber		Open

Potential Effects: Lack of capacity of staff to work with and enable social sector organisations to grow and develop

Lead Supporting Officer Comments: This is a key priority of the Community Resilience priority of the Public Services Board working with all public service staff to support growth of the social sector.
As a result a leadership programme will be run by Glyndwr University for public service practitioners who are working with communities enabling them to support communities to increase resilience. A taster session for this programme was provided for 50 people across public sector agencies and over 25 have expressed an interest to do the formal leadership programme

Last Updated: 16-Apr-2018

6 Serving Council

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST198	The capacity and capability of the organisation to implement necessary changes from the Digital Strategy.	Strategic Risk	Gareth Owens - Chief Officer - Governance	Richard Ashley - IT Business Relationship Manager	Amber	Amber		Open

Potential Effects: That projects agreed as part of the DS will be hindered or delayed thereby delaying the potential benefits to residents or causing cost to be incurred in correcting mistakes

Lead Supporting Officer Comments: There is no overall change to this risk at this time. Capacity will be taken into account when selecting projects for inclusion in the action plan and will be timed to fit with the needs of the service and availability of employees. Each separate project will also undergo a risk assessment to establish the capacity and capability necessary to take it forward and any gaps that might need to be addressed.

Last Updated: 20-Apr-2018

Tudalen 245

Risk Ref.	Risk Title	Risk Type	Lead Officer	Supporting Officers	Initial Risk Rating	Current Risk Rating	Risk Trend	Risk Status
ST197	The scale of the financial challenge	Strategic Risk	Gary Ferguson - Corporate Finance Manager	Sara Dulson - Corporate Accounting and Systems	Red	Red		Open

Potential Effects: Reduction in funding of Revenue Support Grant leading to challenging financial position for the Council in its ability to set a balanced budget.

Lead Supporting Officer Comments: The impact of the Final settlement for Flintshire was a decrease in funding of 0.9%. The Final settlement reduced the decrease in funding to 0.2%. Stage 1 budget options were approved in November 2017 and Stage 2 options were considered and agreed in principle with Council in December 2017 with a couple of areas being referred to specific scrutiny committees for further consideration. Final Budget options were agreed in February 2018. An initial forecast for 2019/20 will be considered by Cabinet in April 2018.

Last Updated: 18-Apr-2018

Mae'r dudalen hon yn wag yn bwrpasol

AUDIT COMMITTEE	

Date of Meeting	Wednesday, 12 September 2018
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.

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.

Appendix A

AUDIT COMMITTEE - ACTION SHEET

Presented Wednesday, 12th September 2018

21st March 2018				
Agenda Item No.	**Report**	**Action Required**	**Responsible Officer**	**Action Taken**
60	IA Progress Report	That officers discuss how strategic risks are managed through the Overview & Scrutiny process to give assurance to Audit Committee.	Lisa Brownbill / Robert Robins	In progress. Update to be provided at September committee.
61	PSIAS	To schedule the updated Anti-Fraud & Corruption Strategy to a future meeting.	Lisa Brownbill	Anti-Fraud and Corruption Strategy to be reviewed and presented at a future meeting.
61	PSIAS	To arrange for a half-day workshop to assist the Committee in the completion of self-assessment questionnaires and to review the Forward Work Programme.	Lisa Brownbill	Booked in for 28th September 2018 and to be reported back to November 2018 committee.
63	Action Tracking	Report on control issues to be scheduled for a future meeting.	Lisa Brownbill	To be included as part of the annual report summarising areas of control issues for the year.

6th June 2018				
Agenda Item No.	**Report**	**Action Required**	**Responsible Officer**	**Action Taken**
5	Annual Governance Statement	To insert the word 'positive' before 'engagement with Trade Unions' in the AGS.	Karen Armstrong	AGS updated to reflect these changes.

6th June 2018				
Agenda Item No.	**Report**	**Action Required**	**Responsible Officer**	**Action Taken**
8	IA Progress Report	To make available to Members a full written update on progress with Greenfield Valley Heritage Park within 7-10 days.	Andy Farrow	Update emailed to Committee members 11 July 2018
11	Forward Work Programme	To move 'Asset Disposals & Capital Receipts' and 'Annual Report on External Inspections' to the November meeting or later. To remove the Internal Audit Progress Report from the September meeting.	Lisa Brownbill	Forward work programme updated to reflect these changes.

11st July 2018				
Agenda Item No.	**Report**	**Action Required**	**Responsible Officer**	**Action Taken**
17	Draft Clwyd Pension Fund Accounts 2017/18	To schedule a future report and presentation on governance of the Clwyd Pension Fund.	Phil Latham	Included within the forward work plan for 21st November 2018
18	Treasury Management Annual report 2017/18 & Treasury Management Qtr1 Update 2018/19	To respond to the Committee on Cllr Johnson's request for information on FMS, the loan provider for LOBOs.	Gary Ferguson / Paul Vaughan	A response emailed to all committee members on 3 August 2018

AUDIT COMMITTEE

Date of Meeting	Wednesday, 12 September 2018
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 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 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:

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 or legislation?
6. Is it prompted by the work carried out by Regulators/Internal Audit?

1.03 In accordance with minute number 11 of June 2018 committee it was agreed:

- to move Asset Disposals and Capital Receipts and the Annual Report on External Inspections to November; and
- to not receive an Internal Audit Progress Report in September.
- To include a report on the Clwyd Pension Fund Accounts, scheduled for November.

1.04 Following the committee meeting in June and in consultation with the Chair and Vice Chair of the Committee, there has been some further movement within the Forward Work Programme needed. This is detailed within 1.05 of the report.

1.05

Report	**Reason for Movement**	**New Report Date**
Annual Improvement Report (WAO)	This report will not be ready for the September meeting	November 2018
Audit Committee Self-Assessment	Given the facilitation workshop has been booked for 28th September the report will be presented to November committee	November 2018

1.06 To minimise further movement the forward work programme has been reviewed by all officers responsible for submitting reports to ensure the timing of these reports remain appropriate. Change made are:

Report	**Reason for Movement**	**New Report Date**
Corporate Governance Report (September 2018)	Report only needed annually – this will be presented to Audit committee in January	January 2019
Risk Management Strategy (March 2019)	Only required when the strategy changes and not annually	As and when required following an update
Risk Management Update 2018/19 (September 2019)	To align with Treasury Management update	July 2019

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	None. **Contact Officer:** Lisa Brownbill Internal Audit Manager **Telephone:** 01352 702231 **E-mail:** lisa.brownbill@flintshire.gov.uk

7.00	GLOSSARY OF TERMS
	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. **PSIAS, Public Sector Internal Audit Requirements** A set of standards that all Internal Audit teams working in the public sector must comply with.

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APPENDIX A

AUDIT COMMITTEE - FORWARD WORK PROGRAMME 2018/19

Presented to Committee - Wednesday, 12th September 2018

Meeting Date	Agenda Item	Author
12th September 2018	School Reserves – Annual Report on School Balances	Clare Homard / Lucy Morris
	Statement of Accounts 2017/18	Gary Ferguson
	Risk Management Update 2018/19	Karen Armstrong
	Audit Committee Action Tracking	Lisa Brownbill
	Forward Work Programme	Lisa Brownbill
21st November 2018	Asset Disposals and Capital Receipts	Neal Cockerton
	Treasury Management 2018/19 – Mid Year Report	Paul Vaughan
	Annual Improvement Report 2017/18 (WAO)	Karen Armstrong / WAO
	Annual Report on External Inspections 2017/18	Karen Armstrong
	Use of Consultancy Report	Colin Everett
	Draft Clwyd Pension Fund Accounts	Phil Latham

Meeting Date	Agenda Item	Author
	Audit Committee Self-Assessment	Lisa Brownbill
	Internal Audit Progress Report 2018/19	Lisa Brownbill
	Audit Committee Action Tracking	Lisa Brownbill
	Forward Work Programme	Lisa Brownbill
30th January 2019	Treasury Management 2018/19 Q3 Update and 2019/20 Strategy	Paul Vaughan
	Risk Management update	Karen Armstrong
	Code of Corporate Governance	Karen Armstrong
	Contract Management	Gareth Owens
	Annual Audit Letter	Gary Ferguson / Paul Vaughan
	Internal Audit Progress Report 2018/19	Lisa Brownbill
	Audit Committee Action Tracking	Lisa Brownbill
	Forward Work Programme	Lisa Brownbill
27th March 2019	Treasury Management 2018/19 Q4 Update	Paul Vaughan
	Audit Plan (WAO)	WAO
	Certification of Grants and Returns Report (WAO)	Gary Ferguson

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Meeting Date	Agenda Item	Author
	Internal Audit Strategic Plan 2019/2022	Lisa Brownbill
	Audit Committee Self-Assessment 2018/19	Lisa Brownbill
	Public Sector Internal Audit Standards Compliance 2018/19	Lisa Brownbill
	Internal Audit Progress Report 2018/19	Lisa Brownbill
	Audit Committee Action Tracking	Lisa Brownbill
	Forward Work Programme	Lisa Brownbill
	Private Meeting (WAO and Internal Audit)	
5th June 2019	Draft Annual Governance Statement	Karen Armstrong
	Annual Improvement Report (WAO) (2018/19)	Karen Armstrong
	Annual Report on External Inspections (2018/19)	Karen Armstrong
	Internal Audit Annual Report	Lisa Brownbill
	Internal Audit Progress Report 2019/20	Lisa Brownbill
	Audit Committee Action Tracking	Lisa Brownbill
	Forward Work Programme	Lisa Brownbill

Meeting Date	Agenda Item	Author
10th July 2019	Treasury Management 2019/20 Q1 Update and Annual Report 2018/19	Paul Vaughan
	Supplementary Financial Information to Draft Statement of Accounts 2018/19	Paul Vaughan
	Risk Management update 2018/19	Karen Armstrong
September 2019	School Reserves – Annual Report on School Balances	Clare Homard / Lucy Morris
	Statement of Accounts 2017/18	Gary Ferguson
	Internal Audit Progress Report	Lisa Brownbill
	Audit Committee Action Tracking	Lisa Brownbill
	Forward Work Programme	Lisa Brownbill
November 2019	Asset Disposals and Capital Receipts	Neal Cockerton
	Treasury Management 2018/19 – Mid Year Report	Paul Vaughan
	Financial Procedural Rules (Biennial)	Sara Dulson
	Use of Consultancy Report	Colin Everett
	Internal Audit Progress Report 2018/19	Lisa Brownbill
	Audit Committee Action Tracking	Lisa Brownbill

Meeting Date	Agenda Item	Author
	Forward Work Programme	Lisa Brownbill

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