

# Pecyn Dogfen Gyhoeddus



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

At: Cyng Helen Brown (Cadeirydd)

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

**Aelod Cyfetholedig**  
Sally Ellis

Dydd Mawrth, 11 Gorffennaf 2017

Annwyl Gynghorydd,

Fe'ch gwahoddir i fynychu cyfarfod Pwyllgor Archwilio y Fflint a fydd yn cael ei gynnal am 2.00 pm Dydd Mercher, 19eg Gorffennaf, 2017 yn Ystafell Bwyllgor Clwyd, Neuadd y Sir, Yr Wyddgrug CH7 6NA i ystyried yr eitemau canlynol

## R H A G L E N

### 1 YMDDIHEURIADAU

**Pwrpas:** I derbyn unrhyw ymddiheuriadau.

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

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

### 3 COFNODION (Tudalennau 3 - 10)

**Pwrpas:** I gadarnhau, fel cofnod cywir gofnodion y cyfarfod ar 12 Mehefin 2017.

### 4 DATGANIAD O GYFRIFON DRAFFT 2016/17 (Tudalennau 11 - 162)

Adroddiad Rheolwr Cyllid Corfforaethol - Arweinydd y Cyngor ac Aelod Cabinet Cyllid

**Pwrpas:** Mae'r adroddiad yn cyflwyno'r Datganiad o Gyfrifon drafft ar gyfer 2016/17 er gwybodaeth i Aelodau'n unig yn ystod y cam hwn.

5 **GWYBODAETH ARIANNOL ATODOL I'R DATGANIAD O GYFRIFON DRAFFT 2016/17** (Tudalennau 163 - 168)

Adroddiad Rheolwr Cyllid Corfforaethol - Arweinydd y Cyngor ac Aelod Cabinet Cyllid

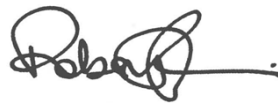
**Pwrpas:** Mae'r adroddiad yn cyflwyno'r wybodaeth i fynd gyda'r Datganiad o Gyfrifon drafft ar gyfer 2016/17 er gwybodaeth i Aelodau, ac yn dilyn gofynion rhybudd o gynnig a gymeradwywyd gan y Cyngor 29 Ionawr 2013.

6 **ADRODDIAD BLYNYDDOL RHEOLI TRYSORLYS 2016/17 A DIWEDDARIAD RHEOLI TRYSORLYS CHWARTER 1 2017/18** (Tudalennau 169 - 196)

Adroddiad Rheolwr Cyllid Corfforaethol - Arweinydd y Cyngor ac Aelod Cabinet Cyllid

**Pwrpas:** Mae'r adroddiad yn cyflwyno (i) Adroddiad Blynyddol Rheoli Trysorlys drafft 2016/17 ar gyfer adolygiad ac yn gofyn am argymhelliad y Pwyllgor am gymeradwyaeth i'r Cabinet; a (ii) diweddariad am faterion sy'n ymwneud â Pholisi, Strategaeth ac Arferion Rheoli Trysorlys y Cyngor 2017/18 at ddiwedd mis Mai 2017.

Yn gywir



Robert Robins  
Rheolwr Gwasanaethau Democraidaidd

# Eitem ar gyfer y Rhaglen 3

## PWYLLGOR ARCHWILIO 12 MEHEFIN 2017

Cofnodion cyfarfod Pwyllgor Archwilio Cyngor Sir y Fflint a gynhaliwyd yn Ystafell Bwyllgor Clwyd, Neuadd y Sir, Yr Wyddgrug ddydd Llun, 12 Mehefin 2017.

### YN BRESENNOL:

Y Cyngorwyr: Glyn Banks, Helen Brown, Jean Davies, Chris Dolphin, Andy Dunbobbin, Paul Johnson ac Arnold Woolley.

Aelodau Cyfetholedig: Sally Ellis

HEFYD YN BRESENNOL: Arweinydd y Cyngor a Dirprwy Arweinydd y Cyngor, a Chyngorwyr: Patrick Heesom a Carolyn Thomas

### YN BRESENNOL:

Prif Weithredwr; Prif Swyddog (Llywodraethu); Rheolwr Archwilio Mewnol Dros Dro; a Swyddog y Pwyllgor

Matthew Edwards (Rheolwr Archwiliad Ariannol) a Mike Whiteley (Arweinydd Tîm Archwiliad Ariannol) Swyddfa Archwilio Cymru.

Prif Swyddog (Newid Sefydliadol) - ar gyfer cofnod rhif 5

Swyddog Gweithredol Cyfathrebiadau a Busnes Corfforaethol – ar gyfer cofnodion rhif 6-8

## 1. PENODI CADEIRYDD

Cynigiodd y Cyngorwyr Banks bod y Cyngorwyr Brown yn cael ei benodi'n Gadeirydd i'r Pwyllgor. Eiliwyd hyn yn briodol a chafodd ei gymeradwyo yn dilyn pleidlais ar y mater.

I roi cadarnhad ar bwynt a godwyd gan y Cyngorwyr Woolley, eglurodd y Prif Swyddog (Llywodraethu) y meini prawf cymhwysedd ar gyfer penodi Cadeirydd, fel y nodir yn y Cyfansoddiad. Ni chafwyd enwebiadau pellach.

### PENDERFYNWYD:

Bod y Cyngorwyr Helen Brown yn cael ei phenodi'n Gadeirydd i'r Pwyllgor.

(Ar y pwynt hwn, cadeiriodd y Cyngorwyr Brown weddill y cyfarfod)

## 2. PENODI IS-GADEIRYDD

Eiliwyd enwebiad y Cyngorwyr Banks i Sally Ellis fel Is-gadeirydd y Pwyllgor a chymeradwywyd ar ôl ei rhoi i bleidlais. Ni chafwyd enwebiadau pellach.

### PENDERFYNWYD:

Penodi Sally Ellis fel Is-gadeirydd y Pwyllgor.

**3. DATGAN CYSYLLTIAD**

Ni dderbyniwyd dim.

**4. COFNODION**

Cyflwynwyd cofnodion y cyfarfod a gynhaliwyd ar 15 Mawrth 2017.

**PENDERFYNWYD:**

Cymeradwyo'r cofnodion fel cofnod cywir a'u llofnodi gan y Cadeirydd.

**5. GWAREDU ASEDAU A DERBYNIADAU CYFALAF A GYNHYRCHWYD YN 2016/17**

Cyflwynodd y Prif Swyddog (Newid Sefydliadol) adroddiad ar dderbyniadau cyfalaf a gynhyrchwyd wrth werthu asedau yn 2016/17 o'i gymharu â'r ddwy flynedd flaenorol. Nododd y dull a ddefnyddiwyd i ddelio â derbyniadau cyfalaf a gyfrannodd at y Rhaglen Gyfalaf ac eglurodd bod y swm o gyllid a gynhyrchwyd wedi'i ddylanwadu'n helaeth gan y sefyllfa economaidd ar y pryd.

Mewn ymateb i ymholiadau gan y Cynghorydd Banks, rhoddwyd cadarnhad ar y broses o werthu megis ystadau amaethyddol o'i gymharu ag eiddo Cyfrif Refeniw Tai (HRA) a oedd yn cael eu neilltuo. Cafodd ei gynghori y bydd manylion pellach ar y wybodaeth gyffredinol wedi'u hatodi i'r adroddiad yn gallu cael eu darparu ar gais y tu allan i'r cyfarfod.

Cyfeiriodd y Cynghorydd Dolphin i'r Panel Amaethyddol blaenorol, a dywedodd bod y gwerthiannau yn cael eu delio bellach gan y Bwrdd Rhaglen Asedau, a oedd yn cyfarfod bob mis, ac roedd ymgynghori ag Aelod Lleol yn rhan o'r broses ar bob gwerthiant.

Gofynnodd Sally Ellis os oedd y meini prawf yn destun adolygiad rheolaidd i wella cyfleoedd am dderbyniadau cyfalaf. Dywedodd y Prif Swyddog (Newid Sefydliadol) bod y broses yn gadarn ond heb gael ei adolygu ers peth amser. Rhoddodd y Prif Weithredwr enghreifftiau o wahanol fathau o asedau a oedd wedi cael eu gwerthu fel rhan o adolygiadau ardal/ gwasanaeth penodol, ond teimlwyd bod y broses ar gyfer asedau eiddo cyffredinol yn gallu manteisio ar gael adolygiad.

**PENDERFYNWYD:**

Nodi'r adroddiad.

**6. DATGANIAD LLYWODRAETHU BLYNYDDOL 2016/17**

Cyflwynodd y Prif Weithredwr y Datganiad Llywodraeth Blynyddol (AGS) drafft ar gyfer 2016/17 i'w ystyried a'i argymhell i'r Cyngor Sir i fynd gyda'r Datganiad Cyfrifon. Atgoffodd o'r gofyniad blynyddol i gynhyrchu'r AGS yn dilyn adolygiad manwl a hunanasesiad llywodraethu corfforaethol lle cafodd herio cadarn ei

ddefnyddio. Wrth osod y dull i baratoi AGS, tynnwyd sylw at y camau gweithredu ar faterion strategol llywodraeth a gwasanaeth penodol yn 2015/16.

I ymateb i sylwadau gan Sally Ellis ar wendidau a nodwyd mewn adroddiadau eraill, eglurodd y Prif Weithredwr bod y materion strategol sy'n berthnasol i ardaloedd Cynllun Gwella. Ac er bod materion megis Cytundebau Adran 106 yn bwysig fel risg parhaus, dywedodd y Rheolwr Archwilio Mewnol Dros Dro nad oedd y rhain yn lefel arwyddocaol i'w cynnwys yn yr AGS a byddai'n cael ei ddelio drwy weithredu olrhain.

Atgoffodd Matthew Edwards o Swyddfa Archwilio Cymru y byddai ystyriaeth o gynnwys a fformat yr AGS yn ffurfio rhan o waith y Swyddfa Archwilio Cymru ar yr archwiliad o ddatganiadau ariannol a byddai'n cael eu blaenoriaethu.

#### **PENDERFYNWYD:**

Bod y Pwyllgor yn argymhell i'r Cyngor bod y Datganiad Llywodraethu Blynyddol 2016/17 yn cael ei atodi i'r Datganiad Cyfrifon.

### **7. SICRWYDD RHEOLEIDDIO ALLANOL**

Rhoddodd y Prif Weithredwr adroddiad cryno i roi sicrwydd bod adroddiadau gan reoleiddwyr allanol ac arolygwyr yn 2016/17 wedi bod yn destun ystyriaeth gan bwyllgorau perthnasol a chamau gweithredu wedi'u cymryd mewn ymateb i'r argymhellion.

Atgoffawyd y Pwyllgor o'r protocol mewnol sydd mewn lle ar gyfer holl adroddiadau terfynol lleol sy'n ymwneud ag ymateb y Cabinet, yn cael ei herio gan y Pwyllgor Trosolwg a Chraffu ac yn rhoi sicrwydd i'r Pwyllgor Archwilio. Dangosodd y trosolwg o'r adroddiadau yn 2016/17 statws Gwyrdd drwyddi draw ac wedi cynnwys rhai argymhellion generig ar adroddiadau cenedlaethol a oedd yn berthnasol i bob un o'r 22 cyngor yng Nghymru.

#### **PENDERFYNWYD:**

Bod y Pwyllgor yn nodi sut mae adroddiadau gan archwilwyr allanol, rheoleiddwyr eraill ac arolygwyr wedi cael eu delio ag hwy yn ystod 2016/17.

### **8. ADOLYGIAD BLYNYDDOL O RISGIAU STRATEGOL**

Cyflwynodd y Prif Weithredwr ddatganiad sefyllfa ar risgiau strategol a gynhwysir o fewn Cynllun Gwella 2016/17 y Cyngor. Roedd adroddiad ar alldro terfynol i'w ystyried gan y Cabinet. Rôl y Pwyllgor Archwilio oedd sicrhau bod y dull cadarn o reoli risgiau tra'r oedd y Pwyllgor Trosolwg a Chraffu yn herio'r adroddiadau cynnydd chwarterol.

Darparodd y Swyddog Gweithredol Cyfathrebu a Busnes Corfforaethol gadarnhad ar y tabl cryno yn yr adroddiad a oedd yn adnabod statws risgiau o'r asesiad cychwynnol ar ddiwedd sefyllfa'r flwyddyn. Dywedodd bod y risgiau

sylweddol (coch) yn cael eu cynnwys yn y Datganiad Llywodraethu Blynyddol ar gyfer 2017/18.

Dyweddodd y Cynghorydd Dolphin nad oedd y Pwyllgor Trosolwg a Chraffu wedi cael gwybodaeth ar holl feysydd o risg. Mewn ymateb, dywedodd y Prif Weithredwr bod y Cabinet wedi cyfeirio at faterion o risg i'r Pwyllgor Trosolwg a Chraffu a bod Aelodau o'r Pwyllgorau hynny yn gallu gwneud cais am bynciau penodol i'w cynnwys ar y Rhaglenni Gwaith i'r Dyfodol.

Dyweddodd y Prif Weithredwr bod y gwaith ar y trywydd iawn gyda'r Cynllun Gwella drafft 2017/18 i'w adrodd i'r Cabinet ym mis Gorffennaf 2017.

**PENDERFYNWYD:**

Bod y Pwyllgor yn nodi'r statws ar gyfer y crynodeb diwedd flwyddyn 2016/17 o'r risgiau strategol o'r blaenoriaethau gwella y Cyngor; gan orfodi rheolaeth llwyddiannus o'r risgiau.

**9. ADRODDIAD ARCHWILIO MEWNOL BLYNYDDOL**

Cyflwynodd y Rheolwr Archwilio Mewnol Dros Dro yr adroddiad a oedd yn crynhoi canlyniad o'r holl waith archwilio a gyflawnwyd yn ystod 2016/17 ac yn cynnwys y farn archwilio bod gan y Cyngor fframwaith digonol ac effeithiol o lywodraethu, rheoli risg a rheolaeth.

Gan roi trosolwg o gwmpas a sail ffurfio barn archwilio, gwnaethpwyd cyfeiriad at leihad archwiliadau lefel sicrwydd 'coch' yn ystod y cyfnod a lefelau cyffredinol da o reoli aseiniadau archwilio.

Mewn ymateb i ymholiad gan Sally Ellis, soniodd y Rheolwr Archwilio Mewnol Dros Dro am ddatblygu'r ffordd wahanol o fynd at archwiliadau gyda chynnydd mewn gwaith ymgynghorol. Hefyd, cyfeiriodd at weithio ar y cyd a chysgodi o fewn y tîm i helpu gwella gwybodaeth meysydd gwasanaeth a helpu gyda chynllunio ar gyfer olyniaeth. Byddai hyn yn galluogi cylchdroi'r gwaith system allweddol rhwng Archwilwyr.

**PENDERFYNWYD:**

I nodi'r adroddiad ac i dderbyn barn flynyddol archwiliad mewnol.

**10. ADRODDIAD CYNNYDD ARCHWILIO MEWNOL**

Cyflwynodd y Rheolwr Archwilio Mewnol Dros Dro ddiweddariad ar gynnydd yr adran Archwilio Mewnol gan gynnwys newidiadau i'r cynllun archwilio, gweithrediadau olrhain, dangosyddion perfformiad ac archwiliadau. Ar gamau gweithredu sydd â dyddiadau adolygu sy'n fwy na chwe mis o'r dyddiad gwreiddiol, cadarnhaodd bod y rhesymau a roddwyd gan y rheolwyr gwasanaeth yn foddhaol a chafodd y rhain eu nodi yn yr adroddiad.

Ar yr adroddiadau terfynol a roddwyd, gofynnodd y Cynghorydd Dunbobbin pam nad oedd unrhyw farn wedi ei roi ar y lefel o sicrwydd ar y Model Darparu Amgen (ADM) – Gwasanaethau Cyfleusterau. Eglurodd y Rheolwr Archwilio Mewnol Dros Dro bod hyn oherwydd y natur ymgynghorol o'r archwiliad i weithio ochr yn ochr â'r maes gwasanaeth gan ddatblygu ADM ar yr un pryd. Cadarnhawyd nad oedd unrhyw faterion wedi'u nodi a bod gwaith ar drefniadau contract ADM wedi'u cynllunio ar gyfer yn ddiweddarach yn y flwyddyn.

Soniodd y Prif Weithredwr ar lefel sylweddol o reoli risg ar gyfer tri ADM a'r bwriad ar gyfer adolygiad ôl-weithredol ar gam diweddarach yn y broses.

Cododd Sally Ellis bryderon ynghylch llithriant sylweddol mewn camau gweithredu ymhellach na'r dyddiadau a bod y dull ar gyfer rheiny heb eu cwblhau ymhellach na dyddiad cau a ddiwygiwyd. Gofynnodd os oedd materion cynhwysedd a TGCh yn arbennig wedi cael eu hasesu i sicrhau bod lefelau yn ddigonol i gefnogi'r sefydliad. Rhoddodd y Rheolwr Archwilio Mewnol Dros Dro sicrwydd ar y weithdrefn mewn lle i ymlid camau gweithredu heb eu gwneud gyda Phrif Swyddogion perthnasol a monitro yn y cyfarfodydd chwarterol. Mewn perthynas â TGCh, dywedodd bod rhaid blaenoriaethu prosiectau oherwydd gwaith datblygu sylweddol a oedd yn digwydd ar hyn o bryd.

Crybwyllodd y Prif Weithredwr ddatblygiad o'r system CAMMS fel enghraifft lle'r oedd dyddiadau yn cael eu hoedi ddim yn cael effaith ar ansawdd asesiadau risg a nid oedd yn codi pryderon o ran canlyniad y prosiect a fyddai'n helpu i leihau'r llwyth gwaith. Awgrymodd bod y math hwn o eglurhad yn cael eu cynnwys yn yr adroddiadau yn y dyfodol.

Mewn perthynas â dangosyddion perfformiad, eglurodd y Rheolwr Archwilio Mewnol Dros Dro bod y cyfartaledd nifer o ddiwrnodau o'r ôl-drafodaeth i gyhoeddi adroddiad drafft a'r diwrnodau a gymerir i ddychwelyd adroddiadau drafft wedi cael targedau diwygiedig i adlewyrchu yn gywir perchnogaeth a'r amser sydd ei angen i gwblhau'r gwaith. Yn dilyn ymholiad gan y Cynghorydd Glyn Banks, dywedodd bod y targedau cyfredol yn fwy tebyg i gynghorau eraill a byddant yn cael eu monitro.

Gofynnodd y Cynghorydd Dolphin ynghylch graddfeydd blaenoriaeth a ddyrannwyd i'r Cynllun Gweithredol a chynghorwyd bod y rhain yn cael eu pennu drwy system matrices a oedd yn ystyried gwahanol elfennau. Mewn perthynas â Pharc Treftadaeth Dyffryn Maes Glas, rhoddodd y Prif Weithredwr ddiweddariad byr ar faterion llywodraethu a adroddwyd yn flaenorol i'r Pwyllgor, a chynghorodd bod y cynnydd ar y trywydd iawn gyda'r cynllun gweithredu a gytunwyd.

### **PENDERFYNWYD:**

I dderbyn yr adroddiad.

## **11. CYDYMFFURFIAETH ASESIAD PSIAS ALLANOL**

Cyflwynodd y Rheolwr Archwilio Mewnol Dros Dro adroddiad ar yr asesiad allanol o'r gwasanaeth Adain Archwilio Mewnol yn erbyn Safonau Archwilio Mewnol

Y Sector Cyhoeddus (PSIAS) a gyflawnwyd gan y Prif Archwilydd Mewnol Cyngor Sir Ceredigion.

Roedd canfyddiadau'r asesiad a nodwyd bod y gwasanaeth yn cydymffurfio â 329 o'r Safonau, gyda phedwar yn cydymffurfio'n rhannol. Roedd un maes o ddiffyg cydymffurfio wedi ei nodi'n flaenorol fel rhan o'r hunanasesiad ac roedd yr aseswr wedi tybio nad oedd yr effaith mor sylweddol. Nodwyd chwe awgrym ar gyfer gwelliant pellach i'w gweithredu.

Dywedodd y Prif Swyddog (Llywodraethu) bod yr aseswr wedi rhoi sylw ar y gwasanaeth yn bodloni gofynion mewn achosion pan nad oedd cydymffurfiaeth lawn wedi'i gyflawni.

Gofynnodd Sally Ellis ynghylch sicrwydd TGCh a dywedwyd y byddai hwn yn ffurfio rhan o'r broses mapio sicrwydd.

**PENDERFYNWYD:**

Nodi'r adroddiad.

**12. GWEITHREDOEDD OLRHAIN**

Cyflwynodd y Rheolwr Archwilio Mewnol Dros Dro yr adroddiad diweddariad ar gynnydd ar gamau gweithredu a oedd yn codi o'r cyfarfodydd blaenorol o'r Pwyllgor. Roedd y rhan fwyaf o'r camau gweithredu wedi'u cwblhau, gyda dau dros ben i'w cwblhau yn ddiweddarach eleni.

**PENDERFYNWYD:**

I dderbyn yr adroddiad.

**13. RHAGLEN GWAITH I'R DYFODOL**

Cyflwynodd y Rheolwr Archwilio Mewnol Dros Dro y Rhaglen Gwaith i'r Dyfodol yr oedd y Prif Swyddogion wedi ymgynghori arni. Bydd unrhyw newidiadau yn y dyfodol yn destun y broses arferol sy'n cynnwys ymgynghoriad â'r Cadeirydd ac Is-gadeirydd newydd.

**PENDERFYNWYD:**

- (a) I dderbyn y Rhaglen Gwaith i'r Dyfodol; a
- (b) Bod y Rheolwr Archwilio Mewnol Dros Dro, mewn ymgynghoriad â'r Cadeirydd a'r Is-gadeirydd y Pwyllgor, yn awdurdodi i amrywio'r Rhaglen Gwaith i'r Dyfodol rhwng cyfarfodydd, fel mae'r angen yn codi.

Cyn yr eitem nesaf, gadawodd y Rheolwr Archwilio Mewnol Dros Dro y cyfarfod.



14. **DIWEDDARIAD AR LAFAR YNGLŶN Â SWYDD RHEOLWR ARCHWILIO MEWNOL**

Darparodd y Prif Swyddog (Llywodraethu) ddiweddariad byr ar y broses recriwtio ar gyfer y swydd Rheolwr Archwilio Mewnol.

**PENDERFYNWYD:**

Nodi'r diweddariad.

15. **PRESENOLDEB GAN AELODAU O'R WASG A'R CYHOEDD**

Nid oedd unrhyw aelodau o'r wasg na'r cyhoedd yn bresennol.

Dechreuodd y cyfarfod am 2pm a daeth i ben am 3.15pm

.....  
**Cadeirydd**

Mae'r dudalen hon yn wag yn bwrpasol

# Eitem ar gyfer y Rhaglen 4



## AUDIT COMMITTEE

|                        |                                      |
|------------------------|--------------------------------------|
| <b>Date of Meeting</b> | Wednesday 19 <sup>th</sup> July 2017 |
| <b>Report Subject</b>  | Draft Statement of Accounts 2016/17  |
| <b>Report Author</b>   | Corporate Finance Manager            |

### EXECUTIVE SUMMARY

The report presents the draft Statement of Accounts 2016/17 attached at Appendix 1 (subject to audit) for Members information only at this stage.

### RECOMMENDATIONS

|   |  |
|---|--|
| 1 | Members note the draft Statement of Accounts 2016/17 (which includes the Annual Governance Statement approved by the Committee at its June 2017 meeting).  |
| 2 | Members approve arrangements for the 'drop in sessions' that have been arranged for early September and 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 their recommendation to Council for final approval on 27 <sup>th</sup> September 2017. |

### REPORT DETAILS

|             |  |
|-------------|--|
| <b>1.00</b> | <b>EXPLAINING THE STATEMENT OF ACCOUNTS</b>  |
| 1.01        | The Accounts and Audit (Wales) Regulations 2014 specify the statutory deadline for the approval of the draft accounts by the Responsible Finance Officer, being 30 <sup>th</sup> June. The Council's draft accounts are attached at Appendix 1 for Members information. They were signed by the Corporate Finance Manager on 30 <sup>th</sup> June 2017. The draft accounts will now be audited. The statutory deadline for publishing the final audited Statement of Accounts for 2016/17 approved by Council is the 30 <sup>th</sup> September 2017. |

|      |  |
|------|--|
| 1.02 | At the completion of the audit, Wales Audit Office (WAO) will provide a report and opinion on the accounts. Any required adjustment to the accounts as a result of the audit will be incorporated into the final Statement of Accounts. The final version of the Statement will be presented to Audit Committee on the morning of 27 <sup>th</sup> September 2017, and recommended to Council on the afternoon of the same day.  |
| 1.03 | <p>The Flintshire County Council accounts have been prepared in accordance with the requirements of the 2016/17 Code of Practice on Local Authority Accounting – which is based on International Financial Reporting Standards (IFRS) and include:</p> <ul style="list-style-type: none"> <li>• The core financial statements and notes comprising – expenditure and funding analysis, comprehensive income and expenditure statement, movement in reserves statement, balance sheet and cash flow statement.</li> <li>• The supplementary financial statements – the housing revenue account income and expenditure statement, movement in reserves statement and notes.</li> <li>• The group accounts – incorporating the financial accounts of North East Wales (NEW) Homes with that of the Council's. The Council established NEW Homes, a company limited by shares wholly owned by the Council, in April 2014 with the aim of increasing the quantity and quality of affordable housing across the county, whilst providing a professional service to landlords and tenants.</li> <li>• Clwyd Pension Fund accounts</li> <li>• Annual Governance Statement</li> </ul> |
| 1.04 | The Clwyd Pension Fund accounts have also been prepared to meet the requirements of the 2016/17 Code of Practice. 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.   |
| 1.05 | The draft accounts includes the Annual Governance Statement which explains how the Council has complied with the Code of Corporate Governance and also meets the requirements of the Accounts and Audit (Wales) Regulations 2014. The Committee received a separate report on the Annual Governance Statement at its June 2017 meeting providing an opportunity for Member scrutiny before its inclusion within the draft accounts.  |
| 1.06 | The 2016/17 Code prompted significant changes to the way the Council's Financial Statements are presented. The format of the Comprehensive Income and Expenditure Statement has changed, the statement is now presented in line with the Council's reporting segments (service portfolios) in revenue budget monitoring reports rather than the standard prescribed categories previously required under the Code.   |

|      |  |
|------|--|
|      | <p>A new principal statement has been introduced called the Expenditure and Funding Analysis which is produced per service portfolio and shows; annual expenditure incurred and how expenditure has been funded from resources available to the Council. This is compared with the same information presented in the Comprehensive Income and Expenditure Statement in accordance with generally accepted accounting practices. The aim of the changes is to strengthen the link between in year budget monitoring reports and the Statement of Accounts.</p>  |
| 1.07 | <p>Arrangements have been made for Statement of Accounts 'drop in' sessions in early September (subject to discussion at Audit Committee), in order for any Member to obtain any further required information regarding the draft accounts, or to raise questions prior to consideration of the final position at the end of September. Dates have been provisionally booked in the Member calendar for Monday 4<sup>th</sup> September at 10am and Thursday 7<sup>th</sup> September at 2pm.</p> <p>Members can also discuss any aspect of the Statement of Accounts with Officers or the Wales Audit Office throughout July, August and September prior to the final audited version being brought back to the Committee for their recommendation to Council for final approval on 27<sup>th</sup> September 2017.</p> |

|             |  |
|-------------|--|
| <b>2.00</b> | <b>RESOURCE IMPLICATIONS</b>                         |
| 2.01        | Financial implications are as set out in the report. |

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

|             |   |
|-------------|---|
| <b>4.00</b> | <b>RISK MANAGEMENT</b>  |
| 4.01        | <p>The main risk is the Council not being able to meet its statutory deadlines for producing the accounts. This being; 30<sup>th</sup> June for draft accounts signed by the Responsible Finance Officer – which has already been met, and 30<sup>th</sup> September for publishing the final version of the accounts which has been externally audited, by the WAO in Flintshire's case.</p> <p>To mitigate this risk Officers have already been working closely with the WAO in preparing for the financial audit and will continue to do so during July and August to resolve queries arising. Progress will continue to be overseen by the Accounts Governance Group, a group of senior officers including the Chief Executive, Monitoring Officer and Section 151 Officer.</p> |

|             |  |
|-------------|--|
| <b>5.00</b> | <b>APPENDICES</b>                      |
| 5.01        | 1. Draft Statement of Accounts 2016/17 |

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

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

**DRAFT**

**STATEMENT OF ACCOUNTS**

**2016-17**



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# NARRATIVE REPORT

## INTRODUCTION

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

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

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

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

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

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

## COUNCIL PERFORMANCE DURING THE YEAR

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

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

## NARRATIVE REPORT

### FINANCIAL PERFORMANCE DURING THE YEAR

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

#### Economic climate

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

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

#### Revenue outturn compared to budget

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

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

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

## NARRATIVE REPORT

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

The underspend of £1,595k, increased to £2,039k by way of additional Council Tax income of £444k, served with other agreed funding transfers to produce year-end Council fund revenue reserves of £31,280k.

## NARRATIVE REPORT

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

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

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

### Capital Programme Budget, Outturn and Financing

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

## NARRATIVE REPORT

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

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

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

The programme was financed as follows -

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

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

### Strategic Housing and Regeneration Programme (SHARP)

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

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

## NARRATIVE REPORT

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

### Borrowing

No long term Public Works Loan Board (PWLB)/financial institution borrowing was undertaken during 2016/17 - the Council continues to use cash reserves to fund capital expenditure in place of new borrowing. The balance sheet (long term) borrowing total of £250,997k includes; the sum of £378k relating to interest free loans from Salix Finance Ltd. - an independent company funded by the Carbon Trust to help improve energy efficiency in the public sector buildings - with new loans taken out during the year to improve the energy efficiency of street lighting, and loans totaling £860k from Welsh Government for regeneration initiatives in Deeside under the Vibrant and Viable Places Scheme within the Capital Programme.

### Financial Position at 31<sup>st</sup> March 2017

#### Reserves and Provisions

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

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

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

|                                    | 2017          | Net          | Other          | 2016          |
|------------------------------------|---------------|--------------|----------------|---------------|
|                                    | £000          | Underspend   | £000           | £000          |
| Council fund (unearmarked) balance | 10,953        | 2,039        | (1,230)        | 10,144        |
| Earmarked council fund reserves    | 18,771        | 0            | (6,668)        | 25,439        |
| Locally managed schools            | 1,556         | 0            | (750)          | 2,306         |
| Housing Revenue Account reserves   | 1,642         | (62)         | 187            | 1,517         |
| <b>Total revenue reserves</b>      | <b>32,922</b> | <b>1,977</b> | <b>(8,461)</b> | <b>39,406</b> |

#### Pension Liability

The liability recorded in the balance sheet (£395,050k) has increased by £86,371k during the year, mainly as a result of changes to the financial assumptions used by the pension fund Actuary. The main change relates to the decrease in the discount rate used to discount the future cash flows of the fund. These assumptions are determined by the Actuary and represent the market conditions at the balance sheet date. The Council relies and places assurance on the professional judgement of the Actuary and the assumptions used to calculate the liability. Disclosures in Note 45 are in accordance with International Accounting Standard 19 (IAS 19), accounting in full for the pension liability, that is the total projected deficit over the life of the fund. IAS 19 has no impact on Council tax levels or housing finance, but the liability does impact on the net worth of the Authority as reflected in the balance sheet total of £43,320k (£168,190k as at 31<sup>st</sup> March 2016).

## **NARRATIVE REPORT**

### **Revaluation of Non-Current Assets**

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

### **FINANCIAL OUTLOOK FOR THE COUNCIL**

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

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

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

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

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

### **PRINCIPAL RISKS AND UNCERTAINTIES**

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

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

### **CHANGES AND FUTURE CHANGES TO THE STATEMENT OF ACCOUNTS**

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

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



## NARRATIVE REPORT

Future changes affecting the Statement of Accounts:

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

### CHANGE IN ACCOUNTING POLICIES

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

### EXPLAINING THE ACCOUNTING STATEMENTS

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

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

At 31<sup>st</sup> March 2017 usable reserves were £47,605k and unusable reserves were negative £4,285k;

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

The 2016/17 deficit on the provision of services is £52,260k; which is carried into the movement in reserves statement.

## NARRATIVE REPORT

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

The net worth of the Council was £43,320k as at 31<sup>st</sup> March 2017 representing a decrease from the balance sheet total of £168,190k as at 31<sup>st</sup> March 2016.

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

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

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

## FURTHER INFORMATION

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

## STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

### THE AUTHORITY'S RESPONSIBILITIES

The Authority is required to :-

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

**Signed :**

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

**Date :**

### THE CHIEF FINANCE OFFICER'S RESPONSIBILITIES

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

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

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

The Chief Finance Officer has also :-

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

The statement of accounts presents a true and fair view of the financial position of the Authority at 31<sup>st</sup> March 2017, and its income and expenditure for the year then ended.

In addition the statement presents a true and fair view of the financial transactions of the Clwyd Pension Fund during the year ended 31<sup>st</sup> March 2017 and the amount and disposition at that date of its assets and liabilities.

**Signed :**

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

**Date :**

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## EXPENDITURE AND FUNDING ANALYSIS

for the year ended 31<sup>st</sup> March 2017

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

| 2016/17   | Net Portfolio<br>Final Outturn<br>Reported<br>£000           | Adjustments for<br>Movements (to)/from<br>Earmarked Reserves<br>£000           | Chargeable to<br>C F / HRA<br>Reserves<br>£000           | Adjustments<br>between Funding &<br>Accounting Basis<br>£000               | Net Expenditure -<br>CI&ES<br>£000              |
|---|--|--|--|--|---|
| Note  | 2  | 1  |  |  |   |
| Chief Executives                                      | 2,892  | 78   | 2,970  | (74)   | 2,896   |
| Community & Enterprise                                | 11,868   | 192  | 12,060   | 532  | 12,592  |
| Education & Youth                                     | 98,947   | 2,047  | 100,994  | 24,792   | 125,786   |
| Governance  | 7,779  | 271  | 8,050  | 974  | 9,024   |
| Organisational Change                                 | 8,079  | 276  | 8,355  | 5,462  | 13,817  |
| People & Resources                                    | 4,574  | 63   | 4,637  | (171)  | 4,466   |
| Planning & Environment                                | 5,368  | (32)   | 5,336  | 2,255  | 7,591   |
| Social Services                                       | 60,821   | 880  | 61,701   | (810)  | 60,891  |
| Streetscene & Transportation                          | 29,364   | 625  | 29,989   | 5,213  | 35,202  |
| Corporate & Central Finance                           | 20,260   | 3,999  | 24,259   | (17,824)   | 6,435   |
| Housing revenue account (HRA)                         | 0  | (126)  | (126)  | 11,702   | 11,576  |
| Theatre Clwyd   | 0  | 16   | 16   | (63)   | (47)  |
| <b>Cost of services</b>                               | <b>249,952</b>   | <b>8,289</b>   | <b>258,241</b>   | <b>31,988</b>  | <b>290,229</b>                                  |
| Other Income and Expenditure                          | (251,991)  | 234  | (251,757)  | 13,788   | (237,969)                                       |
| <b>(Surplus)/deficit on the provision of services</b> | <b>(2,039)</b>   | <b>8,523</b>   | <b>6,484</b>   | <b>45,776</b>  | <b>52,260</b>                                   |
| <b>Opening Council Fund / HRA Reserves</b>            |  |  | 39,406   |  |   |
| In Year Revenue Surplus / Deficit                     |  |  |  |  |   |
| Council Fund (CF)                                     |  |  | (6,609)  |  |   |
| Housing Revenue Account (HRA)                         |  |  | 125  |  |   |
| <b>Closing Council Fund / HRA Reserves</b>            |  |  | <b>32,922</b>  |  |   |
| <b>2015/16</b>  | <b>Net Portfolio<br/>Final Outturn<br/>Reported<br/>£000</b> | <b>Adjustments for<br/>Movements (to)/from<br/>Earmarked Reserves<br/>£000</b> | <b>Chargeable to<br/>C F / HRA<br/>Reserves<br/>£000</b> | <b>Adjustments<br/>between Funding &amp;<br/>Accounting Basis<br/>£000</b> | <b>Net Expenditure -<br/>CI&amp;ES<br/>£000</b> |
| <b>Note</b>   | <b>2</b>   | <b>1</b>   |  |  |   |
| Chief Executives                                      | 2,965  | 71   | 3,036  | (43)   | 2,993   |
| Community & Enterprise                                | 11,822   | (533)  | 11,289   | 2,294  | 13,583  |
| Education & Youth                                     | 97,174   | (285)  | 96,889   | 11,059   | 107,948   |
| Governance  | 8,784  | (261)  | 8,523  | 1,273  | 9,796   |
| Organisational Change                                 | 8,661  | (502)  | 8,159  | 6,361  | 14,520  |
| People & Resources                                    | 4,496  | (14)   | 4,482  | (100)  | 4,382   |
| Planning & Environment                                | 5,512  | (835)  | 4,677  | 287  | 4,964   |
| Social Services                                       | 59,194   | 467  | 59,661   | (108)  | 59,553  |
| Streetscene & Transportation                          | 29,360   | (202)  | 29,158   | 4,880  | 34,038  |
| Corporate & Central Finance                           | 22,000   | 6,439  | 28,439   | (18,911)   | 9,528   |
| Housing revenue account (HRA)                         | 293  | (300)  | (7)  | 123,883  | 123,876   |
| Theatre Clwyd   | 0  | 2  | 2  | (22)   | (20)  |
| <b>Cost of services</b>                               | <b>250,261</b>   | <b>4,047</b>   | <b>254,308</b>   | <b>130,853</b>   | <b>385,161</b>                                  |
| Other Income and Expenditure                          | (251,457)  | 0  | (251,457)  | 2,792  | (248,665)                                       |
| <b>(Surplus)/deficit on the provision of services</b> | <b>(1,196)</b>   | <b>4,047</b>   | <b>2,851</b>   | <b>133,645</b>   | <b>136,496</b>                                  |
| <b>Opening Council Fund / HRA Reserves</b>            |  |  | 42,257   |  |   |
| In Year Revenue Surplus / Deficit                     |  |  |  |  |   |
| Council Fund (CF)                                     |  |  | (2,858)  |  |   |
| Housing Revenue Account (HRA)                         |  |  | 7  |  |   |
| <b>Closing Council Fund / HRA Reserves</b>            |  |  | <b>38,406</b>  |  |   |

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## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

for the year ended 31<sup>st</sup> March 2017

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

|   |          | 2017                 |                  | Restated<br>2016   |                      |                  |                    |
|---|----------|----------------------|------------------|--------------------|----------------------|------------------|--------------------|
|   | Note     | Gross<br>Expenditure | Gross<br>Income  | Net<br>Expenditure | Gross<br>Expenditure | Gross<br>Income  | Net<br>Expenditure |
|   |          | £000                 | £000             | £000               | £000                 | £000             | £000               |
| <b>Service Expenditure Analysis</b>   |          |                      |                  |                    |                      |                  |                    |
| Chief Executives  |          | 2,933                | (37)             | 2,896              | 3,066                | (73)             | 2,993              |
| Community & Enterprise  |          | 64,710               | (52,118)         | 12,592             | 64,401               | (50,818)         | 13,583             |
| Education & Youth   |          | 147,935              | (22,149)         | 125,786            | 130,078              | (22,130)         | 107,948            |
| Governance  |          | 9,778                | (754)            | 9,024              | 10,712               | (916)            | 9,796              |
| Organisational Change   |          | 23,757               | (9,940)          | 13,817             | 23,122               | (8,602)          | 14,520             |
| People & Resources  |          | 4,797                | (331)            | 4,466              | 4,650                | (268)            | 4,382              |
| Planning & Environment  |          | 10,894               | (3,303)          | 7,591              | 8,680                | (3,716)          | 4,964              |
| Social Services   |          | 79,137               | (18,246)         | 60,891             | 75,352               | (15,799)         | 59,553             |
| Streetscene & Transportation  |          | 46,391               | (11,189)         | 35,202             | 45,281               | (11,243)         | 34,038             |
| Corporate & Central Finance   |          | 7,163                | (728)            | 6,435              | 10,303               | (775)            | 9,528              |
| Housing revenue account (HRA)   |          | 43,751               | (31,909)         | 11,842             | 39,778               | (30,065)         | 9,713              |
| Housing revenue account (HRA) - Settlement Payment                              | 7        | 0                    | 0                | 0                  | 79,248               | 0                | 79,248             |
| Housing revenue account (HRA) - Valuations Dwellings                            | 7        | (266)                | 0                | (266)              | 34,915               | 0                | 34,915             |
| Theatre Clwyd   |          | 4,038                | (4,085)          | (47)               | 4,589                | (4,609)          | (20)               |
| <b>Cost of services</b>   |          | <b>445,018</b>       | <b>(154,789)</b> | <b>290,229</b>     | <b>534,175</b>       | <b>(149,014)</b> | <b>385,161</b>     |
| Other Operating Expenditure   | 4        |                      |                  | 23,535             |                      |                  | 23,438             |
| Financing and Investment Income and Expenditure                                 | 5        |                      |                  | 22,669             |                      |                  | 20,761             |
| Taxation and Non-Specific Grant Income  | 6        |                      |                  | (284,173)          |                      |                  | (292,864)          |
| <b>(Surplus)/deficit on the provision of services</b>                           | <b>3</b> |                      |                  | <b>52,260</b>      |                      |                  | <b>136,496</b>     |
| (Surplus)/deficit arising on revaluation of non-current assets                  |          |                      |                  | (7,949)            |                      |                  | 351                |
| (Surplus)/deficit arising on revaluation of available-for-sale financial assets |          |                      |                  | 0                  |                      |                  | 0                  |
| Actuarial (gains) or losses on pension assets and liabilities                   |          |                      |                  | 80,557             |                      |                  | (33,827)           |
| <b>Total comprehensive income and expenditure</b>                               |          |                      |                  | <b>124,868</b>     |                      |                  | <b>103,020</b>     |

## MOVEMENT IN RESERVES STATEMENT

for the year ended 31<sup>st</sup> March 2017

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

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

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

|  | Council<br>Fund<br>Balance | Housing<br>Revenue<br>Account<br>Balance | Capital<br>Receipts<br>Reserve | Capital<br>Grants<br>Unapplied | Total<br>Usable<br>Reserves | Unusable<br>Reserves | Total<br>Reserves of<br>the<br>Authority |
|--|----------------------------|--|--------------------------------|--------------------------------|-----------------------------|----------------------|--|
| Note   | £000                       | £000                                     | £000                           | £000                           | £000                        | £000                 | £000                                     |
| <b>At 31st March 2016</b>                              | <b>37,889</b>              | <b>1,517</b>                             | <b>7,969</b>                   | <b>3,336</b>                   | <b>50,711</b>               | <b>117,479</b>       | <b>168,190</b>                           |
| In Year Movement in Reserves                           |                            |  |                                |                                |                             |                      |  |
| Total comprehensive income and expenditure             | (36,911)                   | (15,349)                                 | 0                              | 0                              | (52,260)                    | (72,608)             | (124,868)                                |
| Adjustments between accounting and funding basis under | 8 30,302                   | 15,474                                   | 2,702                          | 676                            | 49,154                      | (49,154)             | (0)                                      |
| <b>Increase/(decrease) in year</b>                     | <b>(6,609)</b>             | <b>125</b>                               | <b>2,702</b>                   | <b>676</b>                     | <b>(3,106)</b>              | <b>(121,763)</b>     | <b>(124,868)</b>                         |
| <b>At 31st March 2017</b>                              | <b>31,280</b>              | <b>1,642</b>                             | <b>10,671</b>                  | <b>4,012</b>                   | <b>47,605</b>               | <b>(4,285)</b>       | <b>43,320</b>                            |

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

## BALANCE SHEET

as at 31<sup>st</sup> March 2017

|   |          | 2017      |                  | 2016      |                  |
|---|----------|-----------|------------------|-----------|------------------|
|   | Note     | £000      | £000             | £000      | £000             |
| <b>NON-CURRENT ASSETS</b>                         |          |           |                  |           |                  |
| <b>Property, Plant &amp; Equipment</b>            | <b>9</b> |           |                  |           |                  |
| Council dwellings                                 |          | 210,912   |                  | 216,186   |                  |
| Other land and buildings                          |          | 271,556   |                  | 259,963   |                  |
| Vehicles, plant, furniture and equipment          |          | 15,918    |                  | 14,962    |                  |
| Surplus assets                                    |          | 9,008     |                  | 8,693     |                  |
| Infrastructure assets                             |          | 151,232   |                  | 153,549   |                  |
| Community assets                                  |          | 4,721     |                  | 4,711     |                  |
| Assets under construction                         |          | 3,789     |                  | 21,089    |                  |
| <b>Total Property, Plant &amp; Equipment</b>      |          |           | 667,136          |           | 679,153          |
| Investment properties and Agricultural Estate     | 10       |           | 28,508           |           | 30,611           |
| Intangible assets                                 | 12       |           | 110              |           | 227              |
| Long term debtors                                 | 13       |           | 2,211            |           | 2,111            |
| <b>NON-CURRENT ASSETS TOTAL</b>                   |          |           | <u>697,965</u>   |           | <u>712,102</u>   |
| <b>CURRENT ASSETS</b>                             |          |           |                  |           |                  |
| Inventories                                       | 14       | 1,075     |                  | 1,069     |                  |
| Short term debtors (net of impairment provision)  | 15       | 38,338    |                  | 29,322    |                  |
| Short term investments                            | 16       | 0         |                  | 6,014     |                  |
| Cash and cash equivalents                         | 17       | 6,962     |                  | 25,063    |                  |
| Assets held for sale                              | 11       | 4,243     |                  | 3,556     |                  |
| <b>CURRENT ASSETS TOTAL</b>                       |          |           | <u>50,618</u>    |           | <u>65,024</u>    |
| <b>CURRENT LIABILITIES</b>                        |          |           |                  |           |                  |
| Borrowing repayable on demand or within 12 months | 18       | (14,377)  |                  | (2,785)   |                  |
| Short term creditors                              | 19       | (30,674)  |                  | (28,221)  |                  |
| Provision for accumulated absences                | 19       | (2,651)   |                  | (1,891)   |                  |
| Deferred liabilities                              | 42       | (565)     |                  | (580)     |                  |
| Grants receipts in advance                        | 20       | (1,528)   |                  | (858)     |                  |
| Provisions  | 21       | (418)     |                  | (2,492)   |                  |
| <b>CURRENT LIABILITIES TOTAL</b>                  |          |           | <u>(50,213)</u>  |           | <u>(36,827)</u>  |
| <b>NON-CURRENT LIABILITIES</b>                    |          |           |                  |           |                  |
| Long term creditors                               | 19       | (240)     |                  | (2,266)   |                  |
| Long term borrowing                               | 22       | (250,998) |                  | (251,901) |                  |
| Deferred liabilities                              | 42       | (5,386)   |                  | (5,951)   |                  |
| Provisions  | 21       | (994)     |                  | (1,042)   |                  |
| Other long term liabilities                       | 45       | (395,050) |                  | (308,679) |                  |
| Grants receipts in advance                        | 20       | (2,382)   |                  | (2,270)   |                  |
| <b>NON-CURRENT LIABILITIES TOTAL</b>              |          |           | <u>(655,050)</u> |           | <u>(572,109)</u> |
| <b>NET ASSETS</b>                                 |          |           | <u>43,320</u>    |           | <u>168,190</u>   |

## BALANCE SHEET

|  |           | 2017      |         | 2016      |         |
|--|-----------|-----------|---------|-----------|---------|
|  | Note      | £000      | £000    | £000      | £000    |
| <b>USABLE RESERVES</b>                   | <b>23</b> |           |         |           |         |
| Capital receipts reserve                 |           | 10,671    |         | 7,969     |         |
| Capital grants unapplied                 |           | 4,012     |         | 3,336     |         |
| Council fund                             |           | 10,953    |         | 10,144    |         |
| Earmarked reserves                       |           | 20,327    |         | 27,745    |         |
| Housing revenue account                  |           | 1,642     |         | 1,517     |         |
| <b>USABLE RESERVES TOTAL</b>             |           |           | 47,605  |           | 50,711  |
| <br>                                     |           |           |         |           |         |
| <b>UNUSABLE RESERVES</b>                 | <b>24</b> |           |         |           |         |
| Revaluation reserve                      |           | 59,697    |         | 55,016    |         |
| Capital adjustment account               |           | 340,435   |         | 380,112   |         |
| Financial instruments adjustment account |           | (6,814)   |         | (7,177)   |         |
| Pensions reserve                         |           | (395,050) |         | (308,679) |         |
| Deferred capital receipts                |           | 98        |         | 98        |         |
| Accumulated absences account             |           | (2,651)   |         | (1,891)   |         |
| <b>UNUSABLE RESERVES TOTAL</b>           |           |           | (4,285) |           | 117,479 |
| <br>                                     |           |           |         |           |         |
| <b>TOTAL RESERVES</b>                    |           |           | 43,320  |           | 168,190 |

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

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



**CASH FLOW STATEMENT**  
for the year ended 31<sup>st</sup> March 2017

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

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

|  | Note | 2017            |                 | 2016            |               |
|--|------|-----------------|-----------------|-----------------|---------------|
|  |      | £000            | £000            | £000            | £000          |
| Net surplus or (deficit) on the provision of services  |      | (52,260)        |                 | (136,496)       |               |
| Adjustment to surplus or deficit on the provision of services for non-cash movements   |      | 69,098          |                 | 92,716          |               |
| Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities |      | <u>(10,811)</u> |                 | <u>(26,757)</u> |               |
| Net cash flows from operating activities   | 25   |                 | 6,027           |                 | (70,537)      |
| Net cash flows from investing activities   | 26   | (34,245)        |                 | (25,468)        |               |
| Net cash flows from financing activities   | 27   | <u>10,117</u>   |                 | <u>78,389</u>   |               |
| <b>Net increase or decrease in cash and cash equivalents</b>   |      |                 | <u>(24,128)</u> |                 | <u>52,921</u> |
|  |      |                 | (18,101)        |                 | (17,616)      |
| Cash and cash equivalents at the beginning of the reporting period   | 17   |                 | 25,063          |                 | 42,679        |
| <b>Cash and cash equivalents at the end of the reporting period</b>  | 17   |                 | <b>6,962</b>    |                 | <b>25,063</b> |

## NOTES TO THE CORE FINANCIAL STATEMENTS

for the year ended 31<sup>st</sup> March 2017

### INTRODUCTION TO NOTES

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

### 1. NOTE TO EXPENDITURE AND FUNDING ANALYSIS

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

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

| Adjustments from Council Fund / HRA to arrive at CI&ES Amounts                        | 2015/16                                     |   |                              | Total Adjustments<br>£000 |
|---|---|---|------------------------------|---------------------------|
|   | Adjustments for<br>Capital Purposes<br>£000 | Adjustments for<br>Employee Benefit<br>Purposes<br>£000 | Other<br>Adjustments<br>£000 |                           |
|   | a   | b   | c                            |                           |
| Chief Executives  | 0   | (43)  | 0                            | (43)                      |
| Community & Enterprise  | 5,407                                       | (118)   | (2,995)                      | 2,294                     |
| Education & Youth   | 13,802                                      | (2,616)   | (127)                        | 11,059                    |
| Governance  | 1,555                                       | (128)   | (154)                        | 1,273                     |
| Organisational Change   | 5,420                                       | (324)   | 1,265                        | 6,361                     |
| People & Resources  | 58  | (157)   | (1)                          | (100)                     |
| Planning & Environment  | 670   | (149)   | (234)                        | 287                       |
| Social Services   | 336   | (445)   | 1                            | (108)                     |
| Streetscene & Transportation  | 6,526                                       | (406)   | (1,240)                      | 4,880                     |
| Corporate & Central Finance   | 1,145                                       | 832   | (20,888)                     | (18,911)                  |
| Housing revenue account (HRA)   | 140,753                                     | (124)   | (16,746)                     | 123,883                   |
| Theatre Clwyd   | 0   | (23)  | 1                            | (22)                      |
| <b>Cost of services</b>   | <b>175,672</b>                              | <b>(3,701)</b>  | <b>(41,118)</b>              | <b>130,853</b>            |
| Other Income and Expenditure from the EFA   | (24,695)                                    | 10,828  | 16,659                       | 2,792                     |
| <b>Differences between CF / HRA surplus / deficit and CI&amp;ES surplus / deficit</b> | <b>150,977</b>                              | <b>Tudalen 34</b>                                       | <b>(24,459)</b>              | <b>133,645</b>            |

## NOTES TO THE CORE FINANCIAL STATEMENTS

### **a. Adjustments for Capital Purposes**

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

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

### **b. Adjustments for Employee Benefit Purposes**

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

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

### **c. Other Adjustments**

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 2. SEGMENTAL INCOME AND EXPENDITURE

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

| 2016/17  | CE<br>£000 | C&E<br>£000 | E&Y<br>£000 | Gov<br>£000 | OC<br>£000 | P&R<br>£000 | P&E<br>£000 | SS<br>£000 | S&T<br>£000 | Central and<br>Corporate |                         |             | Total<br>£000 |
|--|------------|-------------|-------------|-------------|------------|-------------|-------------|------------|-------------|--------------------------|-------------------------|-------------|---------------|
|  |            |             |             |             |            |             |             |            |             | Finance<br>£000          | Theatr<br>Clwyd<br>£000 | HRA<br>£000 |               |
| Revenues from<br>External Customers                            | (16)       | (3,124)     | (2,326)     | (560)       | (10,953)   | (331)       | (1,859)     | (9,611)    | (7,469)     | (695)                    | (2,250)                 | (31,809)    | (71,003)      |
| Revenues from<br>Transactions with other<br>Operating Segments | 0          | (95)        | (3,455)     | (935)       | (3,772)    | (7)         | (164)       | (153)      | (934)       | 0                        | (41)                    | 0           | (9,556)       |
| Interest Revenues  | 0          | 0           | 0           | 0           | 0          | 0           | 0           | 0          | 0           | (224)                    | 0                       | 0           | (224)         |
| Interest Expense   | 0          | 0           | 0           | 0           | 0          | 0           | 0           | 0          | 0           | 7,774                    | 0                       | 4,815       | 12,589        |

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

### 3. INCOME AND EXPENDITURE ANALYSED BY NATURE

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

| Nature of Expenses                                     | 2016/17<br>£000  | 2015/16<br>£000  |
|--|------------------|------------------|
| <b>Expenditure</b>                                     |                  |                  |
| Employee Benefit Expenses                              | 177,470          | 175,937          |
| Other Service Expenses                                 | 201,385          | 279,602          |
| Depreciation, Amortisation & Impairment                | 78,524           | 90,270           |
| Interest Payments                                      | 13,401           | 13,727           |
| Precept and Levies                                     | 24,684           | 24,116           |
| Gain or loss on disposal of fixed assets               | (2,089)          | (1,084)          |
| <b>Total Expenditure</b>                               | <b>493,375</b>   | <b>582,568</b>   |
| <b>Income</b>  |                  |                  |
| Fees, Charges and Other Service Income                 | (70,078)         | (65,939)         |
| Grants and Contributions                               | (237,687)        | (250,708)        |
| Interest and Investment Income                         | (2,153)          | (4,194)          |
| Income from Council Tax and Non-Domestic Rates         | (131,197)        | (125,231)        |
| <b>Total Income</b>                                    | <b>(441,115)</b> | <b>(446,072)</b> |
| <b>Surplus or Deficit on the Provision of Services</b> | <b>52,260</b>    | <b>136,496</b>   |

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## NOTES TO THE CORE FINANCIAL STATEMENTS

### 4. OTHER OPERATING EXPENDITURE

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

### 5. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

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

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

### 6. LOCAL TAXATION AND NON-SPECIFIC GRANT INCOME

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

#### Council Tax

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

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

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

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

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

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

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

### Analysis of the net proceeds from Council tax:

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

### Non-Domestic Rates (NDR)

NDR is organised on a national basis. The government sets the rate poundage which in 2016/17 was 48.6p for all properties (48.2p in 2015/16). The Council is responsible for collecting the rates in its area, which are paid into the NDR pool administered by the Welsh Government.

The Welsh Government distributes NDR pool receipts to local authorities on the basis of a fixed amount per head of population. 2016/17 NDR income paid into the pool was £65,805k after relief and provisions (£65,423k in 2015/16), based on a year end rateable value total of £154,991k (£153,286k in 2015/16).

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Analysis of the net proceeds from non-domestic rates:

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

## 7. MATERIAL ITEMS OF INCOME AND EXPENDITURE

### HRA Settlement Payment – 2015/16

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

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

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

### HRA Valuations – Dwellings – 2015/16

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 8. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

|   | Usable Reserves      |                         |                          |                          | Unusable Reserves |
|---|----------------------|-------------------------|--------------------------|--------------------------|-------------------|
|   | Council Fund Balance | Housing Revenue Account | Capital Receipts Reserve | Capital Grants Unapplied |                   |
|   | £000                 | £000                    | £000                     | £000                     | £000              |
| <b>2016/17</b>  |                      |                         |                          |                          |                   |
| <b>Adjustments involving the Capital Adjustment Account:</b>  |                      |                         |                          |                          |                   |
| <b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES):</b>  |                      |                         |                          |                          |                   |
| Charges for depreciation and impairment of non current assets   | 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)           |
| <b>Inclusion of items not debited or credited to the CIES:</b>  |                      |                         |                          |                          |                   |
| 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            |
| <b>Adjustments involving the Capital Grants Unapplied Account:</b>  |                      |                         |                          |                          |                   |
| Capital grants and contributions unapplied credited to CIES   | (17,780)             | 0                       | 0                        | 17,780                   | 0                 |
| <b>Adjustments involving the Capital Receipts Reserve:</b>  |                      |                         |                          |                          |                   |
| Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES   | (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             |
| <b>Adjustments involving the Financial Instruments Adjustment Account:</b>  |                      |                         |                          |                          |                   |
| Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements                           | (362)                | (3)                     | 0                        | 0                        | 365               |
| <b>Adjustments involving the Pensions Reserve:</b>  |                      |                         |                          |                          |                   |
| 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            |
| <b>Adjustment involving the Accumulated Absences Account:</b>   |                      |                         |                          |                          |                   |
| Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | 759                  | 1                       | 0                        | 0                        | (760)             |
| <b>Adjustments involving the Deferred Capital Receipts Account:</b>   |                      |                         |                          |                          |                   |
| Transfer from CIES to deferred Capital Receipts Reserve   | 0                    | 0                       | 0                        | 0                        | 0                 |
| <b>Adjustments between accounting basis &amp; funding basis under regulations</b>   | <b>30,302</b>        | <b>15,474</b>           | <b>2,702</b>             | <b>676</b>               | <b>(49,154)</b>   |



## NOTES TO THE CORE FINANCIAL STATEMENTS

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 9. PROPERTY PLANT AND EQUIPMENT

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

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

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

#### Movements 2016/17

|  | Council<br>Dwellings<br>& Garages | Other Land<br>&<br>Buildings | Vehicles,<br>Plant,<br>Furniture &<br>Equipment | Surplus<br>Assets | Infrastructure<br>Assets | Community<br>Assets | Assets under<br>Construction | Total            |
|--|-----------------------------------|------------------------------|---|-------------------|--------------------------|---------------------|------------------------------|------------------|
|  | £000                              | £000                         | £000  | £000              | £000                     | £000                | £000                         | £000             |
| <b>Cost or Valuation</b>   |                                   |                              |   |                   |                          |                     |                              |                  |
| 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                                 | (66)                         | (3,287)   |                   | 0                        | 0                   | 0                            | (3,353)          |
| 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   | <b>267,720</b>                    | <b>325,860</b>               | <b>28,201</b>                                   | <b>9,116</b>      | <b>225,505</b>           | <b>4,721</b>        | <b>3,789</b>                 | <b>864,912</b>   |
| <b>Accumulated Depreciation and Impairment</b>   |                                   |                              |   |                   |                          |                     |                              |                  |
| As At 1st April, 2016  | (26,190)                          | (42,303)                     | (12,544)  | (27)              | (68,559)                 | 0                   | 0                            | (149,623)        |
| Depreciation charge  | (5,050)                           | (10,315)                     | (2,940)   | (61)              | (5,714)                  | 0                   | 0                            | (24,080)         |
| Depreciation written out to the Revaluation Reserve  | 16                                | 3,896                        | 0   | 84                | 0                        | 0                   | 0                            | 3,996            |
| Depreciation written out to the Surplus/Deficit on the Provision of Services                       | 0                                 | 224                          | 94  | 0                 | 0                        | 0                   | 0                            | 318              |
| Impairments written out to the Revaluation Reserve   | 0                                 | (260)                        | 0   | 72                | 0                        | 0                   | 0                            | (188)            |
| Impairments recognised in the Revaluation Reserve  | 0                                 | (4,094)                      | 0   | (2)               | 0                        | 0                   | 0                            | (4,096)          |
| Reversal of Impairments recognised in the Surplus/Deficit  | 0                                 | 2,167                        | 0   | 121               | 0                        | 0                   | 0                            | 2,288            |
| Impairments written out to Surplus/Deficit on the Provision of Services                            | 0                                 | 97                           | 0   | (121)             | 0                        | 0                   | 0                            | (24)             |
| Impairments recognised in the Surplus/Deficit on the Provision of Services                         | (25,584)                          | (3,938)                      | (180)   | (18)              | 0                        | 0                   | 0                            | (29,720)         |
| Assets Derecognised  | 0                                 | 66                           | 3,287   | 0                 | 0                        | 0                   | 0                            | 3,353            |
| Assets reclassified (to)/from Held for Sale  | 0                                 | 156                          | 0   | (156)             | 0                        | 0                   | 0                            | 0                |
| At 31st March 2017   | <b>(56,808)</b>                   | <b>(54,304)</b>              | <b>(12,283)</b>                                 | <b>(108)</b>      | <b>(74,273)</b>          | <b>0</b>            | <b>0</b>                     | <b>(197,776)</b> |
| Balance Sheet at 31st March 2017   | <b>210,912</b>                    | <b>271,556</b>               | <b>15,918</b>                                   | <b>9,008</b>      | <b>151,232</b>           | <b>4,721</b>        | <b>3,789</b>                 | <b>667,136</b>   |
| Balance Sheet at 1st April 2016  | <b>216,186</b>                    | <b>259,962</b>               | <b>14,961</b>                                   | <b>8,694</b>      | <b>153,549</b>           | <b>4,711</b>        | <b>21,089</b>                | <b>679,152</b>   |
| <b>Nature of Asset Holding</b>   |                                   |                              |   |                   |                          |                     |                              |                  |
| 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   | <b>210,912</b>                    | <b>271,556</b>               | <b>15,918</b>                                   | <b>9,008</b>      | <b>151,232</b>           | <b>4,721</b>        | <b>3,789</b>                 | <b>667,136</b>   |

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Movements 2015/16

|  | Council<br>Dwellings<br>& Garages | Other<br>Land &<br>Buildings | Vehicles,<br>Plant,<br>Furniture &<br>Equipment | Surplus<br>Assets | Infrastructure<br>Assets | Community<br>Assets | Assets under<br>Construction | Total            |
|--|-----------------------------------|------------------------------|---|-------------------|--------------------------|---------------------|------------------------------|------------------|
|  | £000                              | £000                         | £000  | £000              | £000                     | £000                | £000                         | £000             |
| <b>Cost or Valuation</b>   |                                   |                              |   |                   |                          |                     |                              |                  |
| At 1st April, 2015   | 305,413                           | 307,228                      | 27,252  | 7,946             | 219,685                  | 4,543               | 3,771                        | 875,838          |
| Additions and Acquisitions   | 21,130                            | 4,467                        | 2,046   | 4                 | 2,423                    | 168                 | 17,386                       | 47,624           |
| Revaluation increases / (decreases) recognised in the Revaluation Reserve                          | 442                               | (1,407)                      | 0   | 166               | 0                        | 0                   | 0                            | (799)            |
| Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services | (84,143)                          | (3,497)                      | 0   | (2,802)           | 0                        | 0                   | 0                            | (90,442)         |
| Assets Derecognised  | 0                                 | (1,822)                      | (1,792)   | 0                 | 0                        | 0                   | 0                            | (3,614)          |
| Reclassifications  | (466)                             | (3,286)                      | 0   | 2,717             | 0                        | 0                   | 0                            | (1,035)          |
| Other movements in cost or valuation   | 0                                 | 583                          | 0   | 688               | 0                        | 0                   | (68)                         | 1,203            |
| At 31st March 2016   | <u>242,376</u>                    | <u>302,266</u>               | <u>27,506</u>                                   | <u>8,719</u>      | <u>222,108</u>           | <u>4,711</u>        | <u>21,089</u>                | <u>828,775</u>   |
| <b>Accumulated Depreciation and Impairment</b>   |                                   |                              |   |                   |                          |                     |                              |                  |
| As At 1st April, 2015  | (49,067)                          | (35,532)                     | (10,980)  | (520)             | (62,904)                 | 0                   | 0                            | (159,003)        |
| Depreciation charge  | (5,060)                           | (8,734)                      | (3,357)   | (23)              | (5,655)                  | 0                   | 0                            | (22,829)         |
| Depreciation written out to the Revaluation Reserve  | 35                                | 1,181                        | 0   | 8                 | 0                        | 0                   | 0                            | 1,224            |
| Depreciation written out to the Surplus/Deficit on the Provision of Services                       | 20,691                            | 161                          | 0   | 304               | 0                        | 0                   | 0                            | 21,156           |
| Impairments written out to the Revaluation Reserve   | 28                                | 105                          | 0   | (8)               | 0                        | 0                   | 0                            | 125              |
| Impairments recognised in the Revaluation Reserve  | 0                                 | (1,352)                      | 0   | 0                 | 0                        | 0                   | 0                            | (1,352)          |
| Reversal of Impairments recognised in the Surplus/Deficit  | 0                                 | 650                          | 0   | 36                | 0                        | 0                   | 0                            | 686              |
| Impairments written out to Surplus/Deficit on the Provision of Services                            | 28,313                            | 1,977                        | 0   | 377               | 0                        | 0                   | 0                            | 30,667           |
| Impairments recognised in the Surplus/Deficit on the Assets Derecognised                           | (21,130)                          | (2,777)                      | 0   | (4)               | 0                        | 0                   | 0                            | (23,911)         |
| Assets Derecognised  | 0                                 | 1,822                        | 1,793   | 0                 | 0                        | 0                   | 0                            | 3,615            |
| Assets reclassified (to)/from Held for Sale  | 0                                 | 196                          | 0   | (196)             | 0                        | 0                   | 0                            | 0                |
| At 31st March 2016   | <u>(26,190)</u>                   | <u>(42,303)</u>              | <u>(12,544)</u>                                 | <u>(26)</u>       | <u>(68,559)</u>          | <u>0</u>            | <u>0</u>                     | <u>(149,622)</u> |
| Balance Sheet at 31st March 2016   | <u>216,186</u>                    | <u>259,963</u>               | <u>14,962</u>                                   | <u>8,693</u>      | <u>153,549</u>           | <u>4,711</u>        | <u>21,089</u>                | <u>679,153</u>   |
| Balance Sheet at 1st April 2015  | <u>256,346</u>                    | <u>271,696</u>               | <u>16,272</u>                                   | <u>7,426</u>      | <u>156,781</u>           | <u>4,543</u>        | <u>3,771</u>                 | <u>716,835</u>   |
| <b>Nature of Asset Holding</b>   |                                   |                              |   |                   |                          |                     |                              |                  |
| Owned  | 216,186                           | 259,963                      | 9,091   | 8,693             | 153,549                  | 4,711               | 21,089                       | 673,282          |
| Finance Lease  | 0                                 | 0                            | 5,871   | 0                 | 0                        | 0                   | 0                            | 5,871            |
| At 31st March 2016   | <u>216,186</u>                    | <u>259,963</u>               | <u>14,962</u>                                   | <u>8,693</u>      | <u>153,549</u>           | <u>4,711</u>        | <u>21,089</u>                | <u>679,153</u>   |

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Fair Value Measurement of Surplus Assets

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

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

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

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

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 10. INVESTMENT PROPERTIES AND AGRICULTURAL ESTATE

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

#### Fair Value Measurement of Investment Property

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

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

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

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

#### Significant Observable Inputs – Level 2

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

#### Significant Unobservable Inputs – Level 3

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

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

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

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

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 11. ASSETS HELD FOR SALE

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

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

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

### Significant Unobservable Inputs – Level 3

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

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

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

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

## 12. INTANGIBLE ASSETS

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

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



## NOTES TO THE CORE FINANCIAL STATEMENTS

### 13. LONG TERM DEBTORS

|                                | <b>2017</b>  | <b>2016</b>  |
|--------------------------------|--------------|--------------|
|                                | <b>£000</b>  | <b>£000</b>  |
| Other entities and individuals | 2,211        | 2,111        |
| <b>Total</b>                   | <b>2,211</b> | <b>2,111</b> |

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

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

### 14. INVENTORIES

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

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

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

|   | <b>2017</b>  | <b>2016</b>  |
|---|--------------|--------------|
|   | <b>£000</b>  | <b>£000</b>  |
| Highways maintenance                                    | 476          | 474          |
| Fleet fuel, grounds maintenance and vehicle maintenance | 910          | 802          |
| <b>Total</b>  | <b>1,386</b> | <b>1,276</b> |

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 15. SHORT TERM DEBTORS

|  | 2017    | 2016    |
|--|---------|---------|
|  | £000    | £000    |
| Central government bodies                      | 16,231  | 12,790  |
| Other local authorities                        | 1,771   | 2,546   |
| NHS bodies                                     | 2,513   | 1,654   |
| Public corporations and trading funds          | 0       | 389     |
| Other entities and individuals                 | 17,492  | 11,580  |
| Council tax                                    | 2,714   | 2,767   |
|  | 40,721  | 31,726  |
| Less provision for impairment losses (note 21) | (2,383) | (2,404) |
| Total  | 38,338  | 29,322  |

### 16. SHORT TERM INVESTMENTS

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

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

### 17. CASH AND CASH EQUIVALENTS

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

### 18. BORROWING REPAYABLE ON DEMAND OR WITHIN 12 MONTHS

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 19. CREDITORS

|                                       | 2017          | 2016          |
|---------------------------------------|---------------|---------------|
|                                       | £000          | £000          |
| <b>Short Term</b>                     |               |               |
| Central government bodies             | 8,009         | 3,993         |
| Other local authorities               | 1,449         | 2,622         |
| NHS bodies                            | 596           | 354           |
| Public corporations and trading funds | 1             | 19            |
| Other entities and individuals        | 20,619        | 21,233        |
| <b>Total</b>                          | <u>30,674</u> | <u>28,221</u> |
| <b>Long Term</b>                      |               |               |
| Central government bodies             | 0             | 1,719         |
| Other local authorities               | 0             | 250           |
| Other entities and individuals        | 240           | 297           |
| <b>Total</b>                          | <u>240</u>    | <u>2,266</u>  |

### 20. GRANT INCOME

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

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

\*Included in Revenue Support Grant 17/18

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

### Grants and Contributions Received in Advance

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 21. PROVISIONS

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

|  | 2017       | Movement<br>Out | Movement<br>In | 2016         |
|--|------------|-----------------|----------------|--------------|
|  | £000       | £000            | £000           | £000         |
| <b>Current Liabilities</b>                 |            |                 |                |              |
| Single Status / Equal pay                  | 0          | (368)           | 0              | 368          |
| MMI Scheme of Arrangement                  | 0          | (396)           | 0              | 396          |
| Aftercare of former landfill sites         | 43         | (1)             | 0              | 44           |
| Employee Termination Benefits              | 336        | (465)           | 336            | 465          |
| Employment Tribunals                       | 39         | 0               | 39             | 0            |
| Orphaned Site - Sandycroft                 | 0          | (1,219)         | 0              | 1,219        |
| <b>Total</b>                               | <b>418</b> | <b>(2,449)</b>  | <b>375</b>     | <b>2,492</b> |
| <b>Non-Current Liabilities</b>             |            |                 |                |              |
| Claims (Employees)                         | 0          | (9)             | 0              | 9            |
| Aftercare of former landfill sites         | 989        | (277)           | 233            | 1,033        |
| Remediation works at former landfill sites | 5          | 0               | 5              | 0            |
| <b>Total</b>                               | <b>994</b> | <b>(286)</b>    | <b>238</b>     | <b>1,042</b> |

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

### Current Provisions – Accumulated Absences

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

|                      | 2017<br>£000 | Movement<br>Out<br>£000 | Movement<br>In<br>£000 | 2016<br>£000 |
|----------------------|--------------|-------------------------|------------------------|--------------|
| Accumulated absences | 2,651        | 0                       | 760                    | 1,891        |
| Total                | 2,651        | 0                       | 760                    | 1,891        |

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

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

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 22. LONG TERM BORROWING

| Analysis                          | Interest Rates |               | 2017           | 2016           |
|-----------------------------------|----------------|---------------|----------------|----------------|
|                                   | Minimum %      | Maximum %     | £000           | £000           |
| <b>By Loan Type (Fixed Rate)</b>  |                |               |                |                |
| Salix Finance (Energy Efficiency) |                | Interest Free | 377            | 81             |
| Government (PWLB)                 | 0.39           | 9.50          | 230,810        | 232,410        |
| Other financial institutions      | 4.48           | 4.58          | 18,950         | 18,950         |
| Welsh Government                  |                | Interest Free | 860            | 460            |
| Total                             |                |               | <u>250,997</u> | <u>251,901</u> |
| <b>By Maturity</b>                |                |               |                |                |
| Between 1 and 2 years             |                |               | 105            | 1,654          |
| Between 2 and 5 years             |                |               | 13,362         | 10,027         |
| Between 5 and 10 years            |                |               | 14,129         | 14,430         |
| More than 10 years                |                |               | 223,401        | 225,790        |
| Total                             |                |               | <u>250,997</u> | <u>251,901</u> |

### 23. USABLE RESERVES

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

#### **Council Fund**

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

#### **Housing Revenue Account**

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

#### **Capital Receipts Reserve**

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

#### **Capital Grants Unapplied**

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Earmarked Reserves

Total earmarked reserves of £20,327k (£27,745k in 2015/16) include:

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



## NOTES TO THE CORE FINANCIAL STATEMENTS

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

|                                     | Balance at<br>31 March 2015 | Transfers<br>Out 2015/16 | Transfers<br>In 2015/16 | Balance at<br>31 March 2016 | Transfers<br>Out 2016/17 | Transfers<br>In 2016/17 | Balance at<br>31 March 2017 |
|-------------------------------------|-----------------------------|--------------------------|-------------------------|-----------------------------|--------------------------|-------------------------|-----------------------------|
|                                     | £000                        | £000                     | £000                    | £000                        | £000                     | £000                    | £000                        |
| Service balances                    | 4,081                       | (4,150)                  | 3,799                   | 3,730                       | (3,545)                  | 1,228                   | 1,413                       |
| School balances                     | 2,379                       | (3,054)                  | 2,981                   | 2,306                       | (4,139)                  | 3,389                   | 1,556                       |
| Single status/equal pay             | 12,864                      | (5,796)                  | 481                     | 7,549                       | (3,223)                  | 159                     | 4,485                       |
| Investment in Organisational Change | 5,522                       | (5,027)                  | 774                     | 1,269                       | (541)                    | 210                     | 938                         |
| Budget Strategy                     | 0                           | (1,000)                  | 5,460                   | 4,460                       | (1,575)                  | 7                       | 2,892                       |
| Benefits equalisation               | 213                         | (111)                    | 91                      | 193                         | (108)                    | 34                      | 119                         |
| County elections                    | 154                         | (32)                     | 72                      | 194                         | (186)                    | 130                     | 138                         |
| Supporting people                   | 1,511                       | (679)                    | 0                       | 832                         | (445)                    | 0                       | 387                         |
| Community equipment store           | 179                         | (179)                    | 0                       | 0                           | 0                        | 0                       | 0                           |
| Unitary Development Plan (UDP)      | 0                           | (4)                      | 651                     | 647                         | (177)                    | 10                      | 480                         |
| Building control                    | 98                          | (7)                      | 0                       | 91                          | (30)                     | 61                      | 122                         |
| Waste disposal                      | 399                         | (28)                     | 0                       | 371                         | (337)                    | 278                     | 312                         |
| Countryside                         | 191                         | (202)                    | 11                      | 0                           | 0                        | 0                       | 0                           |
| Flintshire Enterprise Ltd           | 97                          | (24)                     | 0                       | 73                          | (6)                      | 0                       | 67                          |
| Design fees                         | 120                         | (120)                    | 200                     | 200                         | 0                        | 0                       | 200                         |
| Winter maintenance                  | 250                         | 0                        | 0                       | 250                         | (35)                     | 0                       | 215                         |
| Car Parking                         | 217                         | (147)                    | 16                      | 86                          | (60)                     | 0                       | 26                          |
| Insurance Reserves                  | 796                         | (685)                    | 1,110                   | 1,221                       | (585)                    | 835                     | 1,471                       |
| Cash Receipting Review              | 0                           | 0                        | 241                     | 241                         | (163)                    | 1                       | 79                          |
| Flintshire Trainees                 | 0                           | 0                        | 0                       | 0                           | 0                        | 398                     | 398                         |
| Kitchen Refurbishment               | 0                           | 0                        | 0                       | 0                           | 0                        | 110                     | 110                         |
| Rent Income Shortfall               | 0                           | 0                        | 0                       | 0                           | 0                        | 300                     | 300                         |
| Schools Kitchen Ventilation         | 0                           | 0                        | 0                       | 0                           | 0                        | 200                     | 200                         |
| Customer Service Strategy           | 0                           | 0                        | 0                       | 0                           | 0                        | 129                     | 129                         |
| Capita One                          | 0                           | 0                        | 0                       | 0                           | 0                        | 109                     | 109                         |
| PSBA                                | 0                           | 0                        | 0                       | 0                           | 0                        | 530                     | 530                         |
| Supervision Fees                    | 0                           | 0                        | 0                       | 0                           | 0                        | 141                     | 141                         |
| Transportation Review               | 0                           | 0                        | 0                       | 0                           | 0                        | 170                     | 170                         |
| LMS Curriculum                      | 1,161                       | (1,027)                  | 1,161                   | 1,295                       | (1,034)                  | 524                     | 785                         |
| Grants & Contributions              | 0                           | 0                        | 2,737                   | 2,737                       | (821)                    | 639                     | 2,555                       |
| <b>Total</b>                        | <b>30,232</b>               | <b>(22,272)</b>          | <b>19,785</b>           | <b>27,745</b>               | <b>(17,010)</b>          | <b>9,592</b>            | <b>20,327</b>               |

### 24. UNUSABLE RESERVES

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Revaluation Reserve

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

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

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Pensions Reserve

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

The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement - the benefits are earned by employees accruing years of service. The liabilities recognised in the accounts are updated to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

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

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

### Accumulated Absences Account

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

|   | <b>2017</b>    |                | <b>2016</b>    |                |
|---|----------------|----------------|----------------|----------------|
|   | <b>£000</b>    | <b>£000</b>    | <b>£000</b>    | <b>£000</b>    |
| Balance at 1st April  |                | (1,891)        |                | (3,296)        |
| Settlement or cancellation of accrual made at the end of the preceding year   | 1,891          |                | 3,296          |                |
| Amounts accrued at the end of the current year  | <u>(2,651)</u> |                | <u>(1,891)</u> |                |
| Amount by which officer remuneration charged to the comprehensive income and expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements |                | (760)          |                | 1,405          |
| Balance at 31st March   |                | <u>(2,651)</u> |                | <u>(1,891)</u> |

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Capital Adjustment Account

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

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

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Financial Instruments Adjustment Account

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

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

### Deferred Capital Receipts

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

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

## 25. CASH FLOW STATEMENT - OPERATING ACTIVITIES

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 26. CASH FLOW STATEMENT - INVESTING ACTIVITIES

|  | 2017<br>£000    | 2016<br>£000    |
|--|-----------------|-----------------|
| Purchase of property, plant & equipment, investment property and intangible assets               | (50,997)        | (48,108)        |
| Purchase of short term and long term investments   | 0               | (4,000)         |
| Other payments for investing activities  | (109)           | (196)           |
| Proceeds from the sale of property, plant & equipment, investment property and intangible assets | 5,031           | 3,271           |
| Proceeds from short term and long term investments   | (6,000)         | (4,000)         |
| Other receipts from investing activities   | 17,830          | 27,565          |
| <b>Net cash flows from investing activities</b>  | <b>(34,245)</b> | <b>(25,468)</b> |

### 27. CASH FLOW STATEMENT - FINANCING ACTIVITIES

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

### 28. OFFICERS' REMUNERATION

#### Senior Employee Emoluments

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Exit Packages

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

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

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

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

### 29. MEMBERS' ALLOWANCES

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

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

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



## NOTES TO THE CORE FINANCIAL STATEMENTS

The allowances paid fall into the following bands :-

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

### 30. RELATED PARTIES

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

#### Welsh and Central Government

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

#### Members

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

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

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

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

A Member has submitted a 'Candidate Site' for inclusion within the Local Development Plan. The Council undertook a 'Call for Candidate Sites' whereby any interested persons could put forward land to be considered by the Council as potential sites for inclusion within the Plan. There is no guarantee that the site will be included within 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 2016/17 are as follows:

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

### Community Asset Transfer (CAT)

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

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

### Other Public Bodies

#### Clwyd Pension Fund

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

#### Teachers Pensions Agency

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

#### North Wales Police and Crime Commissioner and North Wales Fire Authority

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

#### Community / Town Councils

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Betsi Cadwaladr University Local Health Board:

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

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

### Welsh Joint Education Committee:

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

### Welsh Local Government Association:

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

## 31. AUDIT FEES

Total audit and inspection fees due during the year amounted to £361k (£394k in 2015/16). External audit services were provided by Wales Audit Office.

|                                       | 2017       | 2016       |
|---------------------------------------|------------|------------|
|                                       | £000       | £000       |
| Fees for the Statement of Accounts    | 216        | 219        |
| Fees for the Local Government Measure | 92         | 103        |
| Fees for grants                       | 53         | 72         |
|                                       | <u>361</u> | <u>394</u> |

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 32. AGENCY SERVICES

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

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

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

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

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

### 33. NATIONAL HEALTH SERVICES (WALES) ACT 2006

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

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

#### Contribution to Budget

Flintshire County Council

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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

|                                | <b>Gross<br/>£000</b> | <b>Net<br/>£000</b> | <b>%</b> |
|--------------------------------|-----------------------|---------------------|----------|
| Flintshire County Council      | 508                   | 498                 | 50.25    |
| Wrexham County Borough Council | 503                   | 493                 | 49.75    |
|                                | 1,011                 | 991                 | 100.00   |

### 34. JOINT ARRANGEMENTS

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

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

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

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

|                                  | 2017        | 2016        |                                       | <b>FCC Share</b> |             |
|----------------------------------|-------------|-------------|---------------------------------------|------------------|-------------|
|                                  | <b>£000</b> | <b>£000</b> |                                       | <b>£000</b>      | <b>£000</b> |
| <b>Gross Expenditure</b>         |             |             | <b>Expenditure - allocation basis</b> |                  |             |
| NWRWTP                           | 413         | 288         | Equal shares                          | 83               | 58          |
| GWE                              |             | 14,073      | Pro rata to pupil population          | 0                | 3,168       |
| Clwydian Range & Dee Valley AONB | 498         | 465         | Management costs - equal shares       | 50               | 27          |
|                                  |             |             | Activity costs - geographical area    |                  |             |

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 35. OTHER FUNDS ADMINISTERED BY THE AUTHORITY

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

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

The Social Services portfolio - Social Services for Adults Section maintain individual bank accounts for service users living in the community who are unable to cope with their financial affairs; individual members of the Deputyship team are approved to act as corporate appointee with the Department for Work and Pensions for each service user. The total amount held by the Council at 31<sup>st</sup> March 2017 was £3,912k in 408 separate accounts (£4,148k in 415 accounts in 2015/16).

### 36. CONTINGENT LIABILITIES

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

### 37. CONTINGENT ASSETS

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

## NOTES TO THE CORE FINANCIAL STATEMENT

### 38. CRITICAL JUDGEMENTS AND ASSUMPTIONS MADE

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

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

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

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

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

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

### 39. PROVISION FOR REPAYMENT OF EXTERNAL LOANS

Section 22 of the Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2008 requires the Authority to set aside a minimum revenue provision (MRP) in respect of the financing of capital expenditure incurred in that year or in any financial year prior to that year. The amounts set aside in 2016/17 were as follows:-

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



## NOTES TO THE CORE FINANCIAL STATEMENTS

### 40. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

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

### 41. FUTURE CAPITAL COMMITMENTS

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 42. LEASING

#### Lessee Rentals

##### Finance Leases

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

|                               | 2017        | 2016        |
|-------------------------------|-------------|-------------|
| <b>Asset Classification</b>   | <b>£000</b> | <b>£000</b> |
| Vehicles, plant and equipment | 5,238       | 5,871       |

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property, plant and equipment acquired by the Council, and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts of which £565k is due to be paid during the next 12 months (£580k equivalent for the previous financial year).

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

Minimum lease payments - the lowest amount that a lessee can expect to pay on a lease over its lifetime

Finance lease liabilities - the capital element of the minimum lease payments

Finance costs - the interest element of the minimum lease payments

The minimum lease payments and finance lease liabilities will be payable over the following periods:

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

##### Operating Leases

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

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

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

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

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

### Lessor Rentals

### Operating Leases

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

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

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

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

### Finance Leases

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

### 43. ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 44. FINANCIAL INSTRUMENTS

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

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

Short term Creditors (note 19) includes a further £5,980k (2015/16 £2,120k) that does not meet the definition of a trade payable.

Short term Debtors (note 15) includes a further £16,277k (2015/16 £1,968k) that does not meet the definition of a trade receivable.

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

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

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## NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

### 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 31<sup>st</sup> March 2017, using the following methods and assumptions:

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

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

|                              | Fair Value Level | 2017            |                | 2016            |                |
|------------------------------|------------------|-----------------|----------------|-----------------|----------------|
|                              |                  | Carrying Amount | Fair Value     | Carrying Amount | Fair Value     |
|                              |                  | £000            | £000           | £000            | £000           |
| <b>Financial Liabilities</b> |                  |                 |                |                 |                |
| PWLB                         | 2                | 232,410         | 353,933        | 232,410         | 320,864        |
| LOBOs                        | 2                | 18,950          | 29,163         | 18,950          | 26,380         |
| Lease payables               | 3                | 5,951           | 5,432          | 6,531           | 5,653          |
|                              |                  | <u>257,311</u>  | <u>388,528</u> | <u>257,891</u>  | <u>352,897</u> |
| <b>Financial Assets</b>      |                  |                 |                |                 |                |
| Certificates of Deposits     | 2                | <u>0</u>        | <u>0</u>       | <u>3,006</u>    | <u>3,008</u>   |

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

### **Disclosure of Nature and Extent of Risks Arising from Financial Instruments**

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

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

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

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

### **Risk - Liabilities**

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

- PWLB – The majority of this debt is fixed rate, hence there is interest rate risk. If rates fall in the future, the Council will be paying higher than the current market rate, however, it is considered more beneficial to have budget certainty on future payments of interest in a low interest rate environment; as at 31<sup>st</sup> March 2017, 4.3% of PWLB debt was variable rate, reducing the interest rate risk but increasing budget uncertainty. There is an option in the Treasury Management Strategy to have 35% variable debt if deemed appropriate. Liquidity risk is managed through the debt maturity profile and a prudential indicator which does not allow any more than 10% of debt to reach maturity in any one year.
- LOBOs - All LOBOs have a fixed rate of interest for a period of between 12 and 23 months followed by a further fixed rate for the period of the loan, however the loan can be recalled by the lender after a certain fixed period of time. LOBOs are used because they have an interest rate lower than PWLB and this is balanced against the risks of rates rising and the loan having to be repaid which results in re-financing risk at a time of higher interest rates. The amount of LOBOs is restricted to 35% of long term borrowing.

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Risk - Loans and Receivables

#### Long Term Investments -

- Investments of more than 1 year are referred to as non-specified investments because of the additional interest rate risk. There is a limit of £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<br>50 years  |               |                |            |                      |                |
| AAA                       | £2m  | £2m           | £2m            | £2m        |                      |                |
| AA+                       | 5 years  | 5 years       | 25 years       | 5 years    |                      |                |
| AA                        | £2m  | £2m           | £2m            | £2m        | £2m<br>10 years      |                |
|                           | 4 years  | 4 years       | 15 years       | 4 years    |                      |                |
| AA-                       | £2m  | £2m           | £2m            | £2m        |                      |                |
|                           | 3 years  | 3 years       | 10 years       | 3 years    |                      |                |
| A+                        | £2m  | £2m           | £2m<br>5 years | £2m        |                      |                |
|                           | 2 years  | 2 years       |                | 2 years    |                      |                |
| A                         | £2m  | £2m           |                | £2m        | £2m                  | £2m<br>5 years |
|                           | 1 year   | 1 year        |                | 1 year     |                      |                |
| A-                        | £2m  | £2m           |                | £2m        |                      |                |
|                           | 6 months   | 6 months      |                | 6 months   |                      |                |
| Pooled Funds              | £3m per fund   |               |                |            |                      |                |
| BBB-                      | The Council is restricted to overnight deposits at its' own current account bank with a limit of £5m where the banks lowest credit rating is BBB+, BBB or BBB- (or equivalent)   |               |                |            |                      |                |
| Unrated Local Authorities | £3m<br>2 years   |               |                |            |                      |                |
| Unrated Other             | The Council may invest in any other unrated organisation, subject to:<br>· an external credit assessment and specific advice from the Authority's treasury management adviser (£1m each / 1 year limit)<br>· a further policy framework for investing with any other organisations being developed (£100k each / 5 year limit) |               |                |            |                      |                |

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

#### Bonds -

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Other Receivables -

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

## 45. PENSIONS

### Pensions - Teachers

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

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

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

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

### Pensions - Other Employees

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

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

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

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

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



## NOTES TO THE CORE FINANCIAL STATEMENTS

### Transactions Relating to Retirement Benefits

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

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

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

Reconciliation of present value of the scheme liabilities:-

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

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Basis for Estimating Assets and Liabilities

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

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

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

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

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

### Impact on Cash Flows

Regulations governing the scheme require actuarial valuation to be carried out every three years. Contributions for each employer are set having regard to their individual circumstances. The Regulations require the contributions to be set with a view to targeting the scheme's solvency, and the detailed provisions are set out in the Clwyd Pension Fund Funding Strategy Statement. The most recent valuation was carried out as at 31<sup>st</sup> 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 31<sup>st</sup> March 2018 is £23.7m.

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

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

for the year ended 31<sup>st</sup> March 2017

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

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

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

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## NOTES TO THE HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

### 1. LEGISLATION

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

### 2. HOUSING STOCK

The type and number of dwellings at 31<sup>st</sup> March 2017 were:-

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

### 3. RENT ARREARS

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

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

## NOTES TO THE HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

### 4. NON-CURRENT ASSET ACCOUNTING

#### Capital Financing

Housing revenue account capital expenditure of £29,911k (£99,626k in 2015/16) was financed as follows :-

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

#### Major Repairs Allowance (MRA)

Included within the capital grants and contributions total (£5,485k) is the 2016/17 MRA allocation figure of £5,050k (£5,060k in 2015/16). The MRA allocation figure is included within the government grants – general line in the Comprehensive Income and Expenditure Statement. This Welsh Government grant was fully used in 2016/17 in financing qualifying capital expenditure.

#### Capital Receipts

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

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

#### Depreciation

Straight line depreciation is provided for on all housing revenue account non-current assets with a finite useful life, other than for non-depreciable land. The charge of £5,132k (£5,139k in 2015/16) is based on the 2016/17 opening net balance sheet valuations (valuation list less cumulative depreciation), with assumed nil residual values.

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

#### Impairment Losses and Revenue Expenditure Funded from Capital Under Statute

A HRA dwellings impairment adjustment total of £25,584k was accounted for in 2016/17 (£21,186k in 2015/16) and no revenue expenditure funded from capital under statute was accounted for in 2016/17 (£79,248k in 2015/16) which is explained further on the next page.

## NOTES TO THE HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

### 5. MATERIAL ITEMS OF INCOME AND EXPENDITURE

#### HRA Settlement Payment – 2015/16

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

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

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

#### HRA Valuations – Dwellings – 2015/16

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

### 6. HRA SHARE OF CONTRIBUTIONS TO / FROM PENSIONS RESERVE

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

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

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



## STATEMENT OF ACCOUNTING POLICIES

### General Principles

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

### Accruals of Income and Expenditure

The revenue and capital accounts of the Council are prepared on an accruals basis. Sums are included in the final accounts to cover income or expenditure attributable to the year of account for goods received or work done, but for which payment has not been received/made by 31<sup>st</sup> March 2017. In particular:-

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

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

### Borrowing Costs

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

### Capital Receipts

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

### Carbon Reduction Commitment Scheme

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

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

## STATEMENT OF ACCOUNTING POLICIES

### Cash and Cash Equivalents

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

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

### Charges to Revenue for Non Current Assets

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

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

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

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

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

### Employee Benefits

#### *Benefits Payable during Employment*

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

## STATEMENT OF ACCOUNTING POLICIES

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

### **Termination Benefits**

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

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

### **Post Employment Benefits**

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

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

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

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

### **The Local Government Pension Scheme**

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

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

## STATEMENT OF ACCOUNTING POLICIES

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

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

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

### ***Discretionary Benefits***

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

## STATEMENT OF ACCOUNTING POLICIES

### Events After the Reporting Period

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

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

### Fair Value Measurement

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

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

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

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

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

### Financial Instruments

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

### *Financial Liabilities*

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

## STATEMENT OF ACCOUNTING POLICIES

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

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

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

### **Financial Assets**

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

Financial assets are classified into two types:-

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

### **Loans and Receivables:**

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

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

### **Available-for-Sale Assets:**

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

## STATEMENT OF ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

### **Government Grants and Contributions**

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

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

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

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

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

## STATEMENT OF ACCOUNTING POLICIES

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

### **Heritage Assets**

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

### ***Historical Buildings***

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

### ***Operational***

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

### ***Non-Operational***

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

### ***Collections:-***

### ***County Archives***

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

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

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



## STATEMENT OF ACCOUNTING POLICIES

### **County Museum**

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

### **Intangible Assets**

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

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

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

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

|                         | <b>Years</b> |
|-------------------------|--------------|
| Software licences       | 5            |
| Development expenditure | 7            |

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

### **Interest Charges**

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

### **Inventory**

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

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

All other stock is measured at cost.

## STATEMENT OF ACCOUNTING POLICIES

### Investments

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

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

### Investment Property

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

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

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

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

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

### Joint Committees

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

### Leases

#### *Finance Leases*

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

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

## STATEMENT OF ACCOUNTING POLICIES

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

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

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

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

### ***Operating Leases***

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

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

### **Overheads and Support Services**

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

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

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

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

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

### **Property, Plant and Equipment**

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

## STATEMENT OF ACCOUNTING POLICIES

### Recognition

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

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

### Measurement

Assets are initially measured at cost, comprising:-

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

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

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

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

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

### Revaluation

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. The Council meets this requirement by revaluing a proportion of the total asset portfolio each year; during 2016/17 approximately 13% of operational non-dwelling assets were revalued.

## STATEMENT OF ACCOUNTING POLICIES

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

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

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

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

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

### Impairment

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

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

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

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

### Depreciation

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

## STATEMENT OF ACCOUNTING POLICIES

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

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

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

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

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

### Componentisation

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

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

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

### Derecognition of Property, Plant and Equipment

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

### Disposals and Non-Current Assets Held for Sale

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

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

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

## STATEMENT OF ACCOUNTING POLICIES

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

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

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

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

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

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

### **Provisions, Contingent Liabilities and Contingent Assets**

#### **Provisions**

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

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

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

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

## STATEMENT OF ACCOUNTING POLICIES

### Contingent Liabilities

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

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

### Contingent Assets

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

### Schools

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

### Non-current Assets - Schools

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

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

### Subsidiaries

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

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

### Reserves

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

### Revenue Expenditure Funded from Capital Under Statute (REFCUS)

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



## STATEMENT OF ACCOUNTING POLICIES

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

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

### **Value Added Tax**

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

## GROUP ACCOUNTS

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

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

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

The Group Accounts include:

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

### NEW Homes

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

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

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

Further information on NEW Homes is available on its website [www.northeastwaleshomes.co.uk](http://www.northeastwaleshomes.co.uk).

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

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

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

### Accounting Policies

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

## GROUP MOVEMENT IN RESERVES STATEMENT

for the year ended 31<sup>st</sup> March 2017

|  | Council<br>Fund<br>Balance<br>£000 | Other<br>Useable<br>Reserves<br>£000 | Total<br>Usable<br>Reserves<br>£000 | Unusable<br>Reserves<br>£000 | Total<br>Reserves of<br>the<br>Authority<br>£000 | Subsidiary<br>Reserves<br>£000 | Total Group<br>Reserves<br>£000 |
|--|------------------------------------|--------------------------------------|-------------------------------------|------------------------------|--|--------------------------------|---------------------------------|
| <b>At 31st March 2016</b>  | 37,889                             | 12,822                               | 50,711                              | 117,479                      | 168,190  | 2,489                          | 170,679                         |
| Total comprehensive income and expenditure                         | (37,090)                           | (15,349)                             | (52,439)                            | (72,608)                     | (125,047)  | 1,276                          | (123,771)                       |
| Adjustments between group accounts and authority accounts          | 179                                | 0                                    | 179                                 | 0                            | 179  | (179)                          | 0                               |
| <b>Net increase/(decrease) before transfers</b>                    | <b>(36,911)</b>                    | <b>(15,349)</b>                      | <b>(52,260)</b>                     | <b>(72,608)</b>              | <b>(124,868)</b>                                 | <b>1,097</b>                   | <b>(123,771)</b>                |
| Adjustments between accounting and funding basis under regulations | 30,302                             | 18,852                               | 49,154                              | (49,154)                     | 0  | 0                              | 0                               |
| <b>Increase/(decrease) in year</b>                                 | <b>(6,609)</b>                     | <b>3,503</b>                         | <b>(3,106)</b>                      | <b>(121,762)</b>             | <b>(124,869)</b>                                 | <b>1,097</b>                   | <b>(123,772)</b>                |
| <b>At 31st March 2017</b>  | <b>31,280</b>                      | <b>16,325</b>                        | <b>47,605</b>                       | <b>(4,283)</b>               | <b>43,320</b>                                    | <b>3,586</b>                   | <b>46,906</b>                   |

## GROUP MOVEMENT IN RESERVES STATEMENT

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

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

## GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

for the year ended 31<sup>st</sup> March 2017

|   | Note | 2017                 |                  | Restated<br>2016   |                      |                  |
|---|------|----------------------|------------------|--------------------|----------------------|------------------|
|   |      | Gross<br>Expenditure | Gross<br>Income  | Net<br>Expenditure | Gross<br>Expenditure | Gross<br>Income  |
|   |      | £000                 | £000             | £000               | £000                 | £000             |
| <b>Service Expenditure Analysis</b>   |      |                      |                  |                    |                      |                  |
| Chief Executives  |      | 2,933                | (37)             | 2,896              | 3,066                | (73)             |
| Community & Enterprise  |      | 64,869               | (52,295)         | 12,574             | 64,461               | (50,861)         |
| Education & Youth   |      | 147,935              | (22,149)         | 125,786            | 130,078              | (22,130)         |
| Governance  |      | 9,781                | (754)            | 9,027              | 10,712               | (916)            |
| Organisational Change   |      | 23,757               | (9,940)          | 13,817             | 23,122               | (8,602)          |
| People & Resources  |      | 4,799                | (256)            | 4,543              | 4,650                | (268)            |
| Planning & Environment  |      | 10,894               | (3,303)          | 7,591              | 8,680                | (3,716)          |
| Social Services   |      | 79,137               | (18,246)         | 60,891             | 75,352               | (15,799)         |
| Streetscene & Transportation  |      | 46,391               | (11,189)         | 35,202             | 45,281               | (11,243)         |
| Corporate & Central Finance   |      | 7,163                | (721)            | 6,442              | 10,303               | (775)            |
| Housing revenue account (HRA)   |      | 43,769               | (31,909)         | 11,860             | 39,778               | (30,065)         |
| Housing revenue account (HRA) - Settlement                                      |      | 0                    | 0                | 0                  | 79,248               | 0                |
| Housing revenue account (HRA) - Valuations                                      |      | (266)                | 0                | (266)              | 34,915               | 0                |
| Theatre Clwyd   |      | 4,038                | (4,085)          | (47)               | 4,589                | (4,609)          |
| <b>Cost of services</b>   |      | <b>445,200</b>       | <b>(154,884)</b> | <b>290,316</b>     | <b>534,235</b>       | <b>(149,057)</b> |
| Other Operating Expenditure   |      |                      |                  | 23,535             |                      | 23,438           |
| Financing and Investment Income and Expenditure                                 |      |                      |                  | 22,685             |                      | 20,761           |
| Taxation and Non-Specific Grant Income  |      |                      |                  | (284,173)          |                      | (292,864)        |
| <b>(Surplus)/deficit on the provision of services</b>                           |      |                      |                  | <b>52,363</b>      |                      | <b>136,513</b>   |
| Tax expenses of subsidiary  |      |                      |                  | (5)                |                      | 5                |
| <b>Group (Surplus)/deficit</b>  |      |                      |                  | <b>52,358</b>      |                      | <b>136,518</b>   |
| (Surplus)/deficit arising on revaluation of non-current assets                  |      |                      |                  | (9,144)            |                      | (429)            |
| (Surplus)/deficit arising on revaluation of available-for-sale financial assets |      |                      |                  | 0                  |                      | 0                |
| Actuarial (gains) or losses on pension assets and liabilities                   |      |                      |                  | 80,557             |                      | (33,827)         |
| <b>Total comprehensive income and expenditure</b>                               |      |                      |                  | <b>123,771</b>     |                      | <b>102,262</b>   |

## GROUP BALANCE SHEET

as at 31<sup>st</sup> March 2017

|   |      | 2017      |      | 2016      |      |
|---|------|-----------|------|-----------|------|
|   | Note | £000      | £000 | £000      | £000 |
| <b>NON-CURRENT ASSETS</b>                         |      |           |      |           |      |
| <b>Property, Plant &amp; Equipment</b>            |      |           |      |           |      |
| Council dwellings                                 |      | 210,912   |      | 216,186   |      |
| Other land and buildings                          |      | 276,057   |      | 263,041   |      |
| Vehicles, plant, furniture and equipment          |      | 15,918    |      | 14,962    |      |
| Surplus assets                                    |      | 9,009     |      | 8,693     |      |
| Infrastructure assets                             |      | 151,232   |      | 153,549   |      |
| Community assets                                  |      | 4,721     |      | 4,711     |      |
| Assets under construction                         |      | 7,633     |      | 21,089    |      |
| <b>Total Property, Plant &amp; Equipment</b>      | 1    | 675,482   |      | 682,231   |      |
| Investment properties and Agricultural Estate     |      | 28,508    |      | 30,611    |      |
| Intangible assets                                 |      | 110       |      | 227       |      |
| Long term investments                             |      | 0         |      | 0         |      |
| Long term debtors                                 |      | 2,211     |      | 2,102     |      |
| <b>NON-CURRENT ASSETS TOTAL</b>                   |      | 706,311   |      | 715,171   |      |
| <b>CURRENT ASSETS</b>                             |      |           |      |           |      |
| Inventories                                       |      | 1,075     |      | 1,069     |      |
| Short term debtors (net of impairment provision)  |      | 34,714    |      | 29,261    |      |
| Short term investments                            |      | 0         |      | 6,014     |      |
| Cash and cash equivalents                         |      | 7,173     |      | 25,197    |      |
| Assets held for sale                              |      | 4,243     |      | 3,556     |      |
| Current tax asset                                 |      | 5         |      | 0         |      |
| <b>CURRENT ASSETS TOTAL</b>                       |      | 47,210    |      | 65,097    |      |
| <b>CURRENT LIABILITIES</b>                        |      |           |      |           |      |
| Borrowing repayable on demand or within 12 months |      | (14,377)  |      | (2,785)   |      |
| Short term creditors                              |      | (31,106)  |      | (28,245)  |      |
| Provision for accumulated absences                |      | (2,651)   |      | (1,891)   |      |
| Deferred liabilities                              |      | (565)     |      | (580)     |      |
| Grants receipts in advance                        |      | (1,528)   |      | (858)     |      |
| Provisions  |      | (418)     |      | (2,492)   |      |
| Current Tax Liability                             |      | 0         |      | (5)       |      |
| <b>CURRENT LIABILITIES TOTAL</b>                  |      | (50,645)  |      | (36,856)  |      |
| <b>NON-CURRENT LIABILITIES</b>                    |      |           |      |           |      |
| Long term creditors                               |      | (240)     |      | (2,266)   |      |
| Long term borrowing                               |      | (250,998) |      | (251,901) |      |
| Deferred liabilities                              |      | (5,386)   |      | (5,951)   |      |
| Provisions  |      | (994)     |      | (1,042)   |      |
| Other long term liabilities                       |      | (395,050) |      | (308,679) |      |
| Grants receipts in advance                        |      | (2,382)   |      | (2,270)   |      |
| Deferred Tax Liability                            |      | (921)     |      | (624)     |      |
| <b>NON-CURRENT LIABILITIES TOTAL</b>              |      | (655,971) |      | (572,733) |      |
| <b>NET ASSETS</b>                                 |      | 46,905    |      | 170,679   |      |

**GROUP BALANCE SHEET**  
as at 31<sup>st</sup> March 2017

|  | 2017      |               | 2016      |                |
|--|-----------|---------------|-----------|----------------|
| Note                                     | £000      | £000          | £000      | £000           |
| <b>USABLE RESERVES</b>                   |           |               |           |                |
| Capital receipts reserve                 | 10,671    |               | 7,969     |                |
| Capital grants unapplied                 | 4,012     |               | 3,336     |                |
| Council fund                             | 10,774    |               | 10,067    |                |
| Earmarked reserves                       | 20,327    |               | 27,745    |                |
| Housing revenue account                  | 1,642     |               | 1,517     |                |
| Profit and Loss Reserve                  | 178       |               | 112       |                |
| <b>USABLE RESERVES TOTAL</b>             |           | 47,604        |           | 50,746         |
| <b>UNUSABLE RESERVES</b>                 |           |               |           |                |
| Revaluation reserve                      | 63,283    |               | 57,470    |                |
| Capital adjustment account               | 340,435   |               | 380,112   |                |
| Financial instruments adjustment account | (6,814)   |               | (7,177)   |                |
| Pensions reserve                         | (395,050) |               | (308,679) |                |
| Deferred capital receipts                | 98        |               | 98        |                |
| Accumulated absences account             | (2,651)   |               | (1,891)   |                |
| <b>UNUSABLE RESERVES TOTAL</b>           |           | (699)         |           | 119,933        |
| <b>TOTAL RESERVES</b>                    |           | <u>46,905</u> |           | <u>170,679</u> |

**GROUP CASH FLOW STATEMENT**  
for the year ended 31<sup>st</sup> March 2017

|  | Note | 2017            |                 | 2016            |                 |
|--|------|-----------------|-----------------|-----------------|-----------------|
|  |      | £000            | £000            | £000            | £000            |
| Net surplus or (deficit) on the provision of services  |      | (52,296)        |                 | (136,513)       |                 |
| Adjustment to surplus or deficit on the provision of services for non-cash movements   |      | 69,224          |                 | 92,786          |                 |
| Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities |      | <u>(10,811)</u> |                 | <u>(26,757)</u> |                 |
| Net cash flows from operating activities   |      |                 | 6,117           |                 | (70,484)        |
| Net cash flows from investing activities   |      | (34,250)        |                 | (25,468)        |                 |
| Net cash flows from financing activities   |      | <u>10,109</u>   |                 | <u>78,385</u>   |                 |
|  |      |                 | <u>(24,141)</u> |                 | <u>52,917</u>   |
| <b>Net increase or decrease in cash and cash equivalents</b>   |      |                 | <b>(18,024)</b> |                 | <b>(17,567)</b> |
| Cash and cash equivalents at the beginning of the reporting period   |      |                 | 25,197          |                 | 42,764          |
| <b>Cash and cash equivalents at the end of the reporting period</b>  |      |                 | <b>7,173</b>    |                 | <b>25,197</b>   |

**NOTES TO THE GROUP ACCOUNTS**

**1. PROPERTY, PLANT AND EQUIPMENT**

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

## CLWYD PENSION FUND ACCOUNTS

for the year ended 31<sup>st</sup> March 2017

### THE MANAGEMENT AND MEMBERSHIP OF THE CLWYD PENSION FUND

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

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

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

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

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

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

|                                  | 2017<br>No.   | 2016<br>No.   |
|----------------------------------|---------------|---------------|
| Active Members                   | 16,235        | 15,989        |
| Pensioners & Survivors           |               |               |
| Ex employees                     | 10,291        | 9,862         |
| Survivors                        | 1,662         | 1,616         |
| Other                            |               |               |
| Preserved benefits/<br>Undecided | 14,038        | 13,176        |
| Frozen Refund                    | 1,109         | 1,022         |
|                                  | <u>43,335</u> | <u>41,665</u> |

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## CLWYD PENSION FUND ACCOUNTS

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

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

The admitted bodies contributing to the Fund are:-

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

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

### **BASIS OF PREPARATION AND ACCOUNTING POLICIES**

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

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

In summary, accounting policies adopted are detailed as follows:

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

## CLWYD PENSION FUND ACCOUNTS

|   |      |                 | 2017           |                  | 2016            |                  |
|---|------|-----------------|----------------|------------------|-----------------|------------------|
|   | Note | £000            | £000           | £000             | £000            | £000             |
| <b>Contributions and Benefits</b>   |      |                 |                |                  |                 |                  |
| Contributions receivable :  |      |                 |                |                  |                 |                  |
| From employers (Normal)   | 1    | (32,257)        |                |                  | (30,488)        |                  |
| From employers (Deficit)  | 1    | (28,562)        |                |                  | (27,277)        |                  |
| From employees or members   | 1    | <u>(14,429)</u> |                |                  | <u>(14,471)</u> |                  |
|   |      |                 | (75,248)       |                  |                 | (72,236)         |
| Transfers in  |      | (2,797)         |                |                  | (1,691)         |                  |
| Other income  |      | <u>(1,191)</u>  |                |                  | <u>(3,077)</u>  |                  |
|   |      |                 | <u>(3,988)</u> |                  |                 | <u>(4,768)</u>   |
|   |      |                 |                | (79,236)         |                 | (77,004)         |
| Benefits payable :  |      |                 |                |                  |                 |                  |
| Pensions  | 1    | 54,744          |                |                  | 52,922          |                  |
| Lump sums (retirement)  | 1    | 10,578          |                |                  | 14,029          |                  |
| Lump sums (death grants)  | 1    | <u>1,395</u>    |                |                  | <u>2,247</u>    |                  |
|   |      |                 | 66,717         |                  |                 | 69,198           |
| Payments to and on account of leavers :   |      |                 |                |                  |                 |                  |
| Refunds of contributions  |      | 106             |                |                  | 121             |                  |
| Transfers out (individual)  |      | 5,212           |                |                  | 1,936           |                  |
| Transfers out (bulk)  | 2    | 0               |                |                  | 3,889           |                  |
| Other   |      | 268             |                |                  | 129             |                  |
| Expenses borne by the scheme  | 3    | <u>16,400</u>   |                |                  | <u>17,621</u>   |                  |
|   |      |                 | <u>21,986</u>  |                  |                 | <u>23,696</u>    |
|   |      |                 |                | 88,703           |                 | 92,894           |
| <b>NET (ADDITIONS) WITHDRAWALS</b>  |      |                 |                | <u>9,467</u>     |                 | <u>15,890</u>    |
| <b>Returns on Investments</b>   |      |                 |                |                  |                 |                  |
| Investment income   | 5    |                 | (3,081)        |                  | (5,863)         |                  |
| Change in market value of investments (Realised and Unrealised) [(Increase)/Decrease] | 5    |                 | (310,662)      |                  | 4,706           |                  |
| <b>NET RETURNS ON INVESTMENT</b>  |      |                 |                | <u>(313,743)</u> |                 | <u>(1,157)</u>   |
| <b>NET DECREASE/(INCREASE) IN THE FUND</b>  |      |                 |                | <u>(304,276)</u> |                 | <u>14,733</u>    |
| <b>OPENING NET ASSETS OF THE SCHEME</b>   |      |                 |                | <u>1,380,675</u> |                 | <u>1,395,408</u> |
| <b>CLOSING NET ASSETS OF THE SCHEME</b>   |      |                 |                | <u>1,684,951</u> |                 | <u>1,380,675</u> |

## CLWYD PENSION FUND ACCOUNTS

|  | Note       | 2017<br>£000     |           | 2016<br>£000     |
|--|------------|------------------|-----------|------------------|
| <b>Net Assets Statement</b>                |            |                  |           |                  |
| <b>Investment Assets :</b>                 | <b>5/6</b> |                  |           |                  |
| Fixed Interest Securities                  |            | 198,621          |           | 170,331          |
| Managed overseas equity funds              |            | 237,485          |           | 202,826          |
| Managed multi strategy funds               |            | 349,095          |           | 227,037          |
| Property funds                             |            | 114,054          |           | 109,233          |
| Infrastructure funds                       |            | 30,892           |           | 27,351           |
| Timberland / Agricultural funds            |            | 28,967           |           | 25,937           |
| Private equity funds                       |            | 151,334          |           | 139,582          |
| Hedge Fund                                 |            | 127,279          |           | 139,221          |
| Liability Driven Investment                |            | 393,858          |           | 315,530          |
| Opportunistic Funds                        |            | <u>17,911</u>    |           | <u>8,240</u>     |
|  |            |                  | 1,649,496 | 1,365,288        |
| Cash                                       | <b>8</b>   | <u>33,623</u>    |           | <u>15,034</u>    |
|  |            |                  | 33,623    | 15,034           |
| <b>Current Assets :</b>                    |            |                  |           |                  |
| Due within 1 year                          | <b>9</b>   | <u>4,338</u>     |           | <u>5,349</u>     |
|  |            |                  | 4,338     | 5,349            |
| <b>Current liabilities</b>                 |            |                  |           |                  |
| Due within 1 year                          | <b>9</b>   | <u>(2,506)</u>   |           | <u>(4,996)</u>   |
|  |            |                  | (2,506)   | (4,996)          |
| <b>NET ASSETS AT 31<sup>st</sup> MARCH</b> |            | <u>1,684,951</u> |           | <u>1,380,675</u> |

## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

### 1. ANALYSIS OF CONTRIBUTIONS RECEIVABLE/BENEFITS PAYABLE

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

The employers total comprised an amount of £32.257m (£30.488m in 2015/16) relating to the common contribution rate average of 15.3% paid by all employers and £28.562m (£27.277m in 2015/16) relating to additional contributions paid in respect of deficit funding for individual employers.

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

Analysis of contributions received and benefits payable is shown below:

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

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

### 2. BULK TRANSFER

No bulk transfers were made during 2016/17.

### 3. EXPENSES BOURNE BY THE FUND

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

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

## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

|                                   | 2017<br>£000 | 2016<br>£000 |
|-----------------------------------|--------------|--------------|
| <b>Oversight &amp; Governance</b> |              |              |
| Employee Costs                    | 236          | 225          |
| Support Services                  | 26           | 31           |
| Supplies and Services             | 1            | 54           |
| Consultancy & Actuarial           | 1,272        | 818          |
| Audit                             | 39           | 39           |
| Legal                             | 59           | 35           |
|                                   | 1,633        | 1,202        |
| <b>Investment Management Fees</b> |              |              |
| Net Fund Management Fees          | 12,904       | 14,971       |
| Custody Fees                      | 31           | 28           |
| Performance Monitoring Fees       | 57           | 30           |
|                                   | 12,992       | 15,029       |
| <b>Administration Costs</b>       |              |              |
| Employee Costs                    | 648          | 603          |
| Support Services                  | 94           | 146          |
| Outsourcing                       | 260          | 404          |
| Supplies & Services               | 773          | 237          |
|                                   | 1,775        | 1,390        |
| <b>Total Fees</b>                 | 16,400       | 17,621       |

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

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

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

## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

|                              | 2017          | 2016          |
|------------------------------|---------------|---------------|
|                              | £000          | £000          |
| <b>Fund Management Fees</b>  |               |               |
| <b>Core</b>                  |               |               |
| Total Expenses including AMC | 4,628         | 5,578         |
| Performance Fees             | 0             | 219           |
| Transaction Fees             | 82            | 105           |
| <b>Non-Core</b>              |               |               |
| Total Expenses including AMC | 5,661         | 6,132         |
| Performance Fees             | 2,349         | 2,557         |
| Transaction Fees             | 184           | 380           |
|                              | <u>12,904</u> | <u>14,971</u> |

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

Total fees as a percentage of the net asset value of the fund was 0.77% for 2016/17 (1.09% 2015/16).

### 4. INVESTMENTS AND PERFORMANCE

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

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

### 5. ANALYSIS OF TRANSACTIONS AND RETURN ON INVESTMENTS

#### Overview

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

#### Transactions and Return on Investments

Details of the 2016/17 investment transactions and the net profit on sales of £64.203m (£4.840m in 2015/16) together with investment income of £3.081m (£5.863m in 2015/16) are set out below. The unrealised profit for 2016/17, because of the change in the market value of investments, amounted to £246.459m (£9.546m loss in 2015/16). Therefore, the increase in market value of investments (realised and unrealised) is £310.662m (£4.706m decrease in 2015/16).

## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

|                             | Market Value<br>2015/16<br>£000 | Purchases<br>£000 | Sales<br>£000    | Realised<br>Gain (Loss)<br>£000 | Unrealised<br>Gain (Loss)<br>£000 | Market Value<br>2016/17<br>£000 | Investment<br>Income<br>£000 |
|-----------------------------|---------------------------------|-------------------|------------------|---------------------------------|-----------------------------------|---------------------------------|------------------------------|
| Fixed Interest Securities   | 170,331                         | 80,140            | (63,140)         | 2,151                           | 9,139                             | 198,621                         | 0                            |
| Liability Driven Investment | 315,530                         | 0                 | (80,000)         | 41,386                          | 116,942                           | 393,858                         | 0                            |
| Overseas Equities Active    | 202,826                         | 29                | (30,126)         | 3,238                           | 61,518                            | 237,485                         | 0                            |
| Multi Strategy              | 227,037                         | 87,518            | 0                | 0                               | 34,540                            | 349,095                         | 0                            |
| Property                    | 109,233                         | 7,968             | (10,774)         | 2,875                           | 4,752                             | 114,054                         | 1,676                        |
| Infrastructure              | 27,351                          | 2,281             | (5,227)          | 727                             | 5,760                             | 30,892                          | 725                          |
| Timber & Agriculture        | 25,937                          | 219               | (1,632)          | 0                               | 4,443                             | 28,967                          | 0                            |
| Private Equity              | 139,582                         | 24,770            | (37,149)         | 14,135                          | 9,996                             | 151,334                         | 5                            |
| Opportunistic               | 8,240                           | 8,520             | (446)            | 332                             | 1,265                             | 17,911                          | 564                          |
| Hedge Fund                  | 139,221                         | 0                 | 0                | 0                               | (11,942)                          | 127,279                         | 0                            |
|                             | <u>1,365,288</u>                | <u>211,445</u>    | <u>(228,494)</u> | <u>64,844</u>                   | <u>236,413</u>                    | <u>1,649,496</u>                | <u>2,970</u>                 |
| Cash                        | 15,034                          | 0                 | 0                | 0                               | 0                                 | 33,623                          | 38                           |
| Fees within Pooled Vehicles | 0                               | 0                 | 0                | 0                               | 10,046                            | 0                               | 0                            |
| Interest                    | 0                               | 0                 | 0                | 0                               | 0                                 | 0                               | 73                           |
| Currency                    | 0                               | 0                 | 0                | (641)                           | 0                                 | 0                               | 0                            |
|                             | <u>15,034</u>                   | <u>0</u>          | <u>0</u>         | <u>(641)</u>                    | <u>10,046</u>                     | <u>33,623</u>                   | <u>111</u>                   |
| Total 2016/17               | <u>1,380,322</u>                | <u>211,445</u>    | <u>(228,494)</u> | <u>64,203</u>                   | <u>246,459</u>                    | <u>1,683,119</u>                | <u>3,081</u>                 |
| 2015/16                     | <u>1,392,365</u>                | <u>432,832</u>    | <u>(398,421)</u> | <u>4,840</u>                    | <u>(9,546)</u>                    | <u>1,380,322</u>                | <u>5,863</u>                 |

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

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## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

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

The book cost of the investments as at 31<sup>st</sup> March 2017 is £1,171.084m (£1,123.290m in 2015/16). The market value of investments as at 31<sup>st</sup> March 2017 is £1,649.496m (£1,365.288m in 2015/16); this can be analysed as follows:

#### By Continent

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

|                            | 2017<br>£000 | 2016<br>£000 |
|----------------------------|--------------|--------------|
| UK                         | 519,314      | 429,081      |
| Europe                     | 104,966      | 103,471      |
| North America              | 112,736      | 93,321       |
| Emerging/ Frontier markets | 106,336      | 104,121      |
| Global Investments         | 806,144      | 635,294      |
|                            | 1,649,496    | 1,365,288    |

#### By Fund Manager

|                         | 2017<br>£000 | %   | 2016<br>£000 | %   |
|-------------------------|--------------|-----|--------------|-----|
| Wellington              | 106,336      | 6   | 77,877       | 6   |
| Aberdeen                | 0            | 0   | 26,244       | 2   |
| Insight                 | 393,858      | 24  | 315,530      | 23  |
| Investec                | 214,023      | 13  | 155,632      | 11  |
| Stone Harbor            | 198,621      | 12  | 170,331      | 12  |
| Pyrford                 | 82,747       | 5   | 60,992       | 5   |
| Man FRM                 | 127,279      | 8   | 139,221      | 10  |
| Consultant "Best Ideas" | 183,474      | 11  | 109,118      | 8   |
| Property                | 114,054      | 7   | 109,233      | 8   |
| Infrastructure          | 30,892       | 2   | 27,351       | 2   |
| Timber / Agriculture    | 28,967       | 2   | 25,937       | 2   |
| Private Equity          | 151,334      | 9   | 139,582      | 10  |
| Opportunistic           | 17,911       | 1   | 8,240        | 1   |
|                         | 1,649,496    | 100 | 1,365,288    | 100 |



## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

### By Listed /Managed

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

|                             | 2017                      |                |                  | 2016                      |                |                  |
|-----------------------------|---------------------------|----------------|------------------|---------------------------|----------------|------------------|
|                             | Listed<br>Managed<br>£000 | Listed<br>£000 | Unlisted<br>£000 | Listed<br>Managed<br>£000 | Listed<br>£000 | Unlisted<br>£000 |
| Fixed Interest Securities   | 0                         | 0              | 198,621          | 0                         | 0              | 170,331          |
| Overseas Equities           | 237,485                   | 0              | 0                | 202,826                   | 0              | 0                |
| Multi Strategy              | 349,095                   | 0              | 0                | 227,037                   | 0              | 0                |
| Property                    | 39,919                    | 0              | 74,135           | 38,988                    | 0              | 70,245           |
| Infrastructure              | 0                         | 13,043         | 17,849           | 0                         | 11,417         | 15,934           |
| Timber / Agriculture        | 0                         | 0              | 28,967           | 0                         | 0              | 25,937           |
| Commodities                 | 0                         | 0              | 0                | 0                         | 0              | 0                |
| Private Equity              | 0                         | 1,013          | 150,321          | 0                         | 1,998          | 137,584          |
| Hedge Fund                  | 0                         | 0              | 127,279          | 0                         | 0              | 139,221          |
| Opportunistic               | 0                         | 0              | 17,911           | 0                         | 0              | 8,240            |
| Liability Driven Investment | 393,858                   | 0              | 0                | 315,530                   | 0              | 0                |
|                             | <u>1,020,357</u>          | <u>14,056</u>  | <u>615,083</u>   | <u>784,381</u>            | <u>13,415</u>  | <u>567,492</u>   |
|                             |                           |                | <u>1,649,496</u> |                           |                | <u>1,365,288</u> |

## 7. FAIR VALUE OF INVESTMENTS

### Financial Instruments

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

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

## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

### Fair Value – Valuation Bases

Investments are shown in the accounts at fair value as at 31<sup>st</sup> March 2017 on the following bases.

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

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

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

## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

- Hedge funds are valued monthly to create a net asset value on the basis of the Fund's proportionate share of the value of underlying pools on a manager by manager basis. Generally the fair value of the Fund's investment in a related pool represents the amount that the Fund could be reasonably expected to receive from the pool if the Fund's investment was redeemed at the date of valuation, based upon information reasonably available at the time that the valuation was made and that the fund believes to be reliable.
- Diversified Growth and Multi Strategy funds invest for the most part in markets that are not exchange-based. These include OTC or "interdealer" markets and leverage is utilised by such funds to a significant level. If market prices are not available or do not reflect current market prices, the Fund applies its own pricing policies by reference to such relevant prices as are available to establish a fair value for the assets held.

### Sensitivity of Assets Valued at Level 3

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

|                             | Assessed<br>Valuation<br>Range (+/-) | Market<br>Value<br>2016/17<br>Level 3<br>£000 | Value on<br>Increase<br>£000 | Value on<br>Decrease<br>£000 |
|-----------------------------|--------------------------------------|---|------------------------------|------------------------------|
| Liability Driven Investment | 10%                                  | 12,768  | 14,045                       | 11,491                       |
| Property                    | 10%                                  | 74,135  | 81,549                       | 66,722                       |
| Infrastructure              | 10%                                  | 17,850  | 19,635                       | 16,065                       |
| Timber & Agriculture        | 10%                                  | 28,967  | 31,864                       | 26,070                       |
| Private Equity              | 15%                                  | 150,321                                       | 172,869                      | 127,773                      |
| Hedge Fund                  | 10%                                  | 7,322   | 8,054                        | 6,590                        |
| Opportunistic Funds         | 10%                                  | 17,911  | 19,702                       | 16,120                       |
|                             |                                      | 309,274                                       | 347,718                      | 270,831                      |

### Fair Value – Hierarchy

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

#### Level 1

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

#### Level 2

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

#### Level 3

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

## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

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

|                             | <b>Market Value<br/>2016/17<br/>£000</b> | <b>Level 1<br/>£000</b> | <b>Level 2<br/>£000</b> | <b>Level 3<br/>£000</b> |
|-----------------------------|--|-------------------------|-------------------------|-------------------------|
| Fixed Interest Securities   | 198,621                                  | 198,621                 | 0                       | 0                       |
| Liability Driven Investment | 393,858                                  | 18,137                  | 362,953                 | 12,768                  |
| Overseas Equities Active    | 237,485                                  | 234,467                 | 3,018                   | 0                       |
| Multi Strategy              | 349,095                                  | 82,747                  | 266,341                 | 0                       |
| Property (1)                | 114,054                                  | 0                       | 39,919                  | 74,135                  |
| Infrastructure (1)          | 30,892                                   | 13,042                  | 0                       | 17,850                  |
| Timber & Agriculture (1)    | 28,967                                   | 0                       | 0                       | 28,967                  |
| Private Equity (2)          | 151,334                                  | 1,013                   | 0                       | 150,321                 |
| Hedge Fund                  | 127,279                                  | 3,554                   | 116,347                 | 7,322                   |
| Opportunistic Funds (2)     | 17,911                                   | 0                       | 0                       | 17,911                  |
|                             | 1,649,496                                | 551,581                 | 788,578                 | 309,274                 |
| Cash                        | 33,623                                   | 33,623                  | 0                       | 0                       |
| Total 2016/17               | 1,683,119                                | 585,204                 | 788,578                 | 309,274                 |

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

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

Within the investments shown above as (1) or (2), whilst a small proportion are listed, the majority of the holdings are in unquoted investments; £329.102m compared to £296.928m in 2015/16. These are valued at a fair value by the fund managers, using an appropriate basis of valuation. The valuations are reliant upon a significant degree of judgment, and due to the subjectivity and variability of these valuations there is an increased likelihood that the valuations included in the financial statements would not be realised in the event of a sale. The difference could be materially lower or higher.

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

## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

### 8. INVESTMENT RISKS

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

#### Procedures for Managing Risk

The principal powers to invest are contained in the LGPS (Management and Investment of Funds) Regulations 2016, effective from 1<sup>st</sup> November 2016, and which require administering authorities to formulate an Investment Strategy Statement (ISS) in accordance with guidance issued by the Secretary of State. This replaces the requirement to produce and maintain a Statement of Investment Practice. The Administering Authority's overall risk management procedures focus on the unpredictability of financial markets and implementing restrictions to minimise these risks. The Fund will annually review its ISS and corresponding Funding Strategy Statement (FSS), which set out the Pension Fund's policy on matters such as the type of investments to be held, balance between types of investments, investment restrictions and the way risk is managed. The ISS and FSS are on the Fund's website ([www.clwydpensionfund.org.uk](http://www.clwydpensionfund.org.uk)).

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

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

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

#### Roll risk

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

## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

### Manager Risk

The Fund is also well diversified by manager with no single manager managing more than 24% of Fund assets. On appointment fund managers are delegated the power through an investment management agreement to make such purchases and sales as they deem appropriate under the mandate concerned. Each mandate has a benchmark or target to outperform or achieve, usually on the basis of 3-year rolling periods. A formal annual update is required from each manager to discuss their mandates and their performance on them; on-going performance management is also undertaken. There are slightly different arrangements for some of the alternative assets. On private equity, property, infrastructure and timber/agriculture, investment is fund rather than manager-specific, with specific funds selected by the in-house team after careful due diligence. These commitments are smaller in nature than main asset class investments but again regular performance reports are received and such investments are reviewed with managers at least once a year.

### Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. As noted above, almost all the Fund's investment are through pooled vehicles and a number of these are involved in derivative trades of various sorts, including futures, swaps and options. Whilst the Fund is not a direct counterparty to such trades and so has no direct credit risk, clearly all derivative transactions incorporate a degree of risk and the value of the pooled vehicle, and hence the Fund's holding, could be impacted negatively by failure of one of the vehicle's counterparties.

However, part of the operational due diligence carried out on potential manager appointees concerns itself with the quality of that manager's risk processes around counterparties and seeks to establish assurance that these are such as to minimise exposure to credit risk. Once appointed, managers are required to provide copies of their annual internal control reports for review to ensure that the expected standards are maintained.

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

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

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

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

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

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

- The Fund's bond portfolio is managed on an unconstrained basis and has a significant exposure to credit, emerging market debt and loans. At 31<sup>st</sup> March 2017, the Fund's exposure to non-investment grade paper was £133.076m or 25.8% of the fixed interest portfolio (36.5% at 31<sup>st</sup> March 2016).
- On private equity and infrastructure the Fund's investments are almost entirely in the equity of the companies concerned.

## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

### Liquidity Risk

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

Specifically on investments, the Fund holds through its managers a mixture of liquid, semi-liquid and illiquid assets. Whilst the Fund's investment managers have substantial discretionary powers regarding their individual portfolios and the management of their cash positions, they hold within their pooled vehicles a large value of very liquid securities, such as equities and bonds quoted on major stock exchanges, which can easily be realised. Traditional equities (including synthetic equity exposure) and bonds now comprise 50% of the Fund's total value and, whilst there will be some slightly less liquid elements within this figure (emerging market equities and debt for example), the funds investing in these securities offer monthly trading at worst – often weekly or fortnightly.

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

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

|                             | Market Value<br>2016/17<br>£000 | 1 Month<br>£000  | 2 - 3<br>Months<br>£000 | 3 - 6<br>Months<br>£000 | 6 - 12<br>Months<br>£000 | Closed -<br>ended<br>£000 | Locked<br>£000 |
|-----------------------------|---------------------------------|------------------|-------------------------|-------------------------|--------------------------|---------------------------|----------------|
| Fixed Interest Securities   | 198,621                         | 198,621          | 0                       | 0                       | 0                        | 0                         | 0              |
| Liability Driven Investment | 393,858                         | 393,858          | 0                       | 0                       | 0                        | 0                         | 0              |
| Overseas Equities Active    | 237,485                         | 237,485          | 0                       | 0                       | 0                        | 0                         | 0              |
| Multi Strategy              | 349,095                         | 349,095          | 0                       | 0                       | 0                        | 0                         | 0              |
| Property                    | 114,054                         | 0                | 39,919                  | 0                       | 0                        | 74,135                    | 0              |
| Infrastructure              | 30,892                          | 13,042           | 0                       | 0                       | 0                        | 17,850                    | 0              |
| Timber & Agriculture        | 28,967                          | 0                | 0                       | 0                       | 0                        | 28,967                    | 0              |
| Private Equity              | 151,334                         | 1,998            | 0                       | 0                       | 0                        | 149,336                   | 0              |
| Hedge Fund                  | 127,279                         | 101,836          | 15,809                  | 0                       | 0                        | 0                         | 9,634          |
| Opportunistic Funds         | 17,911                          | 0                | 0                       | 0                       | 0                        | 17,911                    | 0              |
|                             | <u>1,649,496</u>                | <u>1,295,935</u> | <u>55,728</u>           | <u>0</u>                | <u>0</u>                 | <u>288,199</u>            | <u>9,634</u>   |

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

## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

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

In terms of cash flow, therefore, the net cash flow for such a vehicle usually only reaches a maximum of about 60-70% of the amount committed and cumulative distributions usually exceed cumulative draw-downs well before the end of the specified period, as these vehicles regularly return 1½ to 2½ times the money invested. At the same time, it has been the Fund's practice to invest monies on a regular annual basis so the vintage year of active vehicles ranges from 1997 to 2017. This means that, whilst all these monies have been designated closed-ended and thereby illiquid on the basis of their usual "10-year life", many are closer to maturity than implied by this broad designation.

As can be seen from the table, even using the conservative basis outlined above, around 78% of the portfolio is realisable within 1 month.

### Market Risk

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

Market risk is comprised of two elements:

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

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



## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

|                             | Manager                | Market Value<br>2016/17<br>£000 | Benchmark         | Target<br>(Net) | Risk (<)<br>% |
|-----------------------------|------------------------|---------------------------------|-------------------|-----------------|---------------|
| Fixed Interest Securities   | Stone Harbor           | 198,621                         | 1 Month LIBOR     | +1.0%           | 6.0           |
| Liability Driven Investment | Insight                | 393,858                         | Liability / FTSE  | Match           | 21.0          |
| Foreign equities–active     | Investec               | 131,149                         | MSCI AC World NDR | +2.5%           | 14.0          |
|                             | Wellington             | 106,336                         | MSCI EM Free      | +1.5%           | 21.0          |
| Multi strategy funds        | Custodian "Best Ideas" | 183,474                         | UK CPI            | +3.0%           | 9.0           |
|                             | Investec               | 82,874                          | UK CPI            | +4.6%           | 9.0           |
|                             | Pyrford                | 82,747                          | RPI               | +4.5%           | 9.0           |
| Hedge Fund                  | Man FRM                | 127,279                         | 3 Month LIBOR     | +3.5%           | 6.0           |
| Property funds              | Various                | 114,054                         | IPD Balanced PUTs | Exceed          | 5.0           |
| Infrastructure funds        | Various                | 30,892                          | 3 Month LIBOR     | +5.0%           | 10.0          |
| Timber /Agricultural funds  | Various                | 28,967                          | 3 Month LIBOR     | +5.0%           | 10.0          |
| Private equity funds        | Various                | 151,334                         | 3 Month LIBOR     | +5.0%           | 28.0          |
| Opportunistic funds         | Various                | 17,911                          | 3 Month LIBOR     | +5.0%           | 28.0          |
|                             |                        | 1,649,496                       |                   |                 |               |

The risks associated with volatility in market values are mainly managed through a policy of broad asset diversification. The Fund sets restrictions on the type of investment it can hold through investment limits, in accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016. The Fund also adopts a specific strategic benchmark (details are in the Fund's ISS) and the weightings of the various asset classes within the benchmark form the basis for asset allocation within the Fund. Under normal conditions, there is quarterly rebalancing to this strategic benchmark within fixed tolerances. This allocation, determined through the Fund's asset allocation model, is designed to diversify and minimise risk for a specific level of performance through a broad spread of investments across both the main and alternative asset classes and geographic regions within each asset class. The current strategic benchmark is targeted to produce long-term returns of 6.5% with a volatility of around 12.6%.

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

|                                | Market Value 2017<br>£000 | Managers<br>No. | Funds<br>No. | Properties / Companies<br>Estimated<br>No. |
|--------------------------------|---------------------------|-----------------|--------------|--|
| Real Assets                    | 173,913                   | 25              | 41           | >280                                       |
| Private Equity / Opportunistic | 169,245                   | 25              | 70           | >4,000                                     |

## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

### Other Price Risk

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

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

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

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

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

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

| Asset Type                           | Market Value<br>2016/17 | Percentage Change<br>% | Value on Increase<br>£000 | Value on Decrease<br>£000 |
|--------------------------------------|-------------------------|------------------------|---------------------------|---------------------------|
| <b>Cash and cash equivalents</b>     | 33,623                  | 0.01                   | 33,626                    | 33,620                    |
| <b>Investment portfolio assets:-</b> |                         |                        |                           |                           |
| Global Equity inc UK                 |                         |                        |                           |                           |
| Overseas Equity                      | 237,485                 | 11.36                  | 264,463                   | 210,507                   |
| Fixed Interest Securities            | 198,621                 | 3.20                   | 204,977                   | 192,265                   |
| Liability Driven Investing           | 393,858                 | 16.76                  | 459,869                   | 327,847                   |
| Pooled Multi Strategy                | 349,095                 | 5.58                   | 368,575                   | 329,615                   |
| Hedge Fund                           | 127,279                 | 5.67                   | 134,496                   | 120,062                   |
| Alternatives                         | 229,104                 | 4.99                   | 240,536                   | 217,672                   |
| Property                             | 114,054                 | 3.15                   | 117,647                   | 110,461                   |
|                                      | 1,683,119               |                        | 1,824,189                 | 1,542,049                 |

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## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

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

### Interest Rate Risk

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

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

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

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

## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

### Currency Risk

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

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

| Currency Exposure - Asset Type | Market Value    | Market Value    |
|--------------------------------|-----------------|-----------------|
|                                | 2016/17<br>£000 | 2015/16<br>£000 |
| Fixed Interest Securities      | 198,621         | 170,331         |
| Overseas Equities Active       | 237,485         | 202,826         |
| Multi Strategy                 | 349,095         | 227,037         |
| Hedge Funds                    | 127,279         | 139,221         |
| Property                       | 30,362          | 32,056          |
| Infrastructure                 | 14,334          | 12,441          |
| Timber / Agriculture           | 28,967          | 25,937          |
| Opportunistic                  | 14,578          | 8,240           |
| Private Equity                 | 129,461         | 118,118         |
|                                | 1,130,182       | 936,207         |

Following analysis of the historical data in consultation with the fund's Investment Consultants, JLT Group, and analysis of the exposures to foreign currency for the year to 31<sup>st</sup> March 2017, it was considered that the likely volatility associated with foreign exchange rate movements to be 5.97%. For the period to 31<sup>st</sup> March 2016, this was calculated to be 5.85%.

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

| Currency Exposure - Asset Type | Market Value    | Percentage Change | Value on Increase | Value on Decrease |
|--------------------------------|-----------------|-------------------|-------------------|-------------------|
|                                | 2016/17<br>£000 |                   | %                 | £000              |
| Fixed Interest Securities      | 198,621         | 5.97              | 210,479           | 186,763           |
| Overseas Equity - Active       | 237,485         | 5.97              | 251,663           | 223,307           |
| Multi Strategy                 | 349,095         | 5.97              | 369,936           | 328,254           |
| Hedge Fund                     | 127,279         | 5.97              | 134,878           | 119,680           |
| Timber & Agriculture           | 30,362          | 5.97              | 32,175            | 28,549            |
| Infrastructure                 | 14,334          | 5.97              | 15,190            | 13,478            |
| Property                       | 28,967          | 5.97              | 30,696            | 27,238            |
| Opportunistic                  | 14,578          | 5.97              | 15,448            | 13,708            |
| Private Equity                 | 129,461         | 5.97              | 137,190           | 121,732           |
|                                | 1,130,182       |                   | 1,197,655         | 1,062,709         |

## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

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

### 9. RECEIVABLES/PAYABLES

|                               | 2017         |                | 2016         |                |
|-------------------------------|--------------|----------------|--------------|----------------|
|                               | £000         | £000           | £000         | £000           |
| Current Assets :              |              |                |              |                |
| Contributions due - Employees | 1,129        |                | 1,109        |                |
| Contributions due - Employers | 2,572        |                | 2,394        |                |
| Added years                   | 38           |                | 30           |                |
| H.M. Revenue and Customs      | 12           |                | 13           |                |
| Pension strain                | 544          |                | 1,635        |                |
| Administering authority       | 0            |                | 0            |                |
| Miscellaneous                 | 42           |                | 168          |                |
|                               | <u>42</u>    | 4,337          | <u>168</u>   | 5,349          |
| Less Current Liabilities :    |              |                |              |                |
| Contributions                 | (7)          |                | (6)          |                |
| Lump sums                     | (1,079)      |                | (3,324)      |                |
| Death grants                  | (180)        |                | (755)        |                |
| Administering authority       | (418)        |                | (284)        |                |
| Added years                   | (90)         |                | (195)        |                |
| H.M. Revenue and Customs      | (2)          |                | (5)          |                |
| Miscellaneous                 | (730)        |                | (427)        |                |
|                               | <u>(730)</u> | <u>(2,506)</u> | <u>(427)</u> | <u>(4,996)</u> |
| Net Current Assets            |              | <u>1,831</u>   |              | <u>353</u>     |

## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

| <b>Analysis of receivables</b> | <b>2017</b>    | <b>2016</b>    |
|--------------------------------|----------------|----------------|
|                                | <b>£000</b>    | <b>£000</b>    |
| Central Government Bodies      | 12             | 13             |
| Other Local Authorities        | 3,935          | 4,868          |
| Other Entities and Individuals | 390            | 468            |
|                                | <u>4,337</u>   | <u>5,349</u>   |
| <br>                           |                |                |
| <b>Analysis of payables</b>    | <b>2016</b>    | <b>2015</b>    |
|                                | <b>£000</b>    | <b>£000</b>    |
| Central Government Bodies      | (2)            | (5)            |
| Other Local Authorities        | (508)          | (468)          |
| Other Entities and Individuals | (1,996)        | (4,523)        |
|                                | <u>(2,506)</u> | <u>(4,996)</u> |

### 10. MATERIAL TRANSACTIONS

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

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

### 11. POST BALANCE SHEET EVENT

The accounts outlined within the statement represent the financial position of the Clwyd Pension Fund as at 31<sup>st</sup> March 2017. Since this date, the performance of the global equity markets may affect the financial value of pension fund investments. This movement does not affect the ability of the Fund to pay its pensioners.

### 12. ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCs)

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

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

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## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

### 13. RELATED PARTY TRANSACTIONS

#### Governance

Under legislation, introduced in 2004, Councillors are entitled to join the Pension Scheme. As at 31st March 2016, two Members of the Clwyd Pension Fund Committee have taken this option. The four Co-opted Members of the Pension Fund Committee receive fees in relation to their specific responsibilities as members of the Committee in the form of an attendance allowance that is in line with that adopted by Flintshire County Council.

#### Key Management Personnel

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

|                          | <b>2017</b> | <b>2016</b> |
|--------------------------|-------------|-------------|
|                          | <b>£000</b> | <b>£000</b> |
| Short-term benefits      | 16.7        | 16.8        |
| Post-employment benefits | 0.2         | 0.1         |
|                          | 16.9        | 16.9        |

#### Flintshire County Council

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

### 14. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

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

### 15. AGENCY ACCOUNTING

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

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

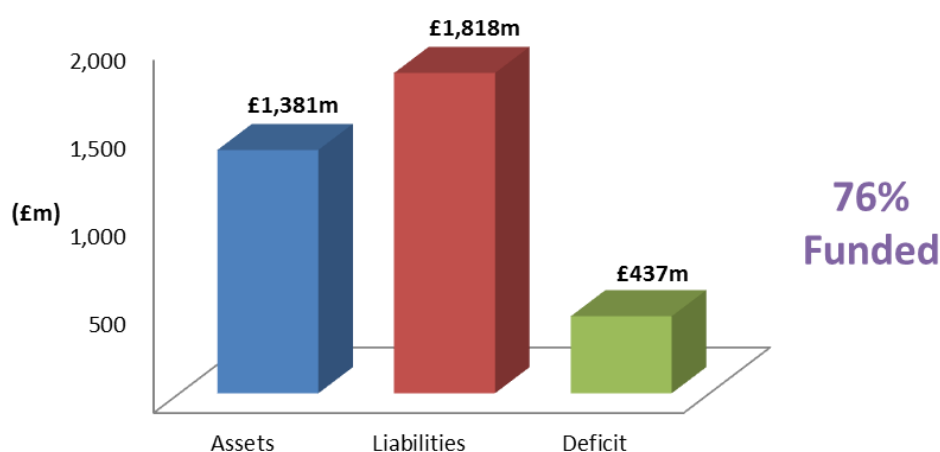
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## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

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

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

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



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

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

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

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

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

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



## NOTES TO THE CLWYD PENSION FUND ACCOUNTS

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

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

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

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31<sup>st</sup> March 2019. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1<sup>st</sup> 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<sup>st</sup> March 2017 (the 31<sup>st</sup> March 2016 assumptions are included for comparison):

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

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

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

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

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

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

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

To be inserted following financial audit by external auditors

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

To be inserted following financial audit by external auditors

## 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.”<sup>1</sup>

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

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

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

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

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

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

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

- showing strategic leadership both of the organisation and our partnerships.

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<sup>1</sup> Wales Audit Office: "Discussion Paper: The governance challenges posed by indirectly provided, publicly funded services in Wales" 2017

## ANNUAL GOVERNANCE STATEMENT

- continuously challenging, reviewing, changing and modernising the way we do things.
- being as lean and un-bureaucratic as possible.
- using new technology to its maximum advantage.
- using flexible working to its maximum advantage.

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

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

The Council is also committed to specific values and principles in working with its key partners and partnerships. These cover strategic partnerships such as the Public Service Board (previously the Local Service Board) and with the voluntary sector such as agreeing a set of Voluntary Sector Funding principles.

## ANNUAL GOVERNANCE STATEMENT

### What is the Annual Governance Statement?

The Council is required by the Accounts and Audit (Wales) Regulations 2014 to prepare a statement on internal control. Alongside many authorities in Wales, Flintshire refers to this as the 'Annual Governance Statement'. This is a public document that reports on the extent to which the Council complies with its own code of governance.

In this document the Council:

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

The annual governance statement reports on the governance framework that has been in place at Flintshire County Council for the year ended 31<sup>st</sup> March 2017 and up to the date of approval of the statement of accounts.

## ANNUAL GOVERNANCE STATEMENT

### How has the Annual Governance Statement been prepared?

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

The preparation and content of this year's governance framework has been considered by the Chief Officer Team, with assurance support from Internal Audit, Audit Committee and External Audit (Wales Audit Office).

In preparing the Annual Governance Statement the Council has:

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

The Chief Officer Team, which is led by the Chief Executive, have also considered the significant governance issues and principles facing the Council. These are evidenced in pages 127 - 134 of the document. Principles **highlighted in Green** reflect those which the Chief Officers assessed as being applied consistently well across the Council. Principles assessed as needing further improvement are detailed on pages 140 – 142.

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

## ANNUAL GOVERNANCE STATEMENT

### What are the key principles of the Corporate Governance Framework?

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

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



# ANNUAL GOVERNANCE STATEMENT

## Principle A

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

### Sub Principles:

#### Behaving with Integrity

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

#### 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 organisational priorities and objectives.

#### 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.

# ANNUAL GOVERNANCE STATEMENT

## Principle B

### Ensuring openness and comprehensive stakeholder engagement

#### Sub Principles:

##### 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 MTFs
  - Consultation principles, e.g. School Modernisation Programme
  - Formal and informal engagement models with employee and communities e.g. alternative delivery models Member workshops
  - County Forum (Town and Community Council's)
  - Engagement with Trade Unions

#### How we do this:

##### 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
- The Council has appropriate structures in place to encourage public participation governed through the Communication and Social Media Policies. These include:
  - E-newsletters
  - The Council's website
  - Tenants Forums
  - Service user groups
  - Quality circles

Principle C

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

**Sub Principles:**

**Defining outcomes**

**How we do this**

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

**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
  - Multi-disciplinary approach to policy development of economic, social and environment issues e.g. Welfare Reform, Corporate Safeguarding
  - Procurement strategy defines expectations around economic, social and environment benefits which inform service specifications, tenders and contracts.
  - Communication plans for public and community engagement
  - Clear documented record of route to change

Principle D

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

Sub Principles:

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 budget setting process providing options for the public, stakeholders and members to be engaged to consider modifications
  - Development of forecasting models
  - Active engagement of key decision making in the development of initial ideas, options and potential outcomes and risks e.g. ADM Programme, Gateways
  - Clear option appraisals detailing impacts, savings and risks
  - Budget monitoring for each Portfolio and corporate considerations
  - Managing expectation for key stakeholders
  - Other key workforce strategies e.g. digital and procurement
  - Application of Impact Assessments

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's Improvement 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

#### 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 being undertaken in each portfolio to identify future workforce capability and progression.

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

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

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   |
|---|---|--|---|--|
| <p><b>How we do this:</b></p> <ul style="list-style-type: none"> <li>• Risk Management is an integral part of all activities and decision making through:                     <ul style="list-style-type: none"> <li>– Application of risk management policy and strategy</li> <li>– Use of the Council's Risk Management system, CAMMS</li> <li>– Identification of all risks and appropriate mitigations and transitional plans reported to Committees</li> <li>– Clear allocation of management for risk responsibility with oversight by senior management and chief officers</li> <li>– Assurance by Internal Audit and Audit Committee</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>• Members and senior management are provided with regular reports on service performance against key performance indicators and milestones against intended outcomes</li> <li>• Through effective committee structures members are clearly informed of the financial position and implications including environmental and resource</li> </ul> | <ul style="list-style-type: none"> <li>• 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.</li> <li>• The Council is dedicated to tackling Council Fraud and Corruption Strategy, Fraud Response Plan, and Whistleblowing Policy</li> </ul> | <ul style="list-style-type: none"> <li>• 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.</li> <li>• The Council requires an Information Sharing Protocol to be in place in respect for all information shared with other bodies.</li> <li>• The quality and accuracy of data used for decision making and performance monitoring is supported by a guidance from a range of professional bodies.</li> <li>• Internal Audit review and audit regularly the quality and accuracy of data used in decision making and performance monitoring.</li> </ul> | <ul style="list-style-type: none"> <li>• The authorities financial management arrangements both the long term support achieve of outcome and short term financial performance through the delivery of the MTFS and setting a prudent Minimum Revenue Provision for the repayment of debt</li> <li>• The integration of all financial management and control is currently being reviewed as part of the finance modernisation project.</li> </ul> |

Principle G

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

Sub Principles:

Implementing good practice in transparency

How we do this:

- The Council has recently improved the layout and presentation of its reports in order to improve the presentation of key information to decision-makers.

Implementing good practices in reporting

- The Council reports at least annually on the achievement and progress of its intended outcomes and financial position. This is delivered through the:
  - Annual Performance report assessing performance against the Improvement Plan
  - Annual Statement of Accounts demonstrate how the Council has achieved performance, value for money and the stewardship of its resources.

Assurance and effective accountability

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

## ANNUAL GOVERNANCE STATEMENT

### Contributors to an effective Governance Framework

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



## ANNUAL GOVERNANCE STATEMENT

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

## ANNUAL GOVERNANCE STATEMENT

How has the Council addressed the governance and strategic issues from 2015/16?

The 2015/16 Annual Governance Statement contained 13 key improvement areas. The issues and how they were addressed are below:

| The Issue:  | What Flintshire did:   |
|---|--|
| <b>Internal Council Governance Issues</b>             |  |
| Potential impact of the Local Government (Wales) Bill | Continued an active involvement in the negotiation and planning over any agreed changes both politically and professionally at both national and regional level.<br>Prioritised time and resources for responding to consultations from Welsh Government.  |
| Ongoing public sector fiscal position                 | Made a compelling case for both the reform of local government finance and for the specific needs of Flintshire as a low funded council (per capita).<br>Influenced national decision-makers through negotiation as part of the collective negotiations via the Welsh Local Government Association.<br>Compiled Medium Term Financial Strategy Planning for a number of challenging scenarios.   |
| Medium Term Financial Strategy                        | Continued to review and revise the Medium Term Financial Strategy and update on an ongoing basis alongside the 2016/17 Improvement Plan. Reviewed to (1) forecast the financial resources to be available to the Council during the period 2016/17 – 2018/19, and the budget pressures based on the best available intelligence (2) identify the next stage solutions available including business plan proposals and alternative delivery models and (3) make a persuasive case for national 'gap' funding to close the 2017/18 annual budget.<br>Continued to lobby Welsh Government for earlier and timelier indications of future indicative settlements to enable effective and longer term financial planning to be undertaken.<br>Continued to develop and make the case for the reform of local government finance and for the specific needs of Flintshire, as a low funded council, and the risks to service provision and performance in the absence of some relief from continued national funding reductions. |
| Transition to Alternative Delivery Models             | Developed and delivered a robust business planning and transition process.   |

## ANNUAL GOVERNANCE STATEMENT

| The Issue:  | What Flintshire did:   |
|---|--|
|   | <p>Ensured that effective governance models were in place.</p> <p>Continued support and advice for community organisations post transfer.</p>  |
| Community Assets Transfers  | <p>Developed and undertook an effective strategy for engaging with communities.</p> <p>Ensured that effective governance models were in place.</p> <p>Continued support and advice for community organisations post transfer.</p>  |
| Joint working with Health   | <p>Continued to rebuild effective working relationships at governance and operational levels.</p> <p>Ensured that effective joint service and financial planning was developed.</p> <p>Made clear and persuasive cases for joint funding from new sources of national funding.</p>   |
| Business continuity planning  | <p>Reviewed the internal Business Continuity Plans which continue to be progressed as part of the work programme of the Regional Emergency Planning Service.</p> <p>Ongoing plan maintenance.</p>  |
| Changing service resource demands from new legislation including Social Services Wellbeing and Future Generations Act | <p>Ensured that forward planning, forecasting and demand management arrangements were in place.</p> <p>Continued to be aware of and challenge unsustainable national policy proposals which may emerge.</p> <p>Continued to make persuasive, evidenced cases for national funding to meet service cost pressures.</p>  |
| Service Resilience in the face of the scale and pace of service portfolio planning                                    | <p>Leadership of evidenced business planning and full and early member engagement on options for change with an earlier annual budget setting process than in earlier years drawing on the forward business plans for services.</p> <p>Effectively allocated the Council's capacity, also using Invest to Save funds well to add capacity.</p> <p>The continued use of the Programme Boards to oversee and manage change programmes.</p> |

In addition there were strategic issues which were identified in the Improvement Plan for 2015/16 which are more service-based.

## ANNUAL GOVERNANCE STATEMENT

| The Issue:  | What Flintshire did:  |
|---|---|
| <b>Strategic Issues</b>   |   |
| School Modernisation  | <p>Developed an effective strategy for change based on the Council's revised Schools modernisation policy.</p> <p>Made additional resource available for project management as required.</p> <p>Planned a scalable and affordable programme of capital investment.</p>  |
| Social Services Market Fragility  | <p>Reviewed commissioning fees paid to providers</p> <p>Retention of Council direct provision.</p> <p>Improved national funding and support.</p> <p>Developed new market models in partnership.</p>   |
| Competitiveness of the North East Wales sub-regional economy in a competitive and changing UK market. | <p>Full and active support for the regional strategic work e.g. on business cases for rail infrastructure.</p> <p>Full participation in cross border partnerships and business cases for national growth strategies and bids specifically the Mersey Dee Alliance, the Northern Powerhouse, and the North Wales-Cheshire and Warrington Local Economic Partnership Growth Bids.</p> |
| Social Housing Provision Delivery e.g. SHARP  | <p>Forward strategy and capital planning.</p> <p>Sufficient programme management resourcing.</p> <p>Ensured that Welsh Government capital funding e.g. Major Repairs Allowance (MRA) were retained.</p>   |

## ANNUAL GOVERNANCE STATEMENT

What are the significant governance and strategic issues identified during 2016/17?

The review of the effectiveness of the Council’s governance framework has identified the following significant issues that will need to be addressed during 2017/18. These are categorised as:

- i) Internal Council Governance issues – those derived from the portfolio annual self assessments that affect the internal governance arrangements of the Council.
- ii) Strategic Improvement Plan issues – those that have been identified as part of the Improvement Plan for 2016/17 which remain un-mitigated i.e. a ‘Red’ risk status.

| i) Internal Council Governance issues  | Risk   | Mitigation   |
|--|--|--|
| Views and experiences of citizens, service users and organisations of different backgrounds including reference to future needs are taken into account | <ul style="list-style-type: none"> <li>• Service planning does not take into account service user’s needs in the future</li> <li>• Legal and or judicial challenges</li> </ul> | Development of an integrated impact assessment approach to inform budget decisions and longer term sustainability of services.   |
| Identifying and managing risks to the achievement of outcomes  | <ul style="list-style-type: none"> <li>• Risks are not mitigated during transitional or implementation phases</li> <li>• Outcomes are under-achieved</li> </ul>                | Consistent application of the Council’s risk management approach across all strategic, operational and partnership working.  |
| Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets.                   | <ul style="list-style-type: none"> <li>• Misalignment of plans and strategies</li> <li>• Missed opportunities for joint and collaborative working</li> </ul>                   | Refresh of business plan approach across all portfolios including contributions to key corporate strategies.   |
| Ensuring capacity exists to generate the information required to review service quality regularly  | <ul style="list-style-type: none"> <li>• Reduction in service quality</li> <li>• Inability to benchmark and compare service quality</li> </ul>                                 | Ensure that service reform, succession and workforce planning takes into account information requirements.   |
| Developing and maintaining an effective workforce plan to enhance strategic allocation of resources.   | <ul style="list-style-type: none"> <li>• Sustainability of service provision</li> <li>• Ineffective allocation of resources</li> </ul>   | Workforce planning for senior levels within each portfolio assessing workforce demographics, changing requirements and market demand.<br>Development of a succession plan, identifying areas of talent |

## ANNUAL GOVERNANCE STATEMENT

| i) Internal Council Governance issues   | Risk   | Mitigation   |
|---|--|--|
| Effective arrangements for safe collection, storage, use and sharing data                                 | <ul style="list-style-type: none"> <li>• Legal challenge and fines</li> <li>• Personal confidentiality breached</li> </ul>   | and additional support for growth and continued service delivery.<br>Provision of clear guidelines, awareness and appropriate training.<br>Oversee and supervision of arrangements by managers.                                    |
| Ensure there is effective internal financial management in place  | <ul style="list-style-type: none"> <li>• Mismanagement of public funds</li> </ul>  | Roll out of financial management self-serve, ensuring that all budget areas are risk assessed, all budget managers are appropriately trained and continue to improve the systems and technology that support financial management. |
| ii) Strategic Issues from the Improvement Plan  | Risk   | Mitigation   |
| Fragility and sustainability of the care home sector  | <ul style="list-style-type: none"> <li>• Reduced quality of care, increased difficulties with recruitment and retention of staff and reduced capacity in the care home sector.</li> </ul>                                  | Refocus specialisms within in-house provision to fit with changing demands.<br>Continue to monitor capacity in the sector.   |
| Council funding for adaptations and home loans will not be sufficient to meet demand                      | <ul style="list-style-type: none"> <li>• Adaptations are a statutory duty for the Council. Demand in excess of current budgets would create a financial pressure on the capital programme</li> </ul>                       | Monthly management monitoring of budgets and case load.<br>Co-ordination across Council teams to ensure the approach to adaptations makes best use of the available budget.  |
| Numbers of school places not matching the changing demographics   | <ul style="list-style-type: none"> <li>• High teaching ratios, unfilled places and a backlog of maintenance pressures.</li> </ul>  | Continuation of School Modernisation Programme will reduce unfilled places, reduce backlog maintenance, and remove unwanted fixed costs and infrastructure   |
| Limited funding to address the backlog of known repair and maintenance work in Education and Youth assets | <ul style="list-style-type: none"> <li>• 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.</li> </ul> | Condition surveys continue to identify priorities for investment.<br>Implement County Policy for School re-organisation and modernisation.   |

## ANNUAL GOVERNANCE STATEMENT

| ii) Strategic Issues from the Improvement Plan                                  | Risk  | Mitigation  |
|---|---|---|
| Available funding for energy efficient measures may fall short of public demand | <ul style="list-style-type: none"> <li>Public frustration and reduced funding may impact upon the Council's reputation</li> <li>Opportunities to reduce household costs and fuel poverty may not be fully realised</li> </ul> | <p>All potential sources of external funding proactively targeted for support.</p> <p>Use made wherever possible of innovative forms of finance.</p> <p>Managing public expectation as far as possible.</p> |
| Funding will not be secured for priority flood alleviation schemes              | <ul style="list-style-type: none"> <li>Flood alleviation schemes will not be delivered leading to increased risks of damage to infrastructure and community disturbance.</li> </ul>   | <p>Review our approach to funding capital projects</p>  |
| The scale of the financial challenge  | <ul style="list-style-type: none"> <li>The Council has insufficient funding to meet its priorities and obligations.</li> </ul>  | <p>The Council's Medium Term Financial Strategy and efficiency programme.</p> <p>National negotiations on local government funding.</p>   |

## **ANNUAL GOVERNANCE STATEMENT**

### **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**



# ANNUAL GOVERNANCE STATEMENT

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

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

Ensuring Openness & Comprehensive Stakeholder Engagement

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

Determining the Interventions to optimise the achievements of the intended outcomes

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

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

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

Assurance Statement

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

### Public Key Documents: Annual Review / Production

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

### Key Documents: Ad-hoc Review / Production

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

### Contributing Processes Regulatory Monitoring

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

Mae'r dudalen hon yn wag yn bwrpasol

# Eitem ar gyfer y Rhaglen 5



## AUDIT COMMITTEE

|                        |  |
|------------------------|--|
| <b>Date of Meeting</b> | Wednesday 19 <sup>th</sup> July 2017                                       |
| <b>Report Subject</b>  | Supplementary Financial Information to Draft Statement of Accounts 2016/17 |
| <b>Report Author</b>   | Corporate Finance Manager  |

## EXECUTIVE SUMMARY

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

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

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

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

This report contains the information requested above in respect of financial year 2016/17.

## RECOMMENDATIONS

|   |                         |
|---|-------------------------|
| 1 | Members note the report |
|---|-------------------------|

## REPORT DETAILS

| 1.00 | EXPLAINING THE APPENDICIES   |
|------|--|
| 1.01 | <p>The information requested is shown in Appendix 1 to this report. For clarity the information has been split into 3 categories described in paragraphs below:</p> <ul style="list-style-type: none"> <li>• Table 1 – Council Employees</li> <li>• Table 2 – Posts covered by interim or temporary arrangements</li> <li>• Table 3 – Payments to Consultants and Non-Permanent Posts</li> </ul>   |
| 1.02 | <p>Table 1 contains costs (including termination benefits where applicable) for council employees only. For the purpose of this report council employees have been defined as permanent members of staff paid via Flintshire County Council's payroll system.</p> <p>As the notice of motion requests, the detail of any council employee already included in the 'Senior Employee Emoluments' note in the Draft Statement of Accounts 2016/17 has not been included.</p>  |
| 1.03 | <p>Table 2 shows the number of interim or temporary arrangements in place to cover posts during 2016/17. Where such arrangements are in place, the Council has procured the services of individuals to fulfil the requirements of the post through a contract with another organisation. The Council paid the organisation, and that organisation employed and paid a salary to the individual. Table 2 shows the amounts paid to those organisations for such arrangements in 2016/17. Please note these amounts DO NOT reflect the individuals' salaries.</p>  |
| 1.04 | <p>Table 3 contains payments made for consultants and non-permanent posts. It is important that Members note that actual costs incurred by the Council in 2016/17 are in bold in the third column in table 3.</p> <p>The fourth column, theoretical annual costs, has been supplied to provide an equivalent annualised salary as requested by the notice of motion. Figures have been calculated by taking the daily (or hourly costs in some cases) and grossing up assuming a 37 hour standard week and that 48 weeks per year are worked. As is clear from the difference between both columns the majority were in post for significantly less than a year.</p>   |
| 1.05 | <p>The Council has adopted the following definition to describe a 'consultant'.</p> <p>Corporate Resources Overview and Scrutiny Report extract – March 2016</p> <p><i>A consultant is an organisation or an individual contracted to provide specific services to the Council for a limited period of time. These are services where the Council does not have the expertise 'in-house' to be self-sufficient or where the Council has some expertise but insufficient capacity. It is not possible for the Council to be wholly self-sufficient and it would be a poor use of resources to employ specialist individuals to maintain an internal expertise which is only required occasionally or indeed once.</i></p> |

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

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

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

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

|             |   |
|-------------|---|
| <b>5.00</b> | <b>APPENDICES</b>   |
| 5.01        | Appendix 1 – Supplementary financial information to draft Statement of Accounts 2016/17 |

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

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

SUPPLEMENTARY FINANCIAL INFORMATION TO DRAFT STATEMENT OF ACCOUNTS 2016/17TABLE 1 - COUNCIL EMPLOYEES

| Post Title                           | Note | Remuneration<br>(excluding<br>Employers<br>Pension<br>Contributions)<br>£ | Employers<br>Pension<br>Contributions<br>£ | Annualised<br>Pay (where<br>applicable)<br>£ |
|--------------------------------------|------|---|--|--|
|                                      |      |   |  |  |
| Senior Manager - Learning Engagement |      | 60,541  | 15,383                                     |  |
| Senior Manager - School Improvement  |      | 64,191  | 16,311                                     |  |
| Theatr Clwyd - Artistic Director     |      | 65,000  | 16,517                                     |  |
| <b>Total</b>                         |      | <b>189,732</b>  |  |  |

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

| Post Title  | Note | Cost<br>£      | Theoretical<br>Annual<br>Costs<br>£ |
|---|------|----------------|-------------------------------------|
| Children's Services Social Worker - Fostering Service |      | 6,800          | 62,918                              |
| Mental Health Social Worker - Substance Misuse Team   |      | 22,560         | 61,094                              |
| Solicitor   |      | 57,168         | 88,739                              |
| Housing Asset Manager                                 |      | 33,600         | 115,200                             |
| Senior Surveyor                                       |      | 15,181         | 60,486                              |
| Senior Surveyor                                       |      | 18,446         | 60,364                              |
| Senior Surveyor                                       |      | 21,148         | 62,814                              |
| Trading Standards Officer                             |      | 11,018         | 74,022                              |
| Integrated Transport Unit Manager                     |      | 73,273         | 106,320                             |
| <b>Total</b>  |      | <b>259,194</b> |                                     |

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

## SUPPLEMENTARY FINANCIAL INFORMATION TO DRAFT STATEMENT OF ACCOUNTS 2016/17

TABLE 3 - PAYMENTS TO CONSULTANTS AND NON-PERMANENT POSTS 2016/17

| Portfolio             | Description   | Actual Cost Incurred £ | Theoretical Annual Costs £ |
|-----------------------|---|------------------------|----------------------------|
| E&Y                   | Specialist services for Schools Modernisation Project to undertake sustainability & suitability review of primary schools | 27,998                 | 109,358                    |
| P&R                   | Financial systems related to enable Alternative Delivery Models (P2P Configuration)                                       | 4,050                  | 108,000                    |
| P&R                   | Project management - Finance Modernisation  | 9,450                  | 72,000                     |
| P&R                   | Project management - Financial systems related to enable Alternative Delivery Models (Masterpiece migration)              | 10,000                 | 96,000                     |
| P&R                   | Providing nursing services to the Occupational Health service   | 2,450                  | 84,000                     |
| P&R                   | Providing nursing services to the Occupational Health service   | 4,463                  | 65,160                     |
| P&R                   | Professional advice related to enable Alternative Delivery Models (Masterpiece migration)                                 | 12,000                 | 72,000                     |
| Gov                   | Project Management - E-Invoicing and Supplier Charging Project  | 33,750                 | 100,001                    |
| Gov                   | Solicitor - Engaged to compile legal agreements to enable Alternative Delivery Models                                     | 17,824                 | 71,172                     |
| Gov                   | ICT & Customer Services - Programme Manager for migration from Lotus Notes to Microsoft Exchange                          | 720                    | 86,400                     |
| Gov                   | Business Systems Architect to enable Alternative Delivery Models (Masterpiece migration)                                  | 22,777                 | 86,793                     |
| HRA                   | Procurement Advice relating to Strategic Housing And Regeneration Programme   | 2,825                  | 169,502                    |
| S&T                   | Fleet review - specialist procurement advice  | 16,244                 | 169,502                    |
| S&T                   | Detailed review of Transport Operations and full implementation of proposals  | 12,251                 | 106,320                    |
| Central and Corporate | Specialist advice site remediation - Orphaned Site in Sandycroft  | 62,833                 | 76,402                     |
|                       |   |                        |                            |
| <b>Total</b>          |   | <b>239,635</b>         |                            |

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



# Eitem ar gyfer y Rhaglen 6



## AUDIT COMMITTEE

|                        |   |
|------------------------|---|
| <b>Date of Meeting</b> | Wednesday 19 <sup>th</sup> July 2017  |
| <b>Report Subject</b>  | Treasury Management Annual Report 2016/17 and Treasury Management Update Q1 2017/18 |
| <b>Report Author</b>   | Corporate Finance Manager   |

## EXECUTIVE SUMMARY

The report presents the draft Treasury Management Annual Report 2016/17 for review and seeks the Committee's recommendation for approval to Cabinet.

The report provides an update on matters relating to the Council's Treasury Management Policy, Strategy and Practices 2017/18.

- 1<sup>st</sup> quarter update 1<sup>st</sup> April – 30<sup>th</sup> June 2017, presented for the Committee's information.

## RECOMMENDATIONS

|   |   |
|---|---|
| 1 | Members review the draft Treasury Management Annual Report 2016/17 and identify any matters to be drawn to the attention of Cabinet on 26 <sup>th</sup> September 2017. |
| 2 | Members note the Treasury Management 2017/18 first quarter update.  |

## **REPORT DETAILS**

|             |   |
|-------------|---|
| <b>1.00</b> | <b>EXPLAINING THE ANNUAL REPORT</b>   |
| 1.01        | The Council has nominated Audit Committee to be responsible for ensuring effective scrutiny of Treasury Management Strategy and Policies. The Audit Committee has previously agreed to include Treasury Management as a standing item on each quarterly agenda to receive an update.  |
| 1.02        | On 16 <sup>th</sup> February 2016, the Council approved the Treasury Management Strategy 2016/17, following the recommendation of the Cabinet and consideration by the Audit Committee.   |
| 1.03        | On 14 <sup>th</sup> February 2017, the Council approved the Treasury Management Strategy 2017/18, following the recommendation of the Cabinet and consideration by the Audit Committee.   |
|             | <b><u>CONSIDERATIONS</u></b>  |
| 1.04        | <u>Governance</u><br>A schedule for the reporting cycle for Treasury Management reports in 2017/18 is attached as Appendix 1 for information. Where Members have any specific items of interest, concern or questions on the Council's Treasury Management Policies or Strategies these can be addressed within these reports upon request.   |
| 1.05        | Treasury Management training for all Members (hosted by the Audit Committee) delivered by the Council's London based Treasury Management advisors, Arlingclose Ltd is being arranged for early January. January is considered to be the most appropriate time to schedule the training as it's the same time Members will be asked to approve the Treasury Management Strategy for the following financial year.<br>Prior to the training should any Member of the Committee require additional information or wish learn more about a specific Treasury Management topic Officers are available to assist. |
| 1.06        | <b><u>Treasury Management Annual Report 2016/17</u></b><br>The draft Treasury Management Annual Report for 2016/17 is attached as Appendix 2 for review. As required by the Council's Financial Procedure Rules, this Annual Report will be reported to the Cabinet and Council.  |
| 1.07        | Summary of Key Points<br><br>2016/17 was an extraordinary year politically, with 'Brexit' and the election of Donald Trump as President of the USA. This contributed to significant market volatility. The Bank of England's Monetary Policy Committee (MPC) judged the repercussions to be sufficiently severe to prompt a cut in the Bank Rate to 0.25% in August, in addition to further measures. Section 2 of the report provides a full economic and interest rate review of 2016/17.   |

|      |   |
|------|---|
| 1.08 | The cut to the Bank Rate contributed to the low level of interest the Council was able to generate on its investments, with an average return of 0.43%. Section 4 provides further details of the Council's investment activity during the year.  |
| 1.09 | <p>No new long term borrowing was undertaken in 2016/17, but the Council did, as expected, start to borrow in the short term. Section 3 provides more information on borrowing and debt management during the year.</p> <p>Debt rescheduling opportunities were considered in detail by officers and the Council's Treasury Management advisors. A sample of PWLB loans were considered for rescheduling with the results reported to the Audit Committee on 15<sup>th</sup> March 2017. The results indicated it was not prudent to reschedule any PWLB debt, however this situation was, and will continue to be, kept under continual review.</p> <p>The first £3.4m of the loan to NEW Homes was drawn down during the year, as detailed in paragraph 3.09.</p> |
| 1.10 | The treasury function operated within the limits detailed in the Treasury Management Strategy 2016/17.  |
|      | <b>Treasury Management 2017/18 – Quarter 1 update</b>   |
| 1.11 | <p><u>Investments Update</u></p> <p>A statement setting out the Council's investments as at 30<sup>th</sup> June 2017 is attached at Appendix 3. The investment balance at this time was £5.0m, spread across 3 counterparties and the average investment rate was 0.35% for the quarter.</p> <p>Appendix 6 is a graph showing the investment and short term borrowing position for 2016/17 and 2017/18 to date.</p>  |
| 1.12 | <p><u>Borrowing Update</u></p> <p>Appendix 4 shows the Council's long term borrowing as at 30<sup>th</sup> June 2017. The total amount of loans outstanding remained at £251.3m with an average interest rate payable of 5.01%.</p>   |
| 1.13 | Appendix 5 shows the Council's short term borrowing as at 30 <sup>th</sup> June 2017. The total amount of loans outstanding was £15.1m with an average interest rate payable of 0.31%.  |
| 1.14 | As has been reported previously, the borrowing strategy throughout 2016/17 and into 2017/18 has been to monitor capital expenditure plans to confirm the Council's long term borrowing need. This is to ensure that the Council does not commit to long term borrowing too early and borrow unnecessarily which will be costly. Short term borrowing is available at much lower rates and is currently being utilised as far as possible without taking on excessive refinancing risk.  |

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

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

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

|             |   |
|-------------|---|
| <b>5.00</b> | <b>APPENDICES</b>   |
| 5.01        | <ol style="list-style-type: none"> <li>1. Treasury Management Reporting Cycle 2017/18</li> <li>2. Draft Treasury Management Annual Report 2016/17</li> <li>3. Investment Portfolio as at 30 June 2017</li> <li>4. Long term borrowing as at 30 June 2017</li> <li>5. Short term borrowing as at 30 June 2017</li> <li>6. Graph showing investments and short term borrowing in 2016/17 and 2017/18 to date</li> </ol> |

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

|             |  |
|-------------|--|
| <b>7.00</b> | <b>GLOSSARY OF TERMS</b>   |
| 7.01        | <p><b>Authorised Limit:</b> A statutory limit that sets the maximum level of external debt for the Council.</p> <p><b>Balances and Reserves:</b> Accumulated sums that are held, either for specific future costs or commitments (known as earmarked) or generally held to meet unforeseen or emergency expenditure.</p> <p><b>Bank Rate:</b> The official interest rate set by the Bank of England's Monetary Policy Committee and what is generally termed at the "base rate".</p> |

**Basis Point:** A unit of measure used in finance to describe the percentage change in the value or rate of a financial instrument. One basis point is equivalent to 0.01% (1/100th of a percent). In most cases, it refers to changes in interest rates and bond yields. For example, if interest rates rise by 25 basis points, it means that rates have risen by 0.25% percentage points.

**Bond:** A certificate of debt issued by a company, government, or other institution. The bond holder receives interest at a rate stated at the time of issue of the bond. The price of a bond may vary during its life.

**Capital Expenditure:** Expenditure on the acquisition, creation or enhancement of capital assets.

**Capital Financing Requirement (CFR):** The Council's underlying need to borrow for capital purposes representing the cumulative capital expenditure of the local authority that has not been financed.

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

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

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

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

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

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

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

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

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

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

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

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

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

**IFRS:** International Financial Reporting Standards.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



**Treasury Management Reporting 2017/18**

| <b>Committee Report</b>                              | <b>Purpose</b>              | <b>Audit Committee</b> | <b>Cabinet</b> | <b>Council</b> |
|--|-----------------------------|------------------------|----------------|----------------|
|  |                             |                        |                |                |
| <b>2016/17 Final Outturn &amp; Q1 2017/18 Update</b> | Information & Policy Change | 19-Jul-17              | 26-Sep-17      | 27-Sep-17      |
|  |                             |                        |                |                |
| <b>Mid Year Review 2017/18</b>                       | Information & Policy Change | 22-Nov-17              | 19-Dec-17      | 30-Jan-18      |
|  |                             |                        |                |                |
| <b>Q3 2017/18 Update &amp; 2018/19 Strategy</b>      | Information & Policy Change | 24-Jan-18              | 20-Feb-18      | 20-Feb-18      |
|  |                             |                        |                |                |
| <b>Q4 2017/18 Update</b>                             | Information                 | 21-Mar-18              |                |                |
|  |                             |                        |                |                |

Mae'r dudalen hon yn wag yn bwrpasol



**DRAFT**

# **FLINTSHIRE COUNTY COUNCIL**

**TREASURY MANAGEMENT**

**ANNUAL REPORT 2016/17**

## **1.00 INTRODUCTION**

- 1.01 The Council approved the Treasury Management Strategy (Strategy) 2016/17 including key indicators, limits and an annual investment strategy on 16<sup>th</sup> February 2016.
- 1.02 The Strategy was produced based on the 2011 edition of the CIPFA Treasury Management in the Public Services: Code of Practice.
- 1.03 The purpose of this report is to review the outcomes from 2016/17 treasury management operations and compare with the Strategy.
- 1.04 Treasury management comprises the management of the local authority's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

## **2.00 ECONOMIC & INTEREST RATE REVIEW 2016/17**

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

**Economic background:** Politically, 2016/17 was an extraordinary twelve month period which defied expectations when the UK voted to leave the European Union and Donald Trump was elected the 45th President of the USA. Uncertainty over the outcome of the US presidential election, the UK's future relationship with the EU and the slowdown witnessed in the Chinese economy in early 2016 all resulted in significant market volatility during the year. Article 50 of the Lisbon Treaty, which sets in motion the 2-year exit period from the EU, was triggered on 29th March 2017.

UK inflation had been subdued in the first half of 2016 as a consequence of weak global price pressures, past movements in sterling and restrained domestic price growth. However the sharp fall in the Sterling exchange rate following the referendum had an impact on import prices which, together with rising energy prices, resulted in CPI rising from 0.3% year/year in April 2016 to 2.3% year/year in March 2017.

In addition to the political fallout, the referendum's outcome also prompted a decline in household, business and investor sentiment. The repercussions on economic growth were judged by the Bank of England to be sufficiently severe to prompt its Monetary Policy Committee (MPC) to cut the Bank Rate to 0.25% in August and embark on further gilt and corporate bond purchases as well as provide cheap funding for banks via the Term Funding Scheme to maintain the supply of credit to the economy.

Despite growth forecasts being downgraded, economic activity was fairly buoyant and GDP grew 0.6%, 0.5% and 0.7% in the second, third and fourth calendar quarters of 2016. The labour market also proved resilient, with the International Labour Organisation (ILO) unemployment rate dropping to 4.7% in February, its lowest level in 11 years.

Following a strengthening labour market, in moves that were largely anticipated, the US Federal Reserve increased rates at its meetings in December 2016 and March 2017, taking the target range for official interest rates to between 0.75% and 1.00%.

**Financial markets:** Following the referendum result, gilt yields fell sharply across the maturity spectrum on the view that Bank Rate would remain extremely low for the foreseeable future. After September there was a reversal in longer-dated gilt yields which moved higher, largely due to the MPC revising its earlier forecast that Bank Rate would be dropping to near 0% by the end of 2016. The yield on the 10-year gilt rose from 0.75% at the end of September to 1.24% at the end of December, almost back at pre-referendum levels of 1.37% on 23rd June. 20- and 50-year gilt yields also rose in Q3 2017 to 1.76% and 1.70% respectively, however in Q4 yields remained flat at around 1.62% and 1.58% respectively.

After recovering from an initial sharp drop in Q2, equity markets rallied, although displaying some volatility at the beginning of November following the US presidential election result. The FTSE-100 and FTSE All Share indices closed at 7342 and 3996 respectively on 31<sup>st</sup> March, both up 18% over the year. Commercial property values fell around 5% after the referendum, but had mostly recovered by the end of March.

Money market rates for overnight and one week periods remained low since Bank Rate was cut in August. 1- and 3-month LIBID rates averaged 0.36% and 0.47% respectively during 2016-17. Rates for 6- and 12-months increased between August and November, only to gradually fall back to August levels in March, they averaged 0.6% and 0.79% respectively during 2016-17.

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

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

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

### 3.02 Borrowing Activity in 2016/17.

The total long term borrowing outstanding, brought forward into 2016/17 totalled £251.3 million. Loans with the Public Works Loans Board were in the form of fixed rate (£222.4m) and variable rate (£10m). The remaining £18.95m was variable in the form of LOBO's (Lender's Option, Borrower's Option). The Council's average borrowing rate throughout the year was 5.02%.

|  | Balance<br>01/04/2016<br>£m | Debt<br>Maturing<br>£m | New<br>Debt<br>£m | Balance<br>31/03/2017<br>£m |
|--|-----------------------------|------------------------|-------------------|-----------------------------|
| <b>Capital Financing Requirement</b>         | <b>280.3</b>                | 6.2                    | 31.2              | <b>305.3</b>                |
| <b>Short Term Borrowing</b>                  | 0.00                        | 0.00                   | 10.00             | 10.00                       |
| <b>Long Term Borrowing</b>                   | 251.3                       | 0.00                   | 0.00              | 251.3                       |
| <b>TOTAL BORROWING</b>                       | 251.3                       | 0.00                   | 10.00             | 261.3                       |
| <b>Other Long Term Liabilities</b>           | 6.5                         | 0.5                    | 0.00              | 6.0                         |
| <b>TOTAL EXTERNAL DEBT</b>                   | <b>257.8</b>                | <b>0.5</b>             | <b>10.00</b>      | <b>267.3</b>                |
| <b>Increase/(Decrease in Borrowing (£m))</b> | -                           | -                      | 9.5               |                             |

3.03 The Council's underlying need to borrow as measured by the Capital Financing Requirement (CFR) as at 31<sup>st</sup> March 2017 was £305.3m. The Council's total external debt was £267.3m.

### 3.04 Loans at Variable Rates

The Council has £10m of PWLB variable rate loans, at an average rate of 0.55% which mitigate the impact of changes in variable rates on the Authority's overall treasury portfolio (the Authority's investments are deemed to be variable rate investments due to their short-term nature). This strategic exposure to variable interest rates will be regularly reviewed and, if appropriate, reduced by switching into fixed rate loans.

### 3.05 Internal Borrowing

Given the significant cuts to local government funding putting pressure on Council finances, the strategy followed was to minimise debt interest payments without compromising the longer-term stability of the portfolio. The differential between the cost of new longer-term debt and the return generated on the Council's temporary

investment returns was significant at around 1.92%. The use of internal resources in lieu of borrowing was judged to be the most cost effective means of funding £31.2m of capital expenditure incurred during the year for the majority of the financial year. This, for the time being, lowered overall treasury risk by reducing both external debt and temporary investments. However, the position was not sustainable for the whole year and the Council had always expected it would need to borrow for capital purposes from 2017/18 onwards.

### 3.06 Short Term Borrowing

Towards the end of the financial year, short term borrowing was undertaken as necessary in accordance with the 2016/17 borrowing strategy. The total short term (temporary) borrowing as at 31<sup>st</sup> March 2017 was £10m with an average rate of 0.4%.

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

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

### 3.08 Debt Rescheduling

Debt rescheduling opportunities were considered in detail by officers in conjunction with the Council's Treasury Management advisors. A sample of PWLB loans were considered for rescheduling with the results reported to the Audit Committee on 15<sup>th</sup> March 2017. The results indicated it was not prudent to reschedule any PWLB debt. No rescheduling activity was undertaken as a consequence.

However, The Chief Finance Officer, along with the Council's Treasury Management Advisors, keeps under review any opportunities which may arise for restructuring the Council's debt in order to take advantage of potential savings as interest rates change and to enhance the balance of the long term portfolio (amend the maturity profile and/or the balance of volatility).

### 3.09 Loan to NEW Homes

In May 2016 Cabinet approved a loan to the Council's wholly owned company, NEW Homes Ltd, to build 62 homes on The Walks site in Flint for rent at affordable levels. To enable the funding of this loan, Council approved an increase in the Council's borrowing limit in June 2016.

The first £3.4m of this loan was drawn down on 31st March 2017 and was funded

by short term borrowing at 31<sup>st</sup> March 2017.

The loan to NEW Homes does not meet the definition of an investment and is not therefore included in the Council's investment figures below. It is classed as capital expenditure.

#### **4.00 INVESTMENT ACTIVITY**

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

4.02 Investment Activity in 2016/17

#### **Summary of investments as at 31<sup>st</sup> March 2017.**

| <b>Country</b>        | <b>Total</b> | <b>&lt;1 month</b> | <b>1 –12 months</b> | <b>&gt;12 months</b> |
|-----------------------|--------------|--------------------|---------------------|----------------------|
|                       | <b>£m</b>    | <b>%</b>           | <b>£m</b>           | <b>£m</b>            |
| UK BANKS              |              |                    |                     |                      |
| UK BUILDING SOCIETIES | 1.0          |                    | 1.0                 |                      |
| OVERSEAS              |              |                    |                     |                      |
| MMF's                 |              |                    |                     |                      |
| LOCAL AUTHORITIES     |              |                    |                     |                      |
| DMO                   | 7.6          | 7.6                |                     |                      |
| <b>TOTAL</b>          | <b>8.6</b>   | <b>7.6</b>         | <b>1.0</b>          | <b>0.0</b>           |
| <b>% OF PORTFOLIO</b> |              | 88.4%              | 11.6%               | 0.0%                 |
| <b>TARGET 2016/17</b> |              | 35%                | 55%                 | 10%                  |

4.03 Security of capital remained the Council's main investment objective. This was maintained by following the Council's counterparty policy as set out in its Strategy for 2016/17. Investments during the year included:

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

4.05 Credit Risk

The Authority assessed and monitored counterparty credit quality with reference to credit ratings; credit default swaps; GDP of the country in which the institution operates; the country's net debt as a percentage of GDP and share price. The



minimum long-term counterparty credit rating determined by the Authority for the 2016/17 treasury strategy was A-/A-/A3 across rating agencies Fitch, S&P and Moody's.

#### 4.06 Counterparty Update

Various indicators of credit risk reacted negatively to the result of the referendum on the UK's membership of the European Union. UK bank credit default swaps saw a modest rise but bank share prices fell sharply, on average by 20%, with UK-focused banks experiencing the largest falls. Non-UK bank share prices were not immune, although the fall in their share prices was less pronounced.

Fitch and Standard & Poor's downgraded the UK's sovereign rating to AA. Fitch, S&P and Moody's have a negative outlook on the UK. Moody's has a negative outlook on those banks and building societies that it perceives to be exposed to a more challenging operating environment arising from the 'leave' outcome.

None of the banks on the Authority's lending list failed the stress tests conducted by the European Banking Authority in July and by the Bank of England in November, the latter being designed with more challenging stress scenarios, although Royal Bank of Scotland was one of the weaker banks in both tests. The tests were based on banks' financials as at 31st December 2015, 11 months out of date for most. As part of its creditworthiness research and advice, the Authority's treasury advisor Arlingclose regularly undertakes analysis of relevant ratios - "total loss absorbing capacity" (TLAC) or "minimum requirement for eligible liabilities" (MREL) - to determine whether there would be a bail-in of senior investors, such as local authority unsecured investments, in a stressed scenario.

On the advice of Arlingclose, new investments with Deutsche Bank and Standard Chartered Bank were suspended in March 2016 due to the banks' relatively higher credit default swap (CDS) levels and disappointing 2015 financial results. Standard Chartered was reintroduced to the counterparty list in March 2017 following its strengthening financial position, but Deutsche Bank was removed altogether from the list.

In July, following a review of unrated building societies' annual financial statements, Cumberland, Harpenden and Vernon building societies were removed from the Authority's list due to a deterioration in credit indicators. The maximum advised maturity was also lowered for eleven other societies from 6 months to 100 days due to the uncertainty facing the UK housing market following the EU referendum.

#### 4.07 Liquidity

In keeping with the WG's Guidance on Investments, the Authority maintained a sufficient level of liquidity through the use of Money Market Funds and call

accounts. The Authority uses purpose-built cash flow forecasting software to determine the maximum period for which funds may prudently be committed.

#### 4.08 Yield

The UK Bank Rate remained at 0.50% until August when it was reduced to 0.25% where it has since stayed. Short term money market rates also remained at very low levels which continued to have a significant impact on investment income. The low rates of return on the Authority's short-dated money market investments reflect prevailing market conditions and the Authority's objective of optimising returns commensurate with the principles of security and liquidity.

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

The Authority's budgeted investment income for the year had been estimated at £65k. The average cash balance was £30.9m during the period and interest earned was £133k, at an average interest rate of 0.43%.

### **5.00 COMPLIANCE**

5.01 The Council can confirm that it has complied with its Prudential Indicators for 2016/17. These were approved by Council as part of the Treasury Management Strategy on 16<sup>th</sup> February 2016, before being revised and approved by Council on 14<sup>th</sup> June, to allow for the loan to NEW Homes (see 3.08 above).

5.02 In compliance with the requirements of the CIPFA Code of Practice this report provides members with a summary report of the treasury management activity during 2016/17. None of the Prudential Indicators have been breached and a prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield.

5.03 The treasury function operated within the limits detailed in the Treasury Management Policy and Strategy Statement 2016/17.

### **6.00 OTHER ITEMS**

6.01 The following were the main treasury activities during 2016/17:

- The Council received a Mid-Year Report on 16<sup>th</sup> February 2017.
- Quarterly update reports were presented to the Audit Committee.
- The 2017/18 Investment Strategy Statement was approved by Council on 16<sup>th</sup> February 2017.
- The Council continues to be an active member of the CIPFA Treasury Management Network.

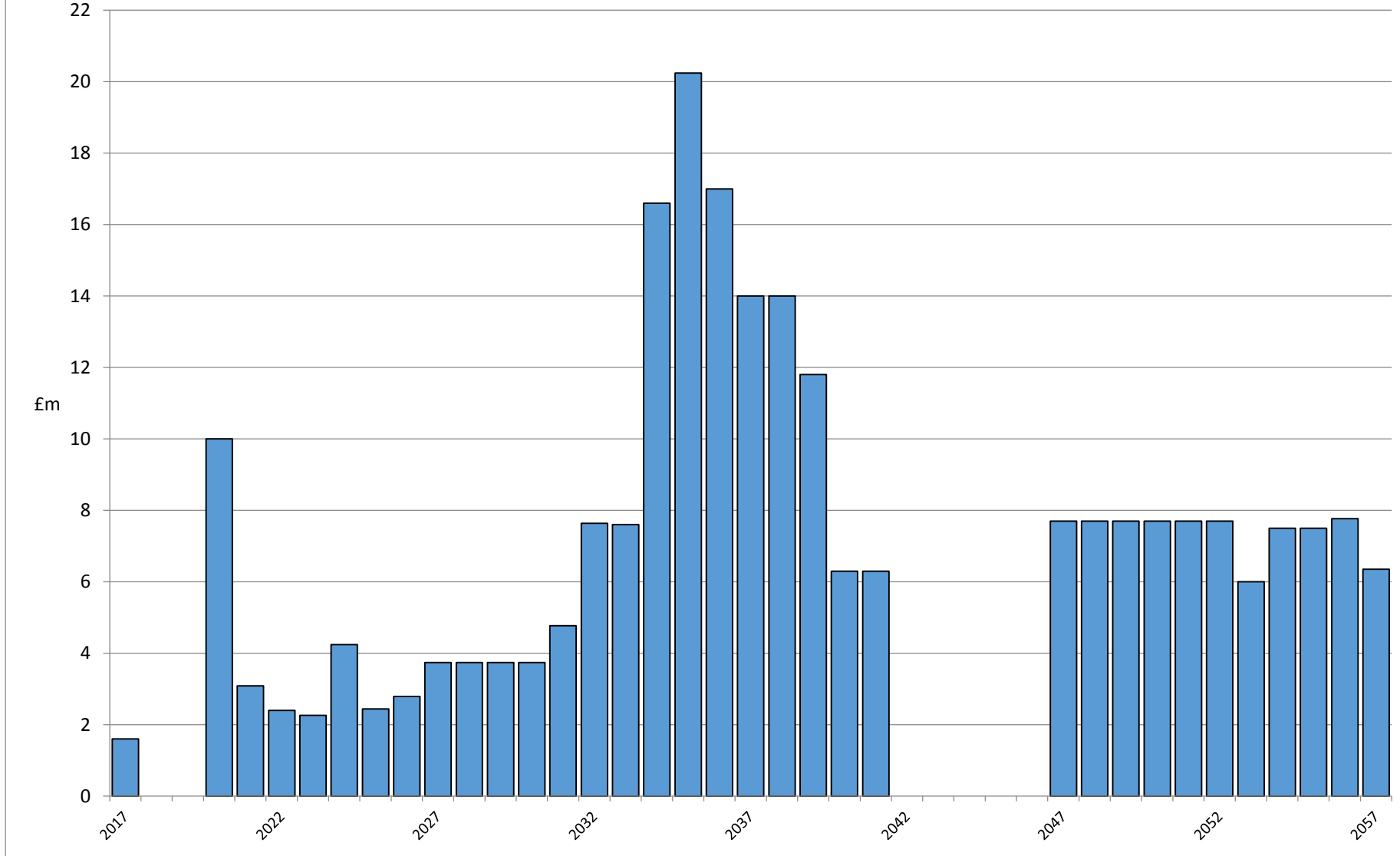
- The Council's cash flow was managed on a daily basis. During the year the Authority acted both as a borrower and as a lender and was a net borrower over the year in question. The maximum investments the Authority had on deposit at any one time was £51.1m and the maximum long-term borrowing at any one time was £251.3m.

## **7.00 CONCLUSION**

- 7.01 The treasury management function has operated within the statutory and local limits detailed in the 2016/17 Treasury Management Strategy.
- 7.02 The Policy was implemented in a pro-active manner with security and liquidity as the focus.

Debt Maturity Profile - June 2017

Tudalen 188



**FLINTSHIRE COUNTY COUNCIL - INVESTMENT PORTFOLIO**

**30th JUNE 2017**

**APPENDIX 3**

Tudalen 189

| Counterparty Name                                   | Amount Invested<br>£m | Start Date | Maturity Date | Interest Rate | Investment Interest<br>£ | Type of Investment | Period to Maturity |
|---|-----------------------|------------|---------------|---------------|--------------------------|--------------------|--------------------|
| AMUNDI MONEY MARKET FUND                            | 1.0                   | 04/05/17   | 30/06/17      | 0.27%         | 422                      | MMF                | 1 month or less    |
| <b>AMUNDI MONEY MARKET FUND</b>                     | <b>1.0</b>            |            |               |               |                          |                    |                    |
| BNP PARIBAS SECURITIES SVCS                         | 3.0                   | 03/04/17   | 30/06/17      | 0.27%         | 1,953                    | MMF                | 1 month or less    |
| <b>BNP PARIBAS SECURITIES SVCS</b>                  | <b>3.0</b>            |            |               |               |                          |                    |                    |
| FURNESS BUILDING SOCIETY                            | 1.0                   | 07/09/16   | 07/09/17      | 0.68%         | 6,800                    | UK BS              | 1 - 3 months       |
| <b>FURNESS BUILDING SOCIETY</b>                     | <b>1.0</b>            |            |               |               |                          |                    |                    |
| <b>TOTAL</b>  | <b>5.0</b>            |            |               | <b>0.35%</b>  | <b>8,753</b>             |                    |                    |
| <b>PREVIOUS REPORTS TOTALS (28th FEBRUARY 2017)</b> | <b>11.6</b>           |            |               | <b>0.34%</b>  |                          |                    |                    |

**FLINTSHIRE COUNTY COUNCIL - INVESTMENTS SUMMARISED BY TYPE & MATURITY**

**30th JUNE 2017**

**APPENDIX 3**

Tudalen 190

| Type of Investment           | Total Amount Invested<br>£m | % of Total Portfolio | Period to Investment Maturity |                    |                  |                   |
|------------------------------|-----------------------------|----------------------|-------------------------------|--------------------|------------------|-------------------|
|                              |                             |                      | 1 month or less<br>£m         | 1 - 3 months<br>£m | 3 months +<br>£m | 12 months +<br>£m |
| Debt Management Office (DMO) | 0.0                         | 0%                   |                               |                    |                  |                   |
| UK Bank                      | 0.0                         | 0%                   |                               |                    |                  |                   |
| UK Building Society (UK BS)  | 1.0                         | 20%                  |                               | 1                  |                  |                   |
| Overseas                     | 0.0                         | 0%                   |                               |                    |                  |                   |
| Local Authorities            | 0.0                         | 0%                   |                               |                    |                  |                   |
| CD's                         | 0.0                         | 0%                   |                               |                    |                  |                   |
| T-Bills                      | 0.0                         | 0%                   |                               |                    |                  |                   |
| Money Market Funds (MMF)     | 4.0                         | 80%                  | 4                             |                    |                  |                   |
| <b>Total (£)</b>             | <b>5.0</b>                  |                      | <b>4.0</b>                    | <b>1.0</b>         | <b>0.0</b>       | <b>0.0</b>        |
| <b>Total (%)</b>             |                             | <b>100%</b>          | <b>80%</b>                    | <b>20%</b>         | <b>0%</b>        | <b>0%</b>         |

FLINTSHIRE COUNTY COUNCIL - LONG TERM BORROWING ANALYSIS

30th June 2017

APPENDIX 4

| Loan Start Date | Principal Loan Outstanding<br>£ | Interest Rate<br>% | Annual Interest<br>£ | Loan Maturity Date |
|-----------------|---------------------------------|--------------------|----------------------|--------------------|
|-----------------|---------------------------------|--------------------|----------------------|--------------------|

| PWLB Fixed Rate Maturity Loans |                    |             |                   |          |
|--------------------------------|--------------------|-------------|-------------------|----------|
| 20/03/86                       | 2,436,316          | 9.50        | 231,450           | 30/11/25 |
| 01/04/86                       | 1,392,181          | 9.13        | 127,036           | 30/11/23 |
| 01/04/86                       | 1,218,158          | 9.13        | 111,157           | 30/11/21 |
| 24/03/88                       | 696,090            | 9.13        | 63,518            | 30/11/27 |
| 25/08/88                       | 696,090            | 9.50        | 66,129            | 31/03/28 |
| 26/10/88                       | 870,113            | 9.25        | 80,485            | 30/09/23 |
| 26/05/89                       | 1,044,135          | 9.50        | 99,193            | 31/03/25 |
| 26/05/89                       | 1,044,135          | 9.50        | 99,193            | 31/03/29 |
| 28/09/95                       | 561,642            | 8.25        | 46,335            | 30/09/32 |
| 28/09/95                       | 181,120            | 8.63        | 15,622            | 30/09/32 |
| 28/09/95                       | 348,045            | 8.25        | 28,714            | 30/09/27 |
| 28/09/95                       | 696,090            | 8.25        | 57,427            | 30/09/28 |
| 28/09/95                       | 1,740,226          | 8.25        | 143,569           | 30/09/29 |
| 28/09/95                       | 1,740,226          | 8.25        | 143,569           | 30/09/30 |
| 28/09/95                       | 1,740,226          | 8.25        | 143,569           | 30/09/31 |
| 28/09/95                       | 522,068            | 8.25        | 43,071            | 30/09/21 |
| 28/09/95                       | 696,090            | 8.25        | 57,427            | 30/09/24 |
| 28/09/95                       | 1,740,226          | 8.25        | 143,569           | 30/09/26 |
| 28/09/95                       | 1,000,282          | 8.63        | 86,274            | 30/09/22 |
| 18/04/97                       | 2,000,000          | 7.75        | 155,000           | 18/10/27 |
| 18/04/97                       | 2,000,000          | 7.75        | 155,000           | 18/10/28 |
| 18/04/97                       | 2,000,000          | 7.75        | 155,000           | 18/10/29 |
| 18/04/97                       | 2,000,000          | 7.75        | 155,000           | 18/10/30 |
| 22/05/97                       | 1,600,000          | 7.38        | 118,000           | 22/11/17 |
| * 17/07/97                     | 4,000,000          | 7.13        | 285,000           | 31/03/55 |
| * 17/07/97                     | 4,000,000          | 7.13        | 285,000           | 31/03/56 |
| * 17/07/97                     | 4,492,873          | 7.13        | 320,117           | 31/03/57 |
| * 17/07/97                     | 3,500,000          | 7.00        | 245,000           | 31/03/55 |
| * 17/07/97                     | 3,500,000          | 7.00        | 245,000           | 31/03/56 |
| * 17/07/97                     | 3,278,252          | 7.00        | 229,478           | 31/03/57 |
| * 20/05/98                     | 1,333,332          | 5.75        | 76,667            | 18/04/31 |
| 20/05/98                       | 1,050,000          | 6.00        | 63,000            | 18/04/26 |
| 09/06/98                       | 2,000,000          | 5.75        | 115,000           | 30/09/32 |
| 09/06/98                       | 3,000,000          | 5.75        | 172,500           | 30/09/33 |
| 09/06/98                       | 4,000,000          | 5.75        | 230,000           | 30/09/34 |
| 17/09/98                       | 3,850,000          | 5.25        | 202,125           | 31/03/58 |
| 08/12/98                       | 1,200,000          | 4.75        | 57,000            | 31/03/54 |
| 08/12/98                       | 2,500,000          | 4.75        | 118,750           | 31/03/58 |
| 08/12/98                       | 4,800,000          | 4.50        | 216,000           | 31/03/54 |
| 01/04/99                       | 6,000,000          | 4.63        | 277,500           | 31/03/53 |
| 22/04/99                       | 4,000,000          | 4.50        | 180,000           | 31/03/52 |
| * 10/08/99                     | 1,700,000          | 4.50        | 76,500            | 31/03/53 |
| * 10/08/99                     | 3,700,000          | 4.50        | 166,500           | 31/03/52 |
| * 10/08/99                     | 7,700,000          | 4.50        | 346,500           | 31/03/51 |
| * 10/08/99                     | 7,700,000          | 4.50        | 346,500           | 31/03/50 |
| * 10/08/99                     | 7,700,000          | 4.50        | 346,500           | 31/03/49 |
| * 10/08/99                     | 7,700,000          | 4.50        | 346,500           | 31/03/48 |
| 05/04/01                       | 2,500,000          | 4.75        | 118,750           | 31/03/25 |
| 15/11/01                       | 1,400,000          | 4.50        | 63,000            | 31/03/23 |
| 15/11/01                       | 1,350,000          | 4.50        | 60,750            | 31/03/22 |
| * 02/08/05                     | 1,700,000          | 4.45        | 75,650            | 18/04/31 |
| * 02/08/05                     | 4,900,000          | 4.45        | 218,050           | 18/04/32 |
| * 02/08/05                     | 4,600,000          | 4.45        | 204,700           | 18/04/33 |
| * 02/08/05                     | 1,800,000          | 4.45        | 80,100            | 18/04/34 |
| * 02/08/05                     | 2,244,611          | 4.45        | 99,885            | 18/04/35 |
| 02/04/15                       | 10,800,000         | 4.11        | 443,880           | 02/10/34 |
| 02/04/15                       | 9,000,000          | 4.13        | 371,700           | 02/04/35 |
| 02/04/15                       | 9,000,000          | 4.14        | 372,600           | 02/10/35 |
| 02/04/15                       | 9,000,000          | 4.16        | 374,400           | 02/04/36 |
| 02/04/15                       | 8,000,000          | 4.17        | 333,600           | 02/10/36 |
| 02/04/15                       | 7,000,000          | 4.18        | 292,600           | 02/04/37 |
| 02/04/15                       | 7,000,000          | 4.19        | 293,300           | 02/10/37 |
| 02/04/15                       | 7,000,000          | 4.20        | 294,000           | 02/04/38 |
| 02/04/15                       | 7,000,000          | 4.21        | 294,700           | 02/10/38 |
| 02/04/15                       | 5,448,094          | 4.22        | 229,910           | 02/04/39 |
| <b>Total</b>                   | <b>222,410,621</b> | <b>5.26</b> | <b>11,694,018</b> |          |

| Market Fixed Rate Loans (LOBOS) |                   |             |                |          |
|---------------------------------|-------------------|-------------|----------------|----------|
| * 24/07/07                      | 6,350,000         | 4.48        | 284,480        | 24/01/40 |
| * 24/07/07                      | 6,300,000         | 4.53        | 285,075        | 24/01/41 |
| * 24/07/07                      | 6,300,000         | 4.58        | 288,540        | 24/01/42 |
| <b>Total</b>                    | <b>18,950,000</b> | <b>4.53</b> | <b>858,095</b> |          |

| PWLB Variable Rate Maturity Loans |                   |             |               |          |
|-----------------------------------|-------------------|-------------|---------------|----------|
| * 05/05/10                        | 10,000,000        | 0.39        | 39,000        | 05/05/20 |
| <b>Total</b>                      | <b>10,000,000</b> | <b>0.39</b> | <b>39,000</b> |          |

| Totals               |                    |             |                   |  |
|----------------------|--------------------|-------------|-------------------|--|
| <b>Fixed Rate</b>    | <b>241,360,621</b> |             | <b>12,552,113</b> |  |
| <b>Variable Rate</b> | <b>10,000,000</b>  |             | <b>39,000</b>     |  |
| <b>Grand Total</b>   | <b>251,360,621</b> | <b>5.01</b> | <b>12,591,113</b> |  |

\* New loan due to debt restructuring  
 HRAS Buyout Loans

Mae'r dudalen hon yn wag yn bwrpasol



**FLINTSHIRE COUNTY COUNCIL - SHORT TERM BORROWING**

**30th JUNE 2017**

**APPENDIX 5**

Tudalen 193

| Counterparty Name                                | Amount Borrowed<br>£m | Start Date | Maturity Date | Interest Rate | Interest due<br>£ | Brokerage due<br>£ | Period to Maturity |
|--|-----------------------|------------|---------------|---------------|-------------------|--------------------|--------------------|
| BLACKBURN WITH DARWEN BC                         | 3.0                   | 22/06/17   | 22/08/17      | 0.20%         | 1,003             | 501                | 1 - 3 months       |
| <b>BLACKBURN WITH DARWEN BC</b>                  | <b>3.0</b>            |            |               |               |                   |                    |                    |
| GLOUCESTER CITY COUNCIL                          | 3.1                   | 24/04/17   | 23/04/18      | 0.52%         | 16,076            | 3,092              | 3 - 12 months      |
| <b>GLOUCESTER CITY COUNCIL</b>                   | <b>3.1</b>            |            |               |               |                   |                    |                    |
| LANCASHIRE CC PENSION FUND                       | 3.0                   | 16/06/17   | 18/09/17      | 0.23%         | 1,777             | 773                | 1 - 3 months       |
| <b>LANCASHIRE CC PENSION FUND</b>                | <b>3.0</b>            |            |               |               |                   |                    |                    |
| LONDON BOROUGH OF BRENT                          | 3.0                   | 28/06/17   | 30/10/17      | 0.28%         | 2,854             | 1,019              | 3 - 12 months      |
| <b>LONDON BOROUGH OF BRENT</b>                   | <b>3.0</b>            |            |               |               |                   |                    |                    |
| ROYAL BOROUGH OF KENSINGTON & CHELSEA            | 3.0                   | 26/05/17   | 29/08/17      | 0.30%         | 2,342             | 781                | 1 - 3 months       |
| <b>ROYAL BOROUGH OF KENSINGTON &amp; CHELSEA</b> | <b>3.0</b>            |            |               |               |                   |                    |                    |
| <b>TOTAL</b>                                     | <b>15.1</b>           |            |               | <b>0.31%</b>  | <b>24,052</b>     | <b>6,165</b>       |                    |

**SHORT TERM BORROWING SUMMARISED BY TYPE & MATURITY**

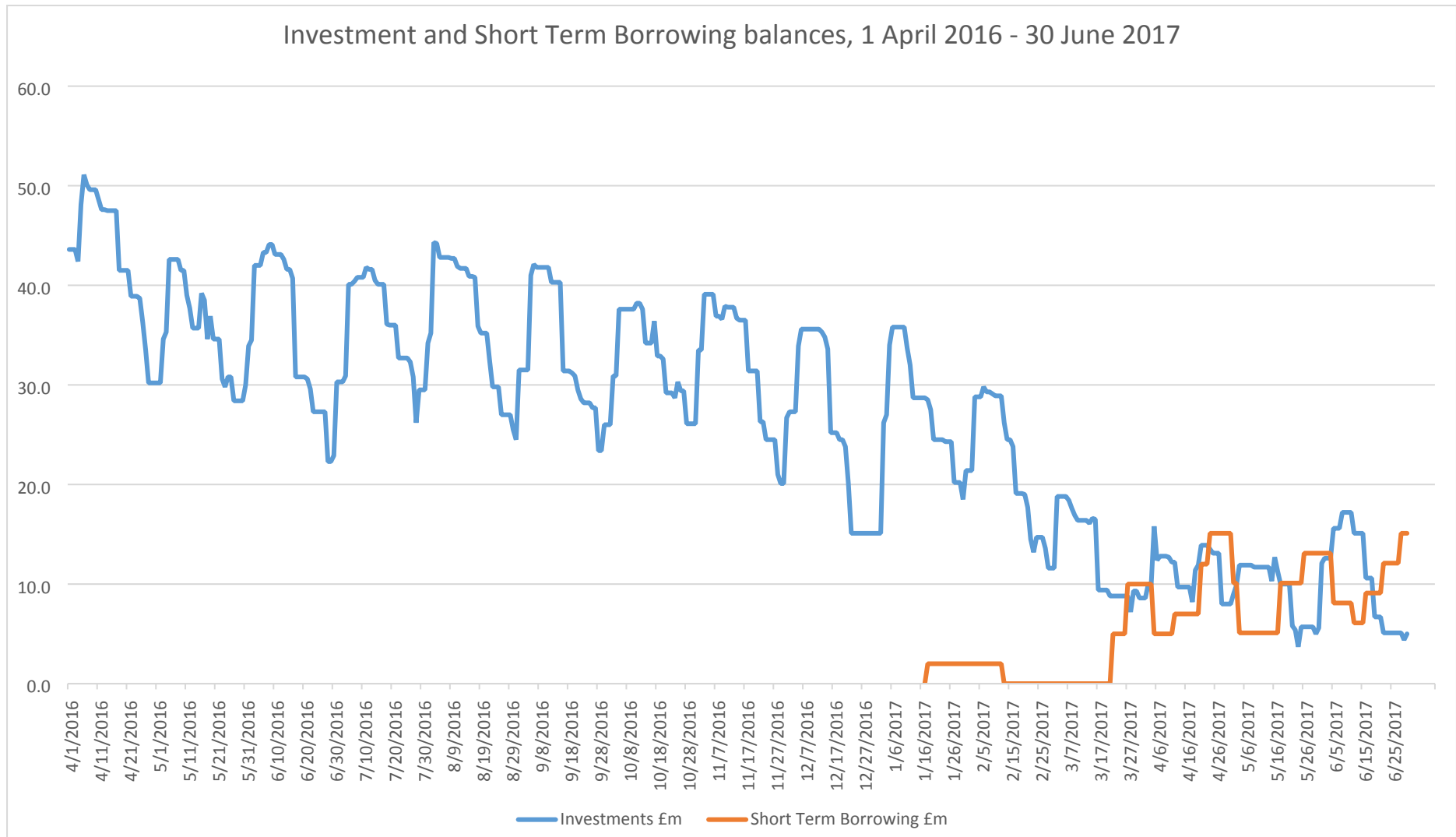
**30th JUNE 2017**

**APPENDIX 5**

| SHORT TERM BORROWING<br>TYPE | Total<br>Amount<br>Borrowed<br>£m | % of<br>Total<br>Portfolio | Period to Maturity       |                       |                     |                         |
|------------------------------|-----------------------------------|----------------------------|--------------------------|-----------------------|---------------------|-------------------------|
|                              |                                   |                            | 1 month<br>or less<br>£m | 1 - 3<br>months<br>£m | 3 months<br>+<br>£m | 12<br>months<br>+<br>£m |
| UK Bank                      | 0.0                               | 0%                         |                          |                       |                     |                         |
| UK Building Society (UK BS)  |                                   | 0%                         |                          |                       |                     |                         |
| Local Authorities            | 15.1                              | 100%                       |                          | 9                     | 6.1                 |                         |
| <b>Total (£)</b>             | <b>15.1</b>                       |                            | <b>0.0</b>               | <b>9.0</b>            | <b>6.1</b>          | <b>0.0</b>              |
| <b>Total (%)</b>             |                                   | <b>100%</b>                | <b>0%</b>                | <b>60%</b>            | <b>40%</b>          | <b>0%</b>               |

Appendix 6

Tudalen 195



Mae'r dudalen hon yn wag yn bwrpasol