

*Annual Finance  
and  
Governance  
Report  
2018/2019*

*A H Kirkham BA (Hons) FCPFA*

**Strategic Director – Finance & Efficiencies**



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## **INTRODUCTION**

Conwy County Borough Council is a unitary authority providing all major local government services such as Education, Social Services, Environmental Services, Leisure, Planning and Highways.

The County Borough of Conwy has a population of around 116,850. Over 80% of the population lives along the coastal belt that includes the towns of Abergelge, Colwyn Bay and Llandudno. The remainder of the population is dispersed across the area extending to Dolwyddelan in the south-west and Llangwm and Dinmael in the south-east. Around a third of Conwy's residents speak Welsh and around a half of the population of the County Borough were born in Wales.

## **Political Governance**

Conwy County Borough Council has 59 Councillors elected to represent 38 electoral divisions. Local elections were held in May 2017, and the political make-up of the Council as at 13 June 2019 is:-

- 16 Conservative
- 13 Conwy First Independent Group
- 9 Plaid Cymru
- 8 Labour
- 7 Independent
- 4 Liberal Democrats
- 2 Plaid Annibynnol

## **Council**

The Council (all 59 Councillors) sets the overall budget and policies. It meets at least four times a year, and debates the different options for important issues facing the County Borough. The Council appoints the Leader of the Council who selects the Members of the Cabinet, and allocates Cabinet Member responsibilities (portfolios). The Council is also the focus for any debate about the performance of the Cabinet.

## **Cabinet**

Following a change in leadership in June 2019, the Cabinet now comprises ten Councillors (previously nine) including the Council Leader who chairs meetings of the Cabinet. Each of the Cabinet Members has a specific portfolio of responsibility for areas of the Council's services.

Further information on the Council can be found on the following link:

<http://www.conwy.gov.uk/en/Council/Council.aspx>

## **NARRATIVE REPORT**

1. The Council's Statement of Accounts is intended to provide clear information about the financial impact of the Council's activities during the period covered, in a format which is easily understood.
2. The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting 2018/19 (The Code 2018/19), which specifies the principles and practices of accounting required to give a 'true and fair view' of the financial position and transactions of a local authority. The Code 2018/19 constitutes 'proper accounting practice' under the terms of section 21 (2) of the Local Government Act 2003. The Code 2018/19 is based on International Financial Reporting Standards (IFRS).
3. These accounts consist of the following financial statements in accordance with the Code:-

**a) Statement of Responsibilities for the Statement of Accounts**

This sets out the respective responsibilities of the Council and its officers for the preparation and approval of the Statement of Accounts.

**b) Statement of Accounting principles and policies**

The purpose of this statement is to explain the basis of the figures in the Accounts. It outlines the accounting policies that have been adopted.

**c) The 'Core' Financial Statements**

1. The Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from 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 statement shows that there was a deficit in the year of £26.459m (2017/18 deficit of £26.855m).

2. The Movement in Reserves Statement

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

The usable reserves amounted to £18.380m at the year end 31 March 2019 (31 March 2018 £22.747m), including the Council Fund balance of £2.427m (31 March 2018 £6.309m).

### 3. 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, i.e. 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 of reserves 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 Authority as at 31 March 2019 amounted to £18.258m, a decrease of £57.602m over the position at 31 March 2018, mainly because of the Pension Liability, and movements in cash and cash equivalents.

### 4. 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.

#### **d) The Expenditure & Funding Analysis**

This is an analysis to show the net expenditure that is chargeable to taxation and reconciles it to the Comprehensive Income and Expenditure Statement.

The Expenditure and Funding Analysis shows how expenditure for the financial year is used and funded (government grants, Council Tax and Business Rates) by local authorities compared with those resources consumed or earned by local authorities in accordance with generally accepted accounting practices.

## 4. Funding Council Services

The Council incurs two types of expenditure – revenue expenditure and capital expenditure.

**Revenue Expenditure** covers spending on the day to day costs of services such as staff salaries, maintenance of buildings and general supplies and equipment. This expenditure is paid for by the income received from Council Tax payers, business ratepayers, the fees and charges made for certain services, and by grants received from government.

**Capital Expenditure** covers spending on assets such as roads, redevelopment and the major renovation of buildings. These assets will provide benefits to the community for several years and the expenditure is largely financed by borrowing and capital grants.

### 4.1 Review of the Year – Revenue Expenditure

The Council's net Service Expenditure budget for 2018/19 was approved in the sum of £214.671m in March 2018 (£206.083m in 2017/18) and included provision for known and estimated pay awards, price increases, service pressures and risks.

The budget was set against a backdrop of a poor financial Settlement of grant support from the Welsh Government, with Conwy receiving the third worst Settlement in Wales. A challenging budget reduction package of £6.161m was approved and implemented in order to set a balanced budget within the overall available financial resources.

The budget was closely monitored and controlled during the year and reported to Members in accordance with approved Council procedures.

Budgetary variations were reported during the course of the year, the reported budget variations are shown in Table 1.

Social Services reported resource shortfalls during the year in the sum of £3m, a comprehensive report was presented to Members in October 2018 explaining the pressures and challenges that were faced. The report also considered mitigating actions that were to be applied to contain the financial pressures within the service. Further reports updated the emerging resource shortfall assessed to be £3m towards the end of the financial year, with a significant risk that it may rise further. In the event the final outturn was a further £179k above the reported £3m resource shortfall.

Table 1 below sets out the way by which the service pressures were agreed to be supported during the year, together with the approval source. The minute references refer to the reports and recommendations relating to Cabinet and the Finance and Resources Overview and Scrutiny Committee.

**Table 1**

<b>Service</b>	<b>Overspend / (Underspend) £'000</b>	<b>Minutes</b>
Social Services – Children, Families and Safeguarding	+980	381 and 419
Social Services – Older People Services	+1,520	382 and 420
Social Services – Children, Families, and safeguarding	+200	610 and 625
Social Services – Older People Services	+300	610 and 625
<b>Sub Total</b>	<b>+3,000</b>	
<b>Financed by:-</b>		
Use of Demand Led Risk Reserve	(512)	234 and 256
Capital Financing Costs	(100)	234 and 256
Council Tax Income	(400)	234 and 256
Use of Departmental Reserves	(200)	892 and 927
Use of General Balances	(1,500)	495 and 537
<b>Sub Total</b>	<b>(2,712)</b>	
<b>Unfinanced Balance</b>	<b>288</b>	<b>892 and 927</b>

Table 2 sets out the overall financial position at the year end, and shows some further variations with appropriate explanations in the notes.

In order to protect the general balances of the authority, capital receipts in the sum of £468k have been applied to finance revenue costs associated with reform projects. This is in accordance with the flexible use of capital receipts based on the order made by Welsh Ministers which allows local authorities in Wales to treat expenditure incurred on the revenue costs of projects designed to reduce future revenue costs and / or transform service delivery as capital expenditure.

The overall financial position of the Authority generally was as projected in the reports to Members. Prudent financial provisions and reserves have been made for known and anticipated liabilities that were identified during the closure of the accounts process.

**Table 2**

Col 1 SUMMARY	Col 2 ORIGINAL ESTIMATE 2018/19 £'000	Col 3 APPROVED POSITION AT JAN 2019 2018/19 £'000	Col 4 FINAL OUTTURN 2018/19 £'000	Col 5 VARIANCE (Col 4 - Col 3) 2018/19 £'000	NOTES
<b>Resource Base (income)</b>					
Revenue Support Grant	(115,455)	(115,455)	(115,455)	0	
Redistributed Non Domestic Rates	(38,160)	(38,160)	(38,160)	0	
Council Tax	(58,447)	(58,847)	(58,860)	(13)	
<b>Total</b>	<b>(212,062)</b>	<b>(212,462)</b>	<b>(212,475)</b>	<b>(13)</b>	
<b>Net Expenditure</b>					
Education Services	79,484	79,279	79,296	17	
Social Services	59,976	63,568	63,747	179	1
Environment, Roads & Facilities	19,584	20,645	20,645	0	
Community Development Services	6,895	5,748	5,722	(26)	
Regulatory & Housing Services	4,697	5,209	5,209	0	
Corporate Financial Services	986	1,325	1,333	8	
Audit & Procurement	553	561	557	(4)	
Revenues and Benefits Service	1,453	1,333	1,333	0	
Council Tax Reduction Scheme	9,590	9,590	9,541	(49)	
Law & Governance	1,527	1,806	1,805	(1)	
Information Technology	1,984	2,112	2,111	(1)	
Chief Executive's Services	1,576	1,534	1,503	(31)	
Theatres and Conference Centre	1,036	1,120	1,120	0	
Corporate Human Resources	862	1,024	1,024	0	
Treasury Management and Minimum Revenue Provision	9,842	9,622	9,555	(67)	
Corporate Costs and Income	8,556	7,025	6,835	(190)	2
Levies	6,070	6,070	6,116	46	3
<b>Sub Total Net Service Expenditure</b>	<b>214,671</b>	<b>217,571</b>	<b>217,452</b>	<b>(119)</b>	
Contribution from Balances	(2,382)	(3,882)	(3,882)	0	
Additional Contribution from Balances	0	(288)		288	4
Financing of Reform with Capital Receipts	0	0	(468)	(468)	5
Contribution from Demand Led Risk Reserve	0	(512)	(512)	0	
Contribution to Demand Led Risk Reserve	0	0	320	320	6
Release of Reserves	0	(200)	(208)	(8)	
Reduced Losses on Collection (Council Tax)	(227)	(227)	(227)	0	
<b>Sub Total Other</b>	<b>(2,609)</b>	<b>(5,109)</b>	<b>(4,977)</b>	<b>132</b>	
<b>Net Revenue Budget</b>	<b>212,062</b>	<b>212,462</b>	<b>212,475</b>	<b>13</b>	

**Notes**

- 1) Further additional pressures and placements within Childrens Services and adult care costs
- 2) Mainly due to pre purchase of CRC allowances and reduced carbon levy (£108k). Reduction in historic pension costs for pre LGR staff (£54k)
- 3) Additional costs associated with the Coroner
- 4) Contribution not required
- 5) Capital receipts applied to fund reform project development
- 6) Overall surplus taken to Demand Led Risk Reserve

Table 2 differs from the opening column of the Expenditure and Funding Analysis (page 38) due to some minor presentational differences between how the budget is reported during the year and how the outturn is reported after the conclusion of the closure of accounts.

Actual net expenditure totalled £212.475m, and it is pleasing to note that the Council achieved an overall net spend within the budget, despite the significant pressures that presented themselves within Social Services.

The General Council Fund balance is a measure of the uncommitted reserves which the Council holds to meet cash flow requirements and unforeseen future events. The general Council Fund balance amounts to £2.427m which is very low relative to the rest of Wales and must be kept under review.

Other usable reserves are shown in Note 11 to the accounts.

The Balance Sheet of the Authority contains a number of movements in respect of earmarked reserves. During 2018/19 a number of reserves were established and increased, and a number of reserves were used. Revenue reserves result from events that have allowed monies to be set aside for various reasons, e.g. surpluses, or circumstances causing expenditure to have been postponed. The movement in the reserves during 2018/19 reflects Council Resolutions, prudent accounting entries, service developments, money set aside for commitments, and resources to assist services in the delivery of future efficiency savings.

## 4.2 Capital Expenditure

In addition to spending money providing services on a day to day basis, the Council also spends money providing new or refurbished facilities such as schools, coastal and highways infrastructure. The total capital spending during 2018/19 was £24.256m. The following is a summary of the service areas which incurred capital investment in 2018/19 and how it was financed compared to a budget of £26.351m:-

<b>Capital Expenditure</b>	<b>2018/19 Actual £'000</b>
<b>Capital Expenditure by Service:</b>	
Education	4,038
Environment, Roads & Facilities	6,481
Community Development Services	3,097
Law & Governance	7
Social Services	883
Theatres & Conference Centre	1,628
Information Technology	11
Regulatory & Housing Services	1,940
Chief Executive & Corporate Services	6,152
Financial Services	19
<b>Total Capital Expenditure</b>	<b>24,256</b>

Capital Financing	2018/19 Actual £'000
<b>Financed By:</b>	
Supported Borrowing	3,654
Prudential Borrowing	5,633
Capital Receipts	1,377
Capital Grants	13,168
Capital Reserves	424
<b>Total Capital Expenditure</b>	<b>24,256</b>

For Capital expenditure financed through Supported Borrowing the costs are funded through the Revenue Support Grant, and for Prudential Borrowing the costs are funded by Services.

Major projects undertaken during 2018/19 were as follows:-

- Primary School Modernisation Project
- Street lighting Poles Replacement
- Intermediate Care Fund Developments
- Colwyn Bay Regeneration
- Surface Dressing & Improvement of the County Road Network
- Safe Routes in the Community & Traffic Network Management
- Restoration of Coastal Defences, Flood Alleviation & Risk Management
- Delivery of Adaptations in Private Sector Housing
- Major Events Programme Delivery
- Development of Facilities at Parc Eirias
- Rectification & Refurbishment of Road Bridges & Structures
- CCTV Upgrades
- Delivery of Office Modernisation

The Council's debt outstanding at 31 March 2019 was £178.177m (£175.048m at 31 March 2018) being an increase of £3.129m in borrowing.

The Limits to Borrowing Activity in 2018/19, set in accordance with the Prudential Framework for local authority capital investment introduced through the Local Government Act 2003 (the Prudential Code) were as follows:-

	£'000
<b>Authorised Limit for External Debt:</b>	
Borrowing	189,780
Other Long term Liabilities	19,773
	209,553
<b>Operational Boundary for External Debt:</b>	
Borrowing	184,780
Other Long Term Liabilities	19,773
	204,553

#### 4.3 Coed Pella Offices

During the year, the construction of new offices situated in Colwyn Bay was completed by a developer, Muse Developments Ltd. The offices, called Coed

Pella, are the new base for approximately 700 staff from Social Services, Education Services, Community Development Services, Regulatory and Housing Services and a range of support services. The cost of construction was borne by the developer. The Council has entered into a lease type arrangement with the developer, paying an annual rent of £1.451m for a period of 40 years. For further detail on these arrangements see note 36.

## **5. Changes to the Core Statements**

There have been changes to the 2018/19 Code of Practice on Local Authority Accounting in the United Kingdom (the Code) following the adoption of International Financial Reporting Standard (IFRS) 9 – Financial Instruments from 1 April 2018. The Code specifies how the Council should classify and measure financial assets and financial liabilities. As at 31 March 2018 the Council's borrowing included loans which had been modified following previous restructuring of the debt and were measured using the new effective interest rate. The new requirements of the Code has meant that the Council has had to recalculate the carrying amount of those loans as at 1 April 2018 using the original effective interest rate. The change in the measurement of these loans has resulted in a credit to the Comprehensive Income & Expenditure Statement (CI&ES) of £144k. The Code states that any difference between the previous carrying amount and the carrying amount at the beginning of the financial year should be recognised as an opening adjustment to reserves and that preceding year information should not be restated. As the gain will effectively be eroded by the subsequent increase in interest charges over the remainder of the loan period the credit has therefore been transferred to Council reserves.

A further change to the Code is the adoption of IFRS 15 – Revenue from Contracts with Customers. When applying IFRS 15 the Council recognises revenue to reflect the transfer of promised goods and services to a service recipient in an amount that reflects the consideration to which the Council expects to be entitled in exchange for those goods and services. This change has had no material impact on the Council.

Changes in respect of both IFRS 9 and IFRS 15 are retrospective. There is no requirement to produce a Balance Sheet at 1 April 2017 as would normally be the case for a substantial change in accounting policies. Similarly, 2017/18 comparative figures are not to be restated.

## **6. Pension Liability – International Accounting Standard 19 (IAS19)**

The Accounts as presented comply with the requirements of the above standard in that they reflect in the revenue accounts the current year cost of pension provision to employees as advised by the Council's actuary. The Statements also contain, within the Balance Sheet, the actuary's assessment of the Authority's share of the Pension Fund liability as at 31 March 2019 and the reserve needed to fund that liability.

The Pension Fund liability disclosed within the Balance Sheet of £215.241m (£167.487m in 2017/18) is the total projected deficit that exists over the expected life of the fund. This deficit will change on an annual basis dependent on the performance of investments and the actuarial assumptions that are made in terms of current pensioners, deferred pensioners and current employees.

The fund is subject to a triennial (3 yearly) valuation which assesses the then state of the pension fund and makes recommendations to the various admitted bodies

as to the appropriate rate of employer's contributions that need to be made in order to restore the fund to a balanced position over a period of time.

The Local Government Pension Scheme is a statutory scheme and, as such, benefits accruing under the scheme can only be changed by legislation.

# STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

## THE AUTHORITY'S RESPONSIBILITIES

The Council is required to: -

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. At Conwy County Borough Council, that officer is the Strategic Director – Finance & Efficiencies and **Section 151 Officer**.
- Manage its affairs to secure economic, efficient, and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts. This responsibility is delegated to the Audit Committee by Council.

### AUTHORITY'S CERTIFICATE

I approve the Statement of Accounts of Conwy County Borough Council at 31 March 2019.

SIGNED: .....

Councillor Dave Cowans  
Chair of Audit and Governance Committee

DATED: 09/09/2019

## **THE SECTION 151 OFFICER'S RESPONSIBILITIES**

As Chief Finance Officer, the Section 151 Officer is responsible for the preparation of the Council's Statement of Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("The Code 2018/19"), is required to present a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2019.

In preparing this statement of accounts, the Strategic Director – Finance & Efficiencies and Section 151 Officer has: -

- Selected suitable accounting policies and applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code;
- Kept proper accounting records which are up-to-date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

### **SECTION 151 OFFICER'S CERTIFICATE**

I certify that the Statement of Accounts presents a true and fair view of the financial position of Conwy County Borough Council at 31 March 2019 and its income and expenditure for the year then ended.

SIGNED: .....

A H Kirkham  
Strategic Director – Finance & Efficiencies  
Section 151 Officer

DATED: 09/09/2019

## **The independent auditor's report of the Auditor General for Wales to the members of Conwy County Borough Council.**

### **Report on the audit of the financial statements**

#### **Opinion**

I have audited the financial statements of Conwy County Borough Council for the year ended 31 March 2019 under the Public Audit (Wales) Act 2004.

Conwy County Borough Council's financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and the related notes, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2018 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial position of Conwy County Borough Council as at 31 March 2019 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2019.

#### **Basis for opinion**

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

#### **Conclusions relating to going concern**

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

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

#### **Other information**

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

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

#### **Report on other requirements**

##### **Opinion on other matters**

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

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019;

- The information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Annual Governance Statement has been prepared in accordance with guidance.

#### **Matters on which I report by exception**

In the light of the knowledge and understanding of the council and its environment obtained in the course of the audit, I have not identified material misstatements in the Narrative Report or the Governance Statement.

I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

- adequate accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit.

#### **Certificate of completion of audit**

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

#### **Responsibilities**

##### **Responsibilities of the responsible financial officer for the financial statements**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on pages 15 to 16, the responsible financial officer is responsible for the preparation of the statement of accounts, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

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

##### **Auditor's responsibilities for the audit of the financial statements**

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

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

Anthony J Barrett

For and on behalf of the Auditor General for Wales

13/09/2019

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The maintenance and integrity of Conwy County Borough Council's website is the responsibility of the Council; the work carried out by auditors does not involve consideration of these matters and accordingly auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

# **THE STATEMENT OF ACCOUNTS 2018/19**

## **STATEMENT OF ACCOUNTING PRINCIPLES AND POLICIES**

### **1. GENERAL PRINCIPLES**

The Statement of Accounts summarises the Authority's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (Wales) (Amendment) Regulations 2018, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code), supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The Statement of Accounts has been prepared on a 'going concern' basis.

### **2. ACCRUALS OF INCOME AND EXPENDITURE**

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:-

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- 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.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- On occasion, where payments are being disputed and/or the sums involved are not known the payment is made in the accounts in the year that the dispute is settled and not necessarily the year to which the payment relates.
- Also, on occasion, an invoice is treated on a cash basis in the accounts to ensure that the correct number of payments appear in the accounts in a financial year.

### **3. 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 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 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 Authority's cash management.

### **4. EXCEPTIONAL ITEMS**

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

### **5. 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, ie 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 Authority'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.

### **6. CHARGES TO REVENUE FOR NON-CURRENT ASSETS**

Services, support services and trading accounts 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 Authority is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisations. 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 Authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations 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.

## 7. **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 Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. flexi time,) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. 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 Authority 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 Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

When termination benefits involve the enhancement of pensions, statutory provisions require the Council Fund balance to be charged with the amount payable by the Authority 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 Authority are members of three separate pension schemes:-

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

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

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Authority. 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

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 Gwynedd and Flintshire pension funds attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – ie 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 of 2.4% (2.7% in 2017/18) (based on the indicative rate of return on high quality corporate bond (iBoxx)).
- The assets of Gwynedd Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value:-
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value
- The change in the net pensions liability is analysed into seven components:-
  - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
  - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Corporate Costs and Income.
  - Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
  - Interest on Pension assets – this is the interest on assets held at the start of the year and cash flows occurring during the year, calculated using the discount rate at the start of the year.
  - Gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Corporate Costs and Income.
  - Re-measurements (assets) – this is the return on plan assets net of administrative expenses and interest income. It replaces actuarial

gains and losses on assets. A charge as a result of reviewing all employers' allocation of assets at a valuation is also included.

- Re-measurements (liabilities) - this is a combination of changes in demographic and financial assumptions and experience gains and losses on liabilities.
- Contributions paid to the Gwynedd and Flintshire Pension Funds – 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 balance to be charged with the amount payable by the Authority 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 of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees, and in effect measures the adverse impact of pensions expected to be payable in the future.

### **Discretionary Benefits**

The Authority 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.

## **8. EVENTS AFTER THE BALANCE SHEET DATE**

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.

Events taking place after the date of authorisation for issue (09/09/2019 for 2018/19) are not reflected in the Statement of Accounts.

## 9. FINANCIAL INSTRUMENTS

### Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are 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. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Authority has, 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 according to 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 a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from 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.

Where 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 Authority 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 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

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 Authority 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 for the instrument. For most of the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the

outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

However, the Authority has made a number of loans to sports and voluntary organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the Council Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain 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.

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, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in interest rate.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

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

Available-for-sale assets are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (eg dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Authority.

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 or 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, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. 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 and losses that arise on the 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).

#### 10. **FOREIGN CURRENCY TRANSLATION**

Where the Authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, a calculation is undertaken to convert the sums to sterling.

#### 11. **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 Authority when there is reasonable assurance that:-

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

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the Council Fund Balance in the Movement in

Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

## 12. **INTANGIBLE ASSETS**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (eg software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are, therefore, 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. An asset is tested for impairment whenever there is an indication that the asset might be impaired - any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted 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 £10,000) the Capital Receipts Reserve.

## 13. **INVENTORIES AND LONG TERM CONTRACTS**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value based on a weighted average costing basis. Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

#### **14. 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, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are revalued annually according to 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.

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. 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 £10,000) the Capital Receipts Reserve.

#### **15. JOINTLY CONTROLLED OPERATIONS AND JOINTLY CONTROLLED ASSETS**

Jointly controlled operations are activities undertaken by the Authority in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Authority recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Authority and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Authority accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

#### **16. LEASES**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification, except for Investment Property.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

## **The Authority as Lessee**

### **Finance Leases**

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor, which may be higher than the asset value recognised. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:-

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Authority at the end of the lease period).

The Authority is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the Council Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

### **Operating Leases**

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

## **The Authority as Lessor**

### **Finance Leases**

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, 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. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the Council Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the Council Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the leased asset is to be settled by the payment of rentals in future financial years, this is posted out of the Council Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against Council Tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are, therefore, appropriated to the Capital Adjustment Account from the Council Fund Balance in the Movement in Reserves Statement.

### **Operating Leases**

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental Income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

## **17. 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. No de minimus is applied for capital spend.

### **Recognition**

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is 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 Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (ie repairs and maintenance) is charged as an expense when it is incurred.

## 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.

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of an asset acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (ie it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Donated assets are assets that have been transferred to the Council at nil or less than fair value consideration and are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the Council Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- Infrastructure and community assets – depreciated historical cost.
- Assets under construction – historical cost.
- All other operational assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).
- Investment property – market value and not depreciated.
- Assets held for sale – lower of value before classified as held for sale and market value, and not depreciated.
- Heritage Assets – market value and not depreciated.

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

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. 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 by:

- 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 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 by:-

- 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.

Where an impairment loss is reversed subsequently, 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 by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (ie freehold land and certain Community Assets) and assets that are not yet available for use (ie assets under construction).

Depreciation is calculated within the following ranges:

- Dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer: 1 - 153 years.
- Vehicles, plant, furniture and equipment: over the useful life between 1-25 years.
- Community Assets: 1-26 years

- Infrastructure – straight-line allocation between 1-60 years

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.

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.

### **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. 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 (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie 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 £10,000 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 Authority'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, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Council Fund Balance in the Movement in Reserves Statement.

Equipment assets that are fully depreciated are written out in the next financial year.

## 18. PRIVATE FINANCE INITIATIVE (PFI) AND SIMILAR CONTRACTS

PFI contracts are agreements to receive services, where the responsibility for making available the Property, Plant and Equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI scheme and as ownership of the Property, Plant and Equipment can pass to the Council at the end of the contract for no additional charge, the Council carries the Property, Plant and Equipment used under the contract on the Balance Sheet.

The original recognition of the Property, Plant and Equipment was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the assets. For the Three Schools PFI project, the liability was written down by an initial advance payment of unitary charge of £9m.

Property, Plant and Equipment recognised on the Balance Sheet are revalued and depreciated in the same way as Property, Plant and Equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into five elements:-

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement.
- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator.
- Lifecycle replacement costs – recognised as Property, Plant and Equipment on the Balance Sheet.

## 19. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

### Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, but where the timing or amount of the transfer is uncertain.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority 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 (eg 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 Authority settles the obligation.

### **Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the Authority 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 Authority. 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 Authority 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 Authority.

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.

## **20. RESERVES**

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the Council Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the Council Fund Balance in the Movement in Reserves Statement so that there is no net cash effect on the financing of the revenue budget.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant notes.

## **21. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority 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 level of Council Tax. Examples of REFCUS expenditure are Disabled Facilities grants, grants to businesses and private property enhancement schemes.

## **22. VAT**

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.

## **23. COMPARATIVE FIGURES**

Comparative figures are shown where appropriate in financial statements, in accordance with the Code.

## **24. CASH FLOW STATEMENT**

The Cash Flow Statement and accompanying notes have been prepared using the indirect method.

## **25. HERITAGE ASSETS**

A tangible heritage asset is a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

An intangible heritage asset is an intangible asset with cultural, environmental or historical significance. Examples of intangible heritage assets include recordings of significant historical events.

Heritage assets (other than operational heritage assets) are normally measured at valuation. Valuations may be made by any method that is appropriate and relevant. There is no requirement for valuations to be carried out or verified by external valuers, nor is there any prescribed minimum period between valuations. However, where heritage assets are measured at valuation, the carrying amount shall be reviewed with sufficient frequency to ensure the valuations remain current.

Where it is not practicable to obtain a valuation at a cost which is commensurate with the benefits to users of the financial statements, heritage assets shall be measured at historical cost (less any accumulated depreciation, amortisation and impairment losses).

## **26. ACCOUNTING FOR THE COSTS OF THE CARBON REDUCTION COMMITMENT SCHEME**

The Authority is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its second phase which started on 1 April 2014. The Authority is required to purchase and apply allowances,

which was done in the forecast sale and buy to comply sale in 2018/19, on the basis of emissions ie carbon dioxide produced as energy is used. As carbon dioxide is emitted (ie as energy is used), a liability and an expense are recognised. The liability will be discharged by applying 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. The cost to the Authority is recognised and reported in the costs of the Authority's services and is apportioned to services on the basis of energy consumption.

## **27. MINIMUM REVENUE PROVISION (MRP)**

The Council amended its MRP policy in 2016/17 in relation to supported borrowing and PFI. For supported borrowing, the policy was changed to calculate MRP based on 50 years for Council Fund debt on capital expenditure incurred prior to 1 April 2016, and based on expected useful life for capital expenditure incurred after 1 April 2016. For PFI the MRP policy was amended to calculate MRP based on expected useful life in 2016/17.

In 2017/18 the MRP policy was amended in relation to finance leases to calculate the MRP based on asset life.

There were no changes to the MRP policy in 2018/19.

## Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax payers how the funding available to the Council (i.e. government grants and council tax) for the year has been used in providing services in comparison with those resources consumed or earned in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2018/19	As Reported for Resource Management £'000	Adjustment to arrive at the net amount chargeable to the Council Fund £'000	Net Expenditure Chargeable to the Council Fund Balance £'000	Adjustments between the Funding and Accounting Basis (See Note 5) £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
Education	79,296	1,189	80,485	9,400	89,885
Social Services	63,747	175	63,922	3,679	67,601
Environment, Roads & Facilities	20,791	(11)	20,780	9,546	30,326
Community Development Services	5,722	58	5,780	2,717	8,497
Regulatory & Housing Services	5,209	(86)	5,123	1,050	6,173
Corporate Financial Services	1,333	(16)	1,317	280	1,597
Audit & Procurement	557	(10)	547	65	612
Revenues and Benefits Service	10,874	20	10,894	(9,298)	1,596
Law & Governance	1,805	(41)	1,764	369	2,133
Information Technology	2,111	(383)	1,728	585	2,313
Chief Executive's Department	1,503	414	1,917	654	2,571
Theatres	1,120	33	1,153	1,048	2,201
Corporate Human Resources	1,024	28	1,052	164	1,216
Corporate Costs and Income	6,380	961	7,341	2,454	9,795
<b>Net Cost Of Service</b>	<b>201,472</b>	<b>2,331</b>	<b>203,803</b>	<b>22,713</b>	<b>226,516</b>
Other Income and Expenditure	(197,590)	67	(197,523)	(2,534)	(200,057)
<b>(Surplus) or Deficit</b>	<b>3,882</b>	<b>2,398</b>	<b>6,280</b>	<b>20,179</b>	<b>26,459</b>
Opening General Fund Balance at 31 March 2018			(22,747)		
Less Deficit on General Fund Balance in Year			6,280		
Less Other Movements, not included above, relating to Capital Reserves, Capital Receipts Reserve and Capital Grants Unapplied (see note 10 for breakdown)			(1,913)		
<b>Closing General Fund Balance at 31 March 2019</b>			<b>(18,380)</b>		

2017/18 Restated	As Reported for Resource Management £'000	Adjustment to arrive at the net amount chargeable to the Council Fund £'000	Net Expenditure Chargeable to the Council Fund Balance £'000	Adjustments between the Funding and Accounting Basis (See Note 5) £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
Education	78,870	(671)	78,199	9,245	87,444
Social Services	57,255	(34)	57,221	3,409	60,630
Environment, Roads & Facilities*	19,756	(196)	19,560	9,136	28,696
Community Development Services*	5,975	(93)	5,882	3,149	9,031
Regulatory & Housing Services*	4,981	15	4,996	1,770	6,766
Corporate Financial Services*	1,054	(18)	1,036	288	1,324
Audit & Procurement	585	(31)	554	73	627
Revenues and Benefits Service	10,688	(9)	10,679	(9,158)	1,521
Law & Governance	1,702	(39)	1,663	327	1,990
Information Technology	2,080	211	2,291	706	2,997
Chief Executive's Department*	1,620	248	1,868	958	2,826
Theatres	1,103	(19)	1,084	1,015	2,099
Corporate Human Resources	837	(38)	799	111	910
Corporate Costs and Income	3,178	1,732	4,910	(2,745)	2,165
<b>Net Cost Of Service</b>	<b>189,684</b>	<b>1,058</b>	<b>190,742</b>	<b>18,284</b>	<b>209,026</b>
Other Income and Expenditure	(191,184)	(708)	(191,892)	9,721	(182,171)
<b>Surplus or Deficit</b>	<b>(1,500)</b>	<b>350</b>	<b>(1,150)</b>	<b>28,005</b>	<b>26,855</b>
Opening General Fund Balance at 31 March 2017			(24,754)		
Less Deficit on General Fund Balance in Year			(1,150)		
Less Other Movements, not included above, relating to Capital Reserves, Capital Receipts Reserve and Capital Grants Unapplied (see note 10 for breakdown)			3,156		
<b>Closing General Fund Balance at 31 March 2018</b>			<b>(22,748)</b>		

\*The comparative figures for 2017/18 have been amended to reflect a presentational change in the accounts.

## Comprehensive Income and Expenditure Statement

2017/18			2018/19			
Gross Expenditure £'000	Income £'000	Net Expenditure £'000	Note	Gross Expenditure £'000	Income £'000	Net Expenditure £'000
109,003	(21,559)	87,444		111,227	(21,342)	89,885
83,398	(22,768)	60,630		92,779	(25,178)	67,601
43,395	(14,699)	28,696		43,762	(13,436)	30,326
15,704	(6,673)	9,031		14,807	(6,310)	8,497
13,372	(6,606)	6,766		13,106	(6,933)	6,173
1,820	(495)	1,325		2,307	(710)	1,597
651	(24)	627		625	(13)	612
39,191	(37,670)	1,521		37,735	(36,139)	1,596
3,066	(1,076)	1,990		3,260	(1,127)	2,133
3,147	(150)	2,997		2,729	(416)	2,313
3,318	(493)	2,825		3,532	(961)	2,571
8,816	(6,717)	2,099		8,309	(6,108)	2,201
952	(42)	910		1,254	(38)	1,216
6,256	(4,091)	2,165		12,347	(2,552)	9,795
<b>332,089</b>	<b>(123,063)</b>	<b>209,026</b>		<b>347,779</b>	<b>(121,263)</b>	<b>226,516</b>
20,138		20,138	7	20,345		20,345
30,700	(14,404)	16,296	8	27,563	(15,424)	12,139
	(218,605)	(218,605)	9		(232,541)	(232,541)
		<b>26,855</b>				<b>26,459</b>
		1,277	22			(1,192)
		(146)	22			13
		<b>1,131</b>				<b>(1,179)</b>
		(17,676)	22			32,322
		<b>(16,545)</b>				<b>31,143</b>
		<b>10,310</b>				<b>57,602</b>

\*The comparative figures for 2017/18 have been amended to reflect a presentational change in the accounts.

**Movement in Reserves Statement for the year ended 31 March 2019**

	Note	Council Fund Balance £'000	Earmarked Revenue Reserves £'000	Earmarked Capital Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
<b>Balance at 31 March 2018</b>	11,22	6,309	12,851	1,657	1,354	576	22,747	53,113	75,860
<b>Movement in Reserves during 2018/19</b>									
Surplus or (Deficit) on the Provision of Services		(26,459)	-	-	-	-	(26,459)	-	(26,459)
Other Comprehensive Income & Expenditure		-	-	-	-	-	-	(31,143)	(31,143)
<b>Total Comprehensive Income &amp; Expenditure</b>		<b>(26,459)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(26,459)</b>	<b>(31,143)</b>	<b>(57,602)</b>
Adjustments between Accounting basis & Funding basis under Regulations	10	20,179	-	(423)	123	2,212	22,091	(22,091)	-
<b>Net Increase/(Decrease) before Transfers to/(from) Earmarked Reserves</b>		<b>(6,280)</b>	<b>-</b>	<b>(423)</b>	<b>123</b>	<b>2,212</b>	<b>(4,368)</b>	<b>(53,234)</b>	<b>(57,602)</b>
Transfers to/(from) Earmarked Reserves	11	2,398	(2,846)	448	-	-	-	-	-
<b>Increase/(Decrease) in 2018/19</b>	11	<b>(3,882)</b>	<b>(2,846)</b>	<b>25</b>	<b>123</b>	<b>2,212</b>	<b>(4,368)</b>	<b>(53,234)</b>	<b>(57,602)</b>
<b>Balance as at 31 March 2019</b>	11,22	<b>2,427</b>	<b>10,005</b>	<b>1,682</b>	<b>1,477</b>	<b>2,788</b>	<b>18,379</b>	<b>(121)</b>	<b>18,258</b>

**Movement in Reserves Statement for the year ended 31 March 2018**

	Note	Council Fund Balance £'000	Earmarked Revenue Reserves £'000	Earmarked Capital Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
<b>Balance at 31 March 2017</b>	11,22	4,809	14,723	1,757	2,466	999	24,754	61,416	86,170
<b>Movement in Reserves during 2017/18</b>									
Surplus or (Deficit) on the Provision of Services		(26,855)	-	-	-	-	(26,855)	-	(26,855)
Other Comprehensive Income & Expenditure		-	-	-	-	-	-	16,545	16,545
<b>Total Comprehensive Income &amp; Expenditure</b>		<b>(26,855)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(26,855)</b>	<b>16,545</b>	<b>(10,310)</b>
Adjustments between Accounting basis & Funding basis under Regulations	10	28,005	-	(1,622)	(1,112)	(423)	24,848	(24,848)	-
<b>Net Increase/(Decrease) before Transfers to/(from) Earmarked Reserves</b>		<b>1,150</b>	<b>-</b>	<b>(1,622)</b>	<b>(1,112)</b>	<b>(423)</b>	<b>(2,007)</b>	<b>(8,303)</b>	<b>(10,310)</b>
Transfers to/(from) Earmarked Reserves	11	350	(1,872)	1,522	-	-	-	-	-
<b>Increase/(Decrease) in 2017/18</b>	<b>11</b>	<b>1,500</b>	<b>(1,872)</b>	<b>(100)</b>	<b>(1,112)</b>	<b>(423)</b>	<b>(2,007)</b>	<b>(8,303)</b>	<b>(10,310)</b>
<b>Balance as at 31 March 2018</b>	<b>11,22</b>	<b>6,309</b>	<b>12,851</b>	<b>1,657</b>	<b>1,354</b>	<b>576</b>	<b>22,747</b>	<b>53,113</b>	<b>75,860</b>

## Balance Sheet

	Notes	31 March 2019	31 March 2018
		£'000	£'000
Property, Plant & Equipment	12	417,490	384,796
Heritage Assets		194	194
Investment Property	13	12,004	12,061
Intangible Assets	15	877	900
Available for Sale Financial Assets	16	1,790	1,803
Long Term Debtors	16	4,831	5,306
<b>Long Term Assets</b>		<b>437,186</b>	<b>405,060</b>
Short Term Investments	16	10,169	8,158
Inventories		1,109	979
Short Term Debtors	17	38,581	36,435
Cash & Cash Equivalents	18	6,422	14,161
Assets Held for Sale	14	825	492
<b>Current Assets</b>		<b>57,106</b>	<b>60,225</b>
Short Term Borrowing	16	63,721	59,124
Short Term Creditors	19	25,567	23,243
Provisions	20	1,573	1,132
<b>Current Liabilities</b>		<b>90,861</b>	<b>83,499</b>
Pension Liability	38	215,241	167,487
Provisions	20	18	31
Long term Borrowing	16	114,456	115,924
Other Long term Liabilities	16	53,133	20,333
Capital Grants Receipts in Advance	31	2,325	2,151
<b>Long Term Liabilities</b>		<b>385,173</b>	<b>305,926</b>
<b>Net Assets</b>		<b>18,258</b>	<b>75,860</b>
Usable Reserves	21	18,379	22,747
Unusable Reserves	22	(121)	53,113
<b>Total Reserves</b>		<b>18,258</b>	<b>75,860</b>

## Cash Flow Statement

2017/18		Note	2018/19
£'000			£'000
26,855	Net (Surplus)/Deficit on the Provision of Services		26,458
(38,308)	Adjustments to Net (Surplus) or Deficit on the Provision of Services for Non-Cash Movements	23	(44,030)
5,364	Adjustments for Items Included in the net (Surplus) or Deficit on the Provision of Services that are Investing and Financing Activities	24	15,201
(6,089)	Net Cash Flows From Operating Activities		(2,371)
15,906	Investing Activities	25	10,310
(21,139)	Financing Activities	26	(200)
(11,322)	Net (Increase) or Decrease in Cash and Cash Equivalents		7,739
<b>2,840</b>	<b>Cash and Cash Equivalents at the beginning of the reporting period</b>	<b>18</b>	<b>14,162</b>
<b>14,162</b>	<b>Cash and Cash Equivalents at the end of the Reporting Period</b>	<b>18</b>	<b>6,423</b>

## **Notes to the Accounts**

### **1. Accounting Standards That Have Been Issued but Have Not Yet Been Adopted**

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

- IAS 40 Investment Property: Transfers of Investment Property, provides further explanation of the instances in which a property can be reclassified as investment property. This will have no material impact on the Statement of Accounts.
- Annual Improvements to IFRS Standards 2014 – 2016 Cycle, the various changes are relatively minor updates to the relevant standards to clarify the correct treatment and will not have a material impact on the Statement of Accounts.
- IFRIC 22 Foreign Currency Transactions and Advance Consideration, clarifies the treatment of payments in a foreign currency made in advance of obtaining or delivering services or goods. The Council does not have any material transactions within the scope of the amendment.
- IFRIC 23 Uncertainty over Income Tax Treatments, provides additional guidance on income tax treatment where there is uncertainty. This will have no impact on the accounts.
- IFRS 9 Financial Instruments: Prepayment Features with negative Compensation, amends IFRS 9 to make clear that amortised cost should be used where prepayments are substantially lower than the unpaid principal and interest. The Council has no loans to which this will apply.
- IFRS 16 Leases, will require Local Authorities that are Lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA / LASAAC have deferred implementation of IFRS 16 for local government to 1 April 2020.

### **2. Critical Judgements in Applying Accounting Policies**

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

#### **(i) Local Government Funding**

There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

#### **(ii) PFI Scheme**

The Council has one PFI contract for the provision of 3 schools. It has determined that it substantially controls both the services provided from and the residual value of the assets used to deliver these contracts. Consequently, the assets relating to these contracts (£44.5m) have been recognised on the Balance Sheet as property, plant and equipment, in accordance with IFRIC 12. Details of the values of these assets are disclosed in Notes 12 (PPE) and 36 (PFI).

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:-

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
PROPERTY, PLANT & EQUIPMENT	Assets are depreciated over useful lives that are dependent on assumptions about the future level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to the assets.	If the useful life of an asset is reduced, depreciation increases and the carrying amount of the asset falls. The annual depreciation charge for property, plant & equipment would increase by £2.22m for every year that useful lives had to be reduced
PROVISIONS	Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, but where the timing or amount of the transfer is uncertain.	If the provision is found to be inadequate the additional amount will need to be provided from the Authority's revenue.
PENSIONS LIABILITY	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The returns on Pension Fund Assets continues to fluctuate which affects the liability. See Note 38 for details.
ARREARS	At March 2019, the Council had a balance for sundry debtors of £13.7m. A bad debt provision of £433k is held which is included in the bad debt provision of £2.095m in Note 17. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate a doubling of the amount of the impairment of doubtful debts would require and additional £433k to set aside as an allowance.
BRITAIN LEAVING THE EUROPEAN UNION: ASSET VALUES AND PENSION LIABILITY	There is a high level of uncertainty about the implications of Britain leaving the European Union. At the current time it is not possible to predict which path will be taken and whether asset values and the discount rate will consequently change. The assumption has been made that this will not significantly impair the value of the Council's assets or change the discount rate. The assumption made will need to be reviewed regularly.	Higher impairment allowances may need to be charged in the future if asset values fall. If the discount rate changes, the size of the net pension liability will vary.

This list does not include assets and liabilities that are carried at fair value based on a recently observed market price.

#### **4. Events after the Balance Sheet Date**

The Statement of Accounts was authorised for issue by the Strategic Director – Finance & Efficiencies on 9 September 2019. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

## 5. Note to the Expenditure and Funding Analysis

This note provides a reconciliation of the main adjustments to Net Expenditure Chargeable to the General Fund and HRA Balances to arrive at the amounts in the Comprehensive Income and Expenditure Statement (CI&ES). The relevant transfers between reserves are explained in the Movement in Reserves Statement.

Adjustments from Council Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	2018/19			2017/18 Restated				
	Adjustments for Capital Purposes £'000	Net Change for the Pensions Adjustments £'000	Other Adjustments £'000	Total Adjustments £'000	Adjustments for Capital Purposes £'000	Net Change for the Pensions Adjustments £'000	Other Adjustments £'000	Total Adjustments £'000
Education	5,927	3,243	230	9,400	6,415	3,221	(391)	9,245
Social Services	370	3,238	71	3,679	406	3,112	(109)	3,409
Environment, Roads & Facilities	7,785	1,861	(100)	9,546	7,399	1,873	(136)	9,136
Community Development Services	1,646	808	263	2,717	2,038	842	269	3,149
Regulatory & Housing Services	392	660	(2)	1,050	985	762	23	1,770
Corporate Financial Services	25	255	-	280	26	198	65	289
Audit & Procurement	-	65	-	65	-	73	-	73
Revenues and Benefits Service	3	311	(9,612)	(9,298)	3	327	(9,488)	(9,158)
Law & Governance	13	343	13	369	16	326	(15)	327
Information Technology	315	382	(112)	585	414	404	(112)	706
Chief Executive's Department	319	235	100	654	696	246	15	957
Theatres	646	382	20	1,048	655	372	(12)	1,015
Corporate Human Resources	-	163	1	164	-	124	(13)	111
Corporate Costs and Income	5,069	(1,120)	(1,495)	2,454	(541)	(879)	(1,325)	(2,745)
<b>Net Cost Of Service</b>	<b>22,510</b>	<b>10,826</b>	<b>(10,623)</b>	<b>22,713</b>	<b>18,512</b>	<b>11,001</b>	<b>(11,229)</b>	<b>18,284</b>
Other Income and Expenditure	(18,095)	4,608	10,953	(2,534)	(5,267)	4,521	10,467	9,721
<b>(Surplus) or Deficit</b>	<b>4,415</b>	<b>15,434</b>	<b>330</b>	<b>20,179</b>	<b>13,245</b>	<b>15,522</b>	<b>(762)</b>	<b>28,005</b>

The comparative figures for 2017/18 have been amended to reflect a presentational change in the accounts.

## a) Adjustments for Capital Purposes

- (i) Services line - this column adds in depreciation, amortisation, impairment and revaluation gains and losses.
- (ii) Other Operating Expenditure - adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- (iii) Financing and Investment Income and Expenditure and certain Services line - the statutory charges for capital financing i.e. minimum revenue provision and other revenue contributions are deducted as these are not chargeable under general accepted accounting practices.
- (iv) Taxation and Non Specific Grant Income and Expenditure - capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

## b) Net change for the removal of pension contributions and the addition of pension (IAS 19) related expenditure and income

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- (i) For services this represents the removal of the employer pension contributions made by the authority as permitted by statute and the replacement with current service costs and past service / curtailment costs.
- (ii) For Other Operating Expenditure - this adjustment is for pensions administration costs
- (iii) For Financing and investment income and expenditure - the net interest on the defined benefit liability is charged to the CI&ES.

## c) Other Adjustments

Other Differences between amounts debited/credited to the CI&ES and amounts payable/receivable to be recognised under statute:

- (i) For Services line - this includes an adjustment for accumulated absences earned but not taken in the year.
- (ii) For Financing and investment income and expenditure the other differences column recognises adjustments to General Fund for the timing differences for premiums and discounts.

## 6. Expenditure and Income Analysed by Nature

	2018/19 £'000	2017/18 £'000
<b>Expenditure</b>		
Employee benefits expenses	137,337	133,147
Employee benefits expenses of Voluntary Aided and Foundation Schools	18,325	18,206
Other services expenses	188,011	180,719
Depreciation, amortisation, impairment	24,212	23,448
Interest Payments	7,457	7,269
Precepts and levies	20,940	20,254
(Gain)/Loss on the disposal of assets	(595)	(116)
<b>Total Expenditure</b>	<b>395,687</b>	<b>382,927</b>
<b>Income</b>		
Fees, charges and other service income	(64,718)	(63,343)
Interest and investment income	(186)	(252)
Income from Council Tax and Non Domestic Rates	(103,156)	(100,089)
Government grants and contributions	(201,168)	(192,388)
<b>Total Income</b>	<b>(369,228)</b>	<b>(356,072)</b>
<b>(Surplus) or Deficit</b>	<b>26,459</b>	<b>26,855</b>

## 7. Other Operating Expenditure

2017/18 £000		2018/19 £000
12,436	Police and Crime Commissioner for North Wales Precept	12,913
1,970	Community Council Precepts	2,137
5,539	North Wales Fire and Rescue Authority	5,590
309	Other Levies	300
(60)	Gains/Losses on the disposal of non-current assets	(595)
(56)	Finance Lease Liabilities	-
<b>20,138</b>	<b>Total</b>	<b>20,345</b>

## 8. Financing and Investment Income and Expenditure

2017/18 £000		2018/19 £000
7,942	Interest payable & similar charges	8,100
17,349	Pensions interest cost	18,486
(12,872)	Expected return on pensions assets	(13,923)
(252)	Interest receivable & similar income	(186)
4,084	Income & expenditure in relation to investment properties & changes in their fair value	(370)
45	Trading Operations	32
<b>16,296</b>	<b>Total</b>	<b>12,139</b>

## 9. Local Taxation and Non Specific Grant Income

2017/18 £000		2018/19 £000
(61,559)	Council Tax income	(64,996)
(38,530)	Non domestic rates	(38,160)
(112,027)	Non-ring fenced government grants	(115,455)
(6,489)	Capital grants & contributions	(13,930)
<b>(218,605)</b>	<b>Total</b>	<b>(232,541)</b>



# 2018/19

	Usable Reserves					Unusable Reserves	
	Council Fund £'000	earmarked £'000	Capital Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Usable Reserves £'000	Movement in Unusable Reserves £'000
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>							
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,498)	-	1,498	-	-	-	-
Mortgage Principal transfer from deferred capital receipts to capital receipts reserve	-	-	-	-	-	-	-
Finance Lease Rental Principal	-	-	41	-	41	(41)	
Use of Capital Receipts Reserve to finance new capital expenditure	-	-	(1,377)	-	(1,377)	1,377	
Use of Capital Receipts Reserve to repay Unsupported Borrowing	-	-	-	-	-	-	
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	(20)	-	(39)	-	(59)	59	
Amelioration of Finance Lease Rentals	60	-	-	-	60	(60)	
Additional Finance Lease Asset	-	-	-	-	-	-	
<b>Adjustments primarily involving the Capital Reserves:</b>							
Use of Capital Reserve to finance new capital expenditure	-	(423)	-	-	(423)	423	
<b>Adjustment primarily involving the Financial Instruments Adjustment Account:</b>							
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	(50)	-	-	-	(50)	50	
<b>Adjustments primarily involving the Pensions Reserve</b>							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 38)	30,626	-	-	-	30,626	(30,626)	
Employer's pensions contributions and direct payments to pensioners payable in the year	(15,194)	-	-	-	(15,194)	15,194	
<b>Adjustments involving the Unequal Pay Back Pay Adjustment Account</b>							
Amount by which amounts charged for Equal Pay claims to Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	-	-	-	-	-	-	
<b>Adjustment primarily involving the Accumulated Absences Account:</b>							
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	313	-	-	-	-	(313)	
<b>Total Adjustments</b>	<b>20,179</b>	<b>(423)</b>	<b>123</b>	<b>2,212</b>	<b>22,091</b>	<b>(22,091)</b>	

## 2017/18 Comparative Figures

	Usable Reserves					Unusable Reserves
	Council Fund Balance £'000	Earmarked Capital Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Usable Reserves £'000	
<p><b>Adjustments primarily involving the Capital Adjustment Account:</b>  <b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>                      Charges for depreciation and impairment of non-current assets                      Revaluation losses on Property Plant and Equipment                      Revaluation losses on Assets Held for Sale                      Movements in the market value of Investment Properties                      Amortisation of intangible assets                      Capital grants and contributions applied                      Revenue expenditure funded from capital under statute                      Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement                      Administration costs of asset disposal in advance of receipt                      Difference between asset value &amp; lease liability</p> <p><b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>                      Statutory provision for the financing of capital investment                      Capital expenditure charged against the Council Fund balance</p> <p><b>Adjustment primarily involving the Capital Grants Unapplied Account:</b>                      Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement                      Application of grants to capital financing transferred to the Capital Adjustment Account</p>	15,568	-	-	-	15,568	(15,568)
	2,824	-	-	-	2,824	(2,824)
	-	-	-	-	-	-
	4,509	-	-	-	4,509	(4,509)
	258	-	-	-	258	(258)
	(6,911)	-	-	-	(6,911)	6,911
	1,371	-	-	-	1,371	(1,371)
	130	-	-	-	130	(130)
	2	-	-	-	2	(2)
	-	-	-	-	-	-
	(4,679)	-	-	-	(4,679)	4,679
	-	-	-	-	-	-
	423	-	-	(423)	-	-
	-	-	-	-	-	-

## 2017/18 Comparative Figures

	Usable Reserves					Unusable Reserves	
	Council Fund £'000	Earmarked Capital Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Usable Reserves £'000	Movement in Unusable Reserves £'000	
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>							
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(191)	-	191	-	-	-	-
Mortgage Principal transfer from deferred capital receipts to capital receipts reserve	-	-	2	-	2	(2)	(2)
Finance Lease Rental Principal	-	-	77	-	77	(77)	(77)
Use of Capital Receipts Reserve to finance new capital expenditure	-	-	(1,379)	-	(1,379)	1,379	1,379
Use of Capital Receipts Reserve to repay Unsupported Borrowing	-	-	-	-	-	-	-
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	(61)	-	(3)	-	(64)	64	64
Amelioration of Finance Lease Rentals	58	-	-	-	58	(58)	(58)
Additional Finance Lease Asset	(56)	-	-	-	(56)	56	56
<b>Adjustments primarily involving the Capital Reserves:</b>							
Use of Capital Reserve to finance new capital expenditure	-	(1,622)	-	-	(1,622)	1,622	1,622
<b>Adjustment primarily involving the Financial Instruments Adjustment Account:</b>							
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	(9)	-	-	-	(9)	9	9
<b>Adjustments primarily involving the Pensions Reserve</b>							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 38)	30,007	-	-	-	30,007	(30,007)	(30,007)
Employer's pensions contributions and direct payments to pensioners payable in the year	(14,485)	-	-	-	(14,485)	14,485	14,485
<b>Adjustments Involving the Unequal Pay Back Pay Adjustment Account</b>							
Amount by which amounts charged for Equal Pay claims to Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	(5)	-	-	-	(5)	5	5
<b>Adjustment primarily involving the Accumulated Absences Account:</b>							
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	(748)	-	-	-	(748)	748	748
<b>Total Adjustments</b>	<b>28,005</b>	<b>(1,622)</b>	<b>(1,112)</b>	<b>(423)</b>	<b>24,848</b>	<b>(24,848)</b>	<b>(24,848)</b>

## 11. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the Council Fund balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet Council Fund expenditure.

	Balance at 1 April 2017 £'000	Transfers Out 2017/18 £'000	Transfers In 2017/18 £'000	Balance at 31 March 2018 £'000	Transfers Out 2018/19 £'000	Transfers In 2018/19 £'000	Balance at 31 March 2019 £'000
<b>Council Fund:</b>							
Balances held by schools under a scheme of delegation	3,249	(621)	736	3,364	(1,274)	405	2,495
<b>Service Reserves:</b>							
Community Development	492	(88)	510	914	(504)	235	645
Tramway - Maintenance Programme	241	(15)	-	226	(41)	-	185
Environment, Roads & Facilities	235	-	-	235	(61)	142	316
IT / E-Government	462	(211)	-	251	-	389	640
Human Resources	176	(25)	59	210	(90)	44	164
Revenues & Benefits	347	-	9	356	(92)	-	264
Internal Audit	89	-	31	120	-	10	130
Other Services	453	(56)	196	593	(132)	87	548
Theatres - Repairs & Renewals	179	(54)	75	200	(43)	-	157
Regulatory & Housing Services	193	(100)	50	143	(9)	-	134
Social Services	149	-	75	224	(78)	-	146
Education Services	668	(296)	-	372	(372)	163	163

	Balance at 1 April 2017	Transfers Out 2017/18	Transfers In 2017/18	Balance at 31 March 2018	Transfers Out 2018/19	Transfers In 2018/19	Balance at 31 March 2019
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<i>Corporate Reserves:</i>							
Apprenticeships Reserve	138	(7)	-	131	(100)	26	57
Demand Led Risk Reserve	-	-	512	512	(720)	528	320
Winter Maintenance & Adverse Weather Reserve	136	(53)	-	83	-	-	83
Insurance Reserves	1,604	(224)	467	1,847	(628)	720	1,939
PFI Unitary Charge	4,646	(3,071)	35	1,610	(1,038)	106	678
Redundancy & Retirement	20	-	-	20	(20)	-	-
Managed Print Service	-	-	67	67	(30)	71	108
Other	577	(165)	399	811	(987)	501	325
Earmarked Grants Reserves	669	(671)	562	560	(535)	483	508
<b>Total Earmarked Reserves</b>	<b>14,723</b>	<b>(5,657)</b>	<b>3,783</b>	<b>12,849</b>	<b>(6,754)</b>	<b>3,910</b>	<b>10,005</b>
<b>Total Capital Reserves</b>	<b>1,757</b>	<b>(2,402)</b>	<b>2,303</b>	<b>1,658</b>	<b>(1,413)</b>	<b>1,437</b>	<b>1,682</b>

The Manged Print Service was previously included within Other Reserves in 2017/18.

The following table gives a brief description of the purpose of the reserves:

Reserve	Description
<b>Service Reserves:</b>	
Community Development	Represents several amounts set aside for earmarked projects or risks, e.g. Business Support, LDP Review, Bus Shelter Remedial Works.
Tramway - Maintenance Programme	An earmarked reserve to support the ongoing maintenance programme for the Great Orme Victorian Tramway.
Environment, Roads & Facilities	Represents several amounts set aside for earmarked projects or risks, e.g. Asset Management Planning, Street Parking Machines
IT / E-Government	Represents several amounts set aside for earmarked projects or risks, e.g. Purchase of Software Licences, Storage for Personal Shared Devices
Human Resources	Represents several amounts set aside for earmarked projects or risks, e.g. Support for Managing Sickness Absence, funding of a Modern Apprentice
Revenues & Benefits	Represents several amounts set aside for earmarked projects or risks, e.g. Support for HB Admin, Financial Assessment System Hardware & Software
Internal Audit	Represents several amounts set aside for earmarked projects or risks, e.g. Restructure Costs, E-procurement Solution
Other Services	Represents several amounts set aside for earmarked projects or risks, e.g. IT Transformation Development, One Conwy Project
Theatres - Repairs & Renewals	An earmarked reserve to support the ongoing repairs and renewal programme for the Theatres.
Regulatory & Housing Services	Represents several amounts set aside for earmarked projects or risks, e.g. Development Control Risk, Building Control Risk
Social Services	Represents the trading account of Galw Gofal.
Education Services	Represents several amounts set aside for earmarked projects or risks, e.g. SEN Placements, LIDW Broadband
<b>Corporate Reserves:</b>	
Apprenticeships Reserve	An earmarked reserve to support the employment of Modern Apprentices
Demand Led Risk Reserve	Created to mitigate the impact of demand led risks such as increases in complex Social Services cases or a spell of severe weather.
Insurance Reserves	Created to fund any future liabilities such as MMI and known claims that exceed budgetary provision
PFI Unitary Charge	Created to contribute to the funding of future PFI Unitary Charge payments
Managed Print Service	Represents an amount set aside to fund a temporary post
Other	To meet a variety of other commitments such as Council Elections and Home to School Transport
Earmarked Grants Reserves	Represent income from Government grants received which have no conditions attached but which have been set aside for use in the provision of specific services

## 12. Property, Plant and Equipment

Movements in 2018/19:	Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infra-structure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant & Equipment £'000	PFI Assets included in Property, Plant & Equipment £'000
<b>Cost or Valuation</b>								
At 1 April 2018	300,722	30,705	149,317	6,675	81	9,354	496,854	49,456
Additions	39,871	4,562	5,610	94	-	6,335	56,472	778
Revaluation Increases/(Decreases) recognised in the Revaluation Reserve	1,447	-	-	-	-	-	1,447	(261)
Revaluation Increases/(Decreases) recognised in the Surplus/Deficit on the Provision of Services	(7,158)	-	-	-	-	-	(7,158)	(517)
Derecognition - Disposals	(422)	(2,356)	-	-	-	-	(2,778)	-
Transfers from Assets under Construction	3,971	1,970	395	-	-	(6,482)	(146)	-
Accumulated Depreciation and Impairment Written Out on Revaluation	-	-	-	-	-	-	-	-
Assets Reclassified (to)/from Held for Sale	(825)	-	-	-	-	-	(825)	-
<b>At 31 March 2019</b>	<b>337,606</b>	<b>34,881</b>	<b>155,322</b>	<b>6,769</b>	<b>81</b>	<b>9,207</b>	<b>543,866</b>	<b>49,456</b>
<b>Accumulated Depreciation &amp; Impairment</b>								
At 1 April 2018	(20,016)	(18,720)	(68,943)	(4,379)	-	-	(112,058)	(3,753)
Depreciation Charge	(6,441)	(3,358)	(5,776)	(349)	-	-	(15,924)	(1,251)
Depreciation Written Out to the Revaluation Reserve	-	-	-	-	-	-	-	-
Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services	(505)	-	-	-	-	-	(505)	-
Impairment Losses recognised in the Revaluation Reserve	(255)	-	-	-	-	-	(255)	-
Accumulated Depreciation and Impairment Written Out on Revaluation	-	-	-	-	-	-	-	-
Derecognition - disposals	25	2,341	-	-	-	-	2,366	-
<b>At 31 March 2019</b>	<b>(27,192)</b>	<b>(19,737)</b>	<b>(74,719)</b>	<b>(4,728)</b>	<b>-</b>	<b>-</b>	<b>(126,376)</b>	<b>(5,004)</b>
<b>Net Book Value</b>								
at 31 March 2019	310,414	15,144	80,603	2,041	81	9,207	417,490	44,452
at 31 March 2018	280,706	11,985	80,374	2,296	81	9,354	384,796	45,703

Movements in 2017/18:	Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infra-structure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment	PFI Assets included in Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>								
At 1 April 2017	286,886	29,935	143,554	6,600	81	18,107	485,163	49,456
Additions	7,166	3,290	5,304	75	-	2,856	18,691	553
Revaluation Increases/(Decreases) recognised in the Revaluation Reserve	(1,038)	-	-	-	-	-	(1,038)	(193)
Revaluation Increases/(Decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,519)	-	-	-	-	-	(2,519)	(360)
Derecognition - Disposals	-	(2,520)	-	-	-	-	(2,520)	-
Transfers from Assets under Construction	10,585	-	459	-	-	(11,609)	(565)	-
Accumulated Depreciation and Impairment Written Out on Revaluation	(492)	-	-	-	-	-	(492)	-
Assets Reclassified (to)/from Held for Sale	134	-	-	-	-	-	134	-
Other Movements in Cost or Valuation, etc								
<b>At 31 March 2018</b>	<b>300,722</b>	<b>30,705</b>	<b>149,317</b>	<b>6,675</b>	<b>81</b>	<b>9,354</b>	<b>496,854</b>	<b>49,456</b>
<b>Accumulated Depreciation &amp; Impairment</b>								
At 1 April 2017	(13,228)	(17,855)	(63,356)	(4,005)	-	-	(98,444)	(2,502)
Depreciation Charge	(6,244)	(3,363)	(5,587)	(374)	-	-	(15,568)	(1,251)
Depreciation Written Out to the Revaluation Reserve	-	-	-	-	-	-	-	-
Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services	(305)	-	-	-	-	-	(305)	-
Impairment Losses recognised in the Revaluation Reserve	(239)	-	-	-	-	-	(239)	-
Accumulated Depreciation and Impairment Written Out on Revaluation	-	-	-	-	-	-	-	-
Derecognition - disposals	-	2,498	-	-	-	-	2,498	-
<b>At 31 March 2018</b>	<b>(20,016)</b>	<b>(18,720)</b>	<b>(68,943)</b>	<b>(4,379)</b>	<b>-</b>	<b>-</b>	<b>(112,058)</b>	<b>(3,753)</b>
<b>Net Book Value</b>								
at 31 March 2018	280,706	11,985	80,374	2,296	81	9,354	384,796	45,703
at 31 March 2017	273,658	12,080	80,198	2,595	81	18,107	386,719	46,954

## Capital Commitments

At 31 March 2019, the Authority has entered into contracts for the construction or enhancement of Property, Plant and Equipment in 2019/20 and future years budgeted to cost £3.686m. Similar commitments at 31 March 2018 were £3.391m. A de minimis of £50k has been applied to capital commitments. The major commitments are:

<b>Council Fund Capital Programme Scheme</b>	<b>Contracted Future Cost £'000</b>
Caerhun Area School	386
Conwy Culture Centre	2,083
Venue Cymru Re-Configuration	1,217
<b>Total</b>	<b>3,686</b>

## Revaluations

The Authority carries out a revaluation exercise every 5 years of all Property, Plant and Equipment required to be measured at fair value. Valuations of land and buildings were carried out internally by the County Valuer and Asset Manager, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The assets were revalued as at 31 March 2015. Assets Held for Sale and Investment Properties are re-valued annually, and other assets are valued at historic cost.

## Disclosure Note regarding Schools

The Council does not include schools' property, plant and equipment in its Balance Sheet where it does not own or have significant control over the economic benefits of these assets. This means that property, plant and equipment of Voluntary Controlled and Voluntary Aided schools are not recognised on the Council's Balance Sheet, whereas the property, plant and equipment of community and foundation schools are recognised on its Balance Sheet. The income and expenditure for all schools is included within the CI&ES and any unspent resources held by schools are included within earmarked reserves in the Council's Balance Sheet.

## Use of Capital Receipts For Service Reform

In 2018/19 the Authority used Capital Receipts for Service Reform in the sum of £1.067m. This included the Modernisation Programme whose main objectives are to implement Workwise across the Authority, to implement the Office Accommodation Strategy, facilitate the development of new office accommodation for the Authority in Colwyn Bay, and other service reform costs across the Authority.

### 13. Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

	<b>2018/19 £000</b>	<b>2017/18 £000</b>
Rental income from Investment Property	427	425
<b>Net gain/(loss)</b>	<b>427</b>	<b>425</b>

The following table summarises the movement in the fair value of investment properties over the year:-

<b>Fair Value of Investment Properties</b>	<b>2018/19</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at start of year</b>	<b>12,061</b>	<b>16,704</b>
Additions:		
▪ Purchases	-	-
▪ Construction	-	-
▪ Subsequent Expenditure	-	-
Disposals	-	-
Net gains/(losses) from fair value adjustments	293	290
Transfers:		
▪ (to)/from inventories	-	-
▪ (to)/from Property, Plant and Equipment	-	(134)
▪ (to)/from Assets Held For Sale	-	-
Impairment Losses	(350)	(4,799)
<b>Balance at year end</b>	<b>12,004</b>	<b>12,061</b>

#### 14. Assets Held For Sale

	2018/19	2017/18
	£'000	£'000
<b>Balance outstanding at start of year</b>	<b>492</b>	<b>108</b>
Assets newly classified as held for sale:		
▪ Property, Plant & Equipment	825	492
▪ Intangible Assets	-	-
▪ Investment Properties	-	-
Other Assets/Liabilities in Disposal Groups	-	-
Revaluation Losses		
Revaluation Gains		
Impairment Losses	-	-
Assets declassified as held for sale:		
▪ Property, Plant & Equipment	-	-
▪ Intangible Assets	-	-
▪ Investment Properties	-	-
Other Assets/Liabilities in Disposal Groups	-	-
Assets Sold	(492)	(108)
Transfers from Non-Current to Current	-	-
Other Movements		
<b>Balance outstanding at year end</b>	<b>825</b>	<b>492</b>

## 15. Intangible Assets

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include purchased licenses.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority. The useful lives assigned to the major software suites used by the Authority are between 2 and 10 years.

The movement on Intangible Asset balances during the year is as follows:

	2018/19		2017/18
	£'000		£'000
<b>Balance at start of year:</b>			
▪ Gross Carrying Amounts	2,783		2,693
▪ Accumulated Amortisation	(1,883)		(1,625)
Net carrying amount at start of year	900		1,068
Additions:			
▪ Purchases	105		90
▪ Transfer from Assets Under Construction	147		-
Amortisation for the period	(274)		(258)
<b>Net carrying amount at end of year</b>	<b>878</b>		<b>900</b>
Comprising:			
▪ Gross carrying amounts	3,035		2,783
▪ Accumulated amortisation	(2,157)		(1,883)
	878		900

There are no internally generated intangible assets.

## 16. Financial Instruments

The Council has adopted IFRS9, the Financial Instruments accounting standard with effect from 1 April 2018 and the main effect on the Council is the accounting treatment of its two modified loans. IFRS9 means that the carrying amounts of the modified loans have had to be recalculated at 1 April 2018 using the original effective interest rate (formerly the new effective interest rate). The change in the measurement of these loans has created a credit to the Comprehensive Income and Expenditure Statement of £144k. The Code states that any difference between the previous carrying amounts and the revised carrying amounts at the start of the financial year should be recognised as an opening adjustment to reserves and that prior year information need not be restated. The credit has been transferred to Council reserves.

### Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

	Long-term		Current	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018
	£'000	£'000	£'000	£'000
<b>Investments</b>				
Loans and receivables		-	10,169	8,158
Available-for-sale financial assets	1,790	1,803	-	-
<b>Total Investments</b>	<b>1,790</b>	<b>1,803</b>	<b>10,169</b>	<b>8,158</b>
<b>Debtors</b>				
Loans and receivables	4,831	5,306	-	-
Financial assets carried at contract amounts		-	38,581	36,435
<b>Total Debtors</b>	<b>4,831</b>	<b>5,306</b>	<b>38,581</b>	<b>36,435</b>
<b>Borrowings</b>				
Financial liabilities at amortised cost	114,456	115,924	63,721	59,124
<b>Total Borrowings</b>	<b>114,456</b>	<b>115,924</b>	<b>63,721</b>	<b>59,124</b>
<b>Other Liabilities</b>				
PFI and finance lease liabilities	52,090	19,773	1,854	1,330
<b>Total Other Liabilities</b>	<b>52,090</b>	<b>19,773</b>	<b>1,854</b>	<b>1,330</b>
<b>Creditors</b>				
Financial liabilities carried at contract amount	1,043	560	23,714	21,913
<b>Total Creditors</b>	<b>1,043</b>	<b>560</b>	<b>23,714</b>	<b>21,913</b>

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

The comparative figures for 2017/18 have been amended to reflect some changes to long-term versus current financial instruments categorisation.

Analysis of short term Investments:

	31 March 2019	31 March 2018
	£'000	£'000
Financial Assets - Investments	10,169	8,158
Cash Equivalents - Investments	9,750	11,435
Cash Equivalents - Foundation Schools Investments	221	289
Accruals	(29)	(18)
<b>Investments</b>	<b>20,111</b>	<b>19,864</b>

Analysis of long and short term actual debt outstanding:

	31 March 2019 £'000	31 March 2018 £'000
Financial Liabilities: Long Term Borrowing	114,456	115,924
Financial Liabilities: Short Term Borrowing	63,721	59,124
	178,177	175,048
Less PWLB Interest Accruals	(1,765)	(1,767)
Market Loans Interest Accruals	(249)	(226)
Stepped Loan Effective Interest Rate adjustment	(150)	(151)
Premium adjustment to Modified Loan	696	699
IFRS9 loan modification	144	-
Soft loan accounting entries	97	81
<b>Debt Outstanding</b>	<b>176,950</b>	<b>173,684</b>

Income, Expense, Gains & Losses

	2018/19				2017/18			
	Financial Liabilities measured at Amortised Cost £'000	Financial Assets: Loans and Receivables £'000	Financial Assets: Available for Sale £'000	Total £'000	Financial Liabilities measured at Amortised Cost £'000	Financial Assets: Loans and Receivables £'000	Financial Assets: Available for Sale £'000	Total £'000
Interest expense	6,287	-	-	6,287	5,869	-	-	5,869
Losses on derecognition	-	-	-	-	-	-	-	-
Reductions in fair value	-	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-	-	-
Fee expense	43	-	-	43	33	-	-	33
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>6,330</b>	<b>-</b>	<b>-</b>	<b>6,330</b>	<b>5,902</b>	<b>-</b>	<b>-</b>	<b>5,902</b>
Interest income	-	(104)	-	(104)	-	(30)	-	(30)
Interest income accrued on impaired financial assets	-	-	-	-	-	-	-	-
Increase/Decrease in fair value	-	(21)	13	(8)	-	(20)	(145)	(165)
Gains on derecognition	-	-	-	-	-	-	-	-
Fee income	-	-	-	-	-	-	-	-
<b>Total Income in Surplus or Deficit on the Provision of Services</b>	<b>-</b>	<b>(125)</b>	<b>13</b>	<b>(112)</b>	<b>-</b>	<b>(50)</b>	<b>(145)</b>	<b>(195)</b>
<b>Net (Gain) Loss for the year</b>	<b>6,330</b>	<b>(125)</b>	<b>13</b>	<b>6,218</b>	<b>5,902</b>	<b>(50)</b>	<b>(145)</b>	<b>5,707</b>

## Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- estimated ranges of interest rates at 31 March 2019 of 1.41% to 2.37% for loans from the PWLB and 0.78% to 2.32% for other loans receivable and payable, based on new lending rates for equivalent loans at that date
- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.
- In 2018/19 the Transfer Rate as per IFRS13 was used.

The fair value hierarchy categorises into three levels the inputs to valuation techniques used to measure fair value which include:

Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g., bond prices.

Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g., interest rates or yields for similar instruments.

Level 3 – fair value is determined using unobservable inputs, e.g., non-market data such as cash flow forecasts or estimated creditworthiness.

The PWLB loans and the LOBO and other long term loans are calculated using Level 2 inputs.

The fair values calculated are as follows:

	31 March 2019		31 March 2018	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Short-term Borrowing	63,721	63,721	59,124	59,124
Long-term Borrowing	114,456	495,447	115,924	200,511
Short-term Creditors	25,567	25,567	23,243	23,243
Other long-term Liabilities	53,133	53,133	20,333	20,333
<b>Total</b>	<b>256,877</b>	<b>637,868</b>	<b>218,624</b>	<b>303,211</b>

	31 March 2019		31 March 2018	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Short-term Investments	10,169	10,169	8,158	8,158
Short-term Debtors	38,581	38,581	36,435	36,435
Long-term Creditors	4,831	4,831	5,306	5,306
<b>Total</b>	<b>53,581</b>	<b>53,581</b>	<b>49,899</b>	<b>49,899</b>

## 17. Debtors

	31 March 2019	31 March 2018
	£'000	£'000
Trade	35,115	29,981
Other	3,057	5,925
Prepayments	2,504	2,617
<b>Total</b>	<b>40,676</b>	<b>38,523</b>
Less Bad Debt Provision	(2,095)	(2,088)
<b>Net Debtors</b>	<b>38,581</b>	<b>36,435</b>

The Council's write-off policy is outlined in the Council's Financial Regulations.

## 18. Cash and Cash Equivalent

	31 March 2019	31 March 2018
	£'000	£'000
Cash Held by the Authority	1,514	1,355
Bank Current Accounts	(5,063)	1,083
Short-term Deposits	9,750	11,435
Short-term Deposits - Foundation Schools	221	289
<b>Total Cash &amp; Cash Equivalent</b>	<b>6,422</b>	<b>14,162</b>

## 19. Creditors

	31 March 2019 £'000	31 March 2018 £'000
Trade	22,685	19,450
Other	2,882	3,793
<b>Total</b>	<b>25,567</b>	<b>23,243</b>

The above analysis includes receipts in advance of £5.396m mainly consisting of local taxation of £2.151m and theatre shows income of £1.619m.

## 20. Provisions

	Insurance Provisions  £'000	Early Voluntary Retirement Provision  £'000	Other Provisions  £'000	Total  £'000
<b>Balance at 1 April 2017</b>	<b>728</b>	<b>323</b>	<b>873</b>	<b>1,924</b>
Additional Provisions made in 2017/18	217	131	91	439
Amounts used in 2017/18	(253)	(214)	(728)	(1,195)
Unused Amounts reversed in 2017/18	-	(5)	-	(5)
<b>Balance at 31 March 2018</b>	<b>692</b>	<b>235</b>	<b>236</b>	<b>1,163</b>
Non-Current	31	-	-	31
Current	661	235	236	1,132
<b>Balance at 1 April 2018</b>	<b>692</b>	<b>235</b>	<b>236</b>	<b>1,163</b>
Additional Provisions made in 2018/19	540	352	-	892
Amounts used in 2018/19	(200)	(204)	(61)	(465)
Unused Amounts reversed in 2018/19	-	-	-	-
<b>Balance at 31 March 2019</b>	<b>1,032</b>	<b>383</b>	<b>175</b>	<b>1,590</b>
Non-Current	18	-	-	18
Current	1,014	383	175	1,572

## **Insurance Provisions – Municipal Mutual Insurance (MMI)**

MMI ceased writing insurance business on 30/09/1992. In order to achieve a solvent run off, a scheme of arrangement was entered into by the creditors under section 425 of the Companies Act 1985 (now section 899 of the Companies Act 2006). The scheme was triggered on 13/11/2012 and a levy equating to 15% of the value of claims against the former Aberconwy and Colwyn Borough Councils and Clwyd and Gwynedd County Councils amounting to £363k, was paid.

At the end of 2015/2016 MMI (in the scheme of arrangement) announced a second levy, this time equating to 10% of payments made and a further sum amounting to £262k was paid out early in 2016/2017. This has brought the total levy to 25% and the total paid to £625k.

New claims received since the scheme was triggered are not included within the amount subject to the levy, but are instead dealt with by the relevant successor authority. As at 31/3/2019 £4k has been paid to Flintshire County Council in respect of these past levy claims. Currently 75% of these payments are being reimbursed by MMI (in the scheme of arrangement).

Based on claims outstanding as at 31/03/2019, a sum of £29k is held in a provision to meet these liabilities.

## **Insurance Provisions – Chartis and Zurich Municipal (ZM)**

The majority of insurance claims for material damage or personal injury are individually insignificant. Provision, based on the value that the insurer has placed on individual claims, is made where it is deemed probable that liability will attach.

It is anticipated that of all claims outstanding at 31/03/2019, the Authority will bear approximately £1m by way of policy excesses.

## **Early Voluntary Retirement Provision**

The Compensation and Earliness costs due to be paid to the Pension Fund in respect of staff retiring early. The balance at 31/3/2019 is £383k (£235k 31/3/2018) which it is estimated will be settled in 2019/20 and £352k of which is included as a contribution to provision in the 2018/19 accounts.

## **Ysgol Dyffryn Conwy, Llanrwst**

A provision of £500k for a contribution to remedial works required to the Vic Hallam buildings on site was made in 2013/14, with a subsequent further contribution of £91k, of which £102k remains at 31/3/2019.

## **Other Provisions**

All other Provisions are not material and total £73k.

## 21. Usable Reserves

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement and Note 11.

## 22. Unusable Reserves

	<b>31 March 2019 £'000</b>	<b>31 March 2018 £'000</b>
Revaluation Reserve	67,474	67,915
Available for Sale Financial Assets Reserve	1,790	1,803
Capital Adjustment Account	147,403	152,065
Financial Instruments Adjustment account	(661)	(711)
Pensions Reserve	(215,241)	(167,487)
Deferred Capital Receipts Reserve	1,819	1,920
Accumulated Absences Account	(2,704)	(2,392)
<b>Total Unusable Reserves</b>	<b>(120)</b>	<b>53,113</b>

## 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 Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2017/18 £'000	Revaluation Reserve	2018/19 £'000
<b>70,842</b>	<b>Balance at 1 April</b>	<b>67,915</b>
1,260	Upward revaluation of assets	1,967
(2,536)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(775)
(1,276)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the provision of services	1,192
(1,608)	Difference between fair value depreciation and historical cost depreciation	(1,554)
(43)	Accumulated gains on assets sold or scrapped	(78)
(1,651)	Amount written off to the Capital Adjustment Account	(1,632)
<b>67,915</b>	<b>Balance at 31 March</b>	<b>67,474</b>

### Available for Sale Financial Assets Reserve

The Available for Sale Financial Assets Reserve contains the gains made by the Authority arising from increases in the value of its investments that do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realised.

<b>2017/18 £'000</b>	<b>Available for Sale Financial Assets Reserve</b>	<b>2018/19 £'000</b>
<b>1,658</b>	<b>Balance at 1 April</b>	<b>1,803</b>
-	Downward revaluation of investments	0
145	Upward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	16
-	Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income	(29)
<b>1,803</b>	<b>Balance at 31 March</b>	<b>1,790</b>

### Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences 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 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 Reserve 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 gains recognised on donated assets that have yet to be consumed by the Authority. The Account also contains valuation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 10 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2017/18	Capital Adjustment Account	2018/19
£'000		£'000
160,421	<b>Balance at 1 April</b>	152,065
	<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>	
(20,672)	▪ Charges for depreciation & impairment of non-current assets	(16,780)
(2,518)	▪ Revaluation gain / (losses) on Property, Plant & Equipment	(7,158)
-	▪ Revaluation losses on Assets Held for Sale	-
(258)	▪ Amortisation of Intangible Assets	(274)
(1,371)	▪ Revenue expenditure funded from capital under statute	(228)
(130)	▪ Amounts of non-current assets written off on disposal or sale as part of the gain/loss on the disposal to the Comprehensive Income & Expenditure Statement	(904)
61	▪ Administration costs of asset disposal in advance of sale	31
-	▪ Difference between asset value and lease liability on new finance leases	-
(24,888)		(25,313)
1,651	▪ Adjusting amounts written out of the Revaluation Reserve	1,633
(23,237)	Net written out amount of the cost of non-current assets consumed in the year	(23,680)
	<b>Capital financing applied in the year:</b>	
1,379	▪ Use of the Capital Receipts Reserve to finance new capital expenditure	1,377
-	▪ Use of the Capital Receipts Reserve to repay debt	-
6,911	▪ Capital grants & contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	11,718
-	▪ Application of grants to capital financing from the Capital Grants Unapplied Account	-
4,679	▪ Statutory provision for the financing of capital investment charged against the Council Fund	5,206
1,622	▪ Capital expenditure charged against the Council Fund	423
(8,646)		(4,956)
290	▪ Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement	293
<b>152,065</b>	<b>Balance at 31 March</b>	<b>147,402</b>

## Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

The Authority uses the Account to manage premiums paid and discounts earned on the early redemption of unmodified loans. Premiums are debited and discounts are credited to the Comprehensive Income and Expenditure Statement when they are incurred/earned, but reversed out of the Council Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense/income is posted back to the Council Fund Balance in accordance with statutory arrangements for spreading the burden on Council Tax. In the Authority's case, this period is the unexpired term that was outstanding on the loans when they were redeemed.

2017/18 £'000	Financial Instruments Adjustment Account	2018/19 £'000
(720)	<b>Balance at 1 April</b>	(711)
29	Proportion of premiums/discounts incurred/earned in previous financial years to be charged against the Council Fund Balance in accordance with statutory requirements	29
(20)	Amount by which finance costs charged to the Comprehensive Income & Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	21
(711)	<b>Balance at 31 March</b>	(661)

## Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting 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 as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. 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>2017/18 £'000</b>	<b>Pensions Reserve</b>	<b>2018/19 £'000</b>
<b>(169,641)</b>	<b>Balance at 1 April</b>	<b>(167,487)</b>
17,676	Actuarial gains or (losses) on pensions assets & liabilities	(32,322)
(30,007)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income & Expenditure Statement	(30,626)
14,485	Employer's pension contributions payable in the year	15,194
<b>(167,487)</b>	<b>Balance at 31 March</b>	<b>(215,241)</b>

### **Deferred Capital Receipts Reserve**

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

<b>2017/18 £'000</b>	<b>Deferred Capital Receipts Reserve</b>	<b>2018/19 £'000</b>
<b>2,001</b>	<b>Balance at 1 April</b>	<b>1,920</b>
(58)	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	(60)
(23)	Transfer to the Capital Receipts Reserve upon receipt of cash	(41)
<b>1,920</b>	<b>Balance at 31 March</b>	<b>1,819</b>

### 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 transfers to or from the Account.

2017/18 £'000	Accumulated Absences Account	2018/19 £'000
<b>(3,140)</b>	<b>Balance at 1 April</b>	<b>(2,392)</b>
3,140	Settlement or cancellation of accrual made at the end of the preceding year	2,392
(2,392)	Amounts accrued at the end of the current year	(2,704)
748	Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(312)
<b>(2,392)</b>	<b>Balance at 31 March</b>	<b>(2,704)</b>

**23. Cash Flow Statement – Adjustments to net surplus or deficit on the provision of services for non-cash movements**

<b>2017/18 £'000</b>		<b>2018/19 £'000</b>
(15,568)	Depreciation of Non Current Assets	(15,924)
(258)	Amortisation of Intangible Fixed Assets	(274)
(15,522)	Pension Fund adjustments	(15,432)
(269)	Increase/decrease in impairment for provision for bad debts	(7)
760	Contributions to Provisions	(428)
(130)	Carrying amount of Property Plant & Equipment, investment property and intangible assets sold	(903)
(2,824)	Impairment and downward valuations	(7,663)
(3,061)	Other non-cash movement	701
(120)	Increase/(Decrease) in Inventories	130
2,221	Increase/(Decrease) in Debtors	(2,652)
(3,537)	(Increase)/Decrease in Creditors	(1,578)
<b>(38,308)</b>	<b>Net non cash movements</b>	<b>(44,030)</b>

The cash flows for Operating Activities include the following items:

<b>2017/18 £'000</b>		<b>2018/19 £'000</b>
(252)	Interest received	(186)
6,896	Interest paid	8,079

**24. Cash Flow Statement – Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities**

<b>2017/18 £'000</b>		<b>2018/19 £'000</b>
190	Proceeds from sale of non-current assets	1,498
6,489	Capital grants and contributions credited to income and expenditure	13,931
(1,371)	Revenue Expenditure Funded from Capital Under Statute	(228)
56	Finance lease liability	-
<b>5,364</b>	<b>Net cash flow from investing activities</b>	<b>15,201</b>

**25. Cash Flow Statement – Investing Activities**

<b>2017/18 £'000</b>		<b>2018/19 £'000</b>
22,352	Purchase of property, plant and equipment, investment property and intangible assets	23,356
232,348	Purchase of short –term and long-term investments	265,472
(190)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,498)
(225,838)	Proceeds from short-term and long-term investments	(263,472)
(12,766)	Other receipts from investing activities	(13,548)
<b>15,906</b>	<b>Net cash flow from investing activities</b>	<b>10,310</b>

**26. Cash Flow Statement – Financing Activities**

<b>2017/18 £'000</b>		<b>2018/19 £'000</b>
(119,113)	Cash receipts of short-term and long-term borrowing	(128,359)
-	Other receipts from financing activities	-
1,219	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	1,625
94,263	Repayments of short- term and long- term borrowing	125,093
2,492	Other payments for financing activities	1,441
<b>(21,139)</b>	<b>Net cash flow from financing activities</b>	<b>(200)</b>

## 27. Agency Services

The Council has entered into agreements under which it carries out tasks on behalf of other organisations for which it is fully reimbursed. One agreement relates to Trunk Road Maintenance and Improvement Works on behalf of the Welsh Government.

The six North Wales councils act as agents of Welsh Government in providing recyclable loans under the Houses into Homes Scheme (Tranche 1), for the repair of properties which have been long term vacant, with the aim of bringing them back into use. The Council received nothing in 2018/19 (£173k in 2017/18) from Welsh Government, and paid nothing to Welsh Government in 2018/19 in respect of repaid loans (nothing in 2017/18).

During 2014/15 the Welsh Government (WG) introduced two new loan schemes for regeneration – Home Improvement Loans and Houses into Homes (Tranche 2). Unlike the Tranche 1 scheme above the funding is repayable to WG in 13 to 15 years. The Council received £444k for Home Improvement Loans and £444k for Houses into Homes (Tranche 2), a total of £888k, during the financial years 2014/15 and 2015/16. £91k of the Home Improvement Loans were issued in 2018/19 (£192k in 2017/18). £206k of the Houses into Homes (Tranche 2) Loans were issued in 2018/19 (Nil in 2017/18).

Expenditure on these activities was as follows:

	2018/19 £'000	2017/18 £'000
Trunk Roads	4,616	3,564
Home Improvement Loans	91	192
Houses into Homes (Tranche 1)	-	50
Houses into Homes (Tranche 2)	206	-
<b>Total</b>	<b>4,913</b>	<b>3,806</b>

## 28. Members' Allowances

The Authority paid the following amounts to Members of the Council during the year:

	2018/19 £000	2017/18 £000
Basic Salary	801	790
Senior Salary	235	182
Expenses	23	20
<b>Total</b>	<b>1,059</b>	<b>992</b>

A sum of £3,672 has also been paid to Members of the North Wales Police and Crime Panel.

## 29. Officers' Remuneration

The remuneration paid to the Authority's senior employees who have an influence on the overall running of the Authority is as follows:

	Post Title	Salary	Expense Reimbursement	Total Remuneration excl Pension Contributions	Employers Pension Contributions	Total Remuneration
		£	£	£	£	£
2017/18	Chief Executive	116,735	864	117,599	22,296	139,895
2018/19	Chief Executive	119,070	916	119,986	22,742	142,728
2017/18	Strategic Director (Economy & Place)	83,224	540	83,764	14,979	98,743
2018/19	Strategic Director (Economy & Place)	86,960	747	87,707	15,523	103,230
2017/18	Strategic Director of Social Care and Education	89,322	958	90,280	17,060	107,340
2018/19	Strategic Director of Social Care and Education	91,108	948	92,056	17,402	109,458
2017/18	Strategic Director (Finance & Efficiencies)	75,127	83	75,210	14,349	89,559
2018/19	Strategic Director (Finance & Efficiencies)	76,630	443	77,073	14,637	91,710
2017/18	Head of Law and Governance	70,019	223	70,242	13,099	83,341
2018/19	Head of Law and Governance	68,514	137	68,651	12,342	80,993
2017/18	Head of Regulatory and Housing Services	65,431	108	65,539	12,497	78,036
2018/19	Head of Regulatory and Housing Services	66,740	86	66,826	12,727	79,553
2017/18	Statutory Head of Education Services	70,019	2,318	72,337	13,373	85,710
2018/19	Statutory Head of Education Services	52,866	577	53,443	14,087	67,530

The Council did not have any employees with a salary in excess of £150k.

Remuneration includes all sums paid to or receivable by an employee (including normal emoluments), expense allowances and the money value of benefits, but excludes payments in relation to Returning Officer and Deputy Returning Officer roles at elections. Total remuneration includes employer pension contributions payable to the Local Government Pension Scheme, but not directly paid to the employee.

The figures for the Strategic Director (Finance and Efficiencies) reflect flexible retirement arrangements, and the Head of Law and Governance took flexible retirement during the financial year.

The Statutory Head of Education Services went on maternity leave in October 2018 and an Interim Head of Education Services was engaged from November 2018, where remuneration for 2018/19 was £30,183.

The Authority's other employees receiving more than £60,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

Band	2018/19 Number		2017/18 Number	
	Non-Schools	Schools	Non-Schools	Schools
£60,000 - £64,999	4	6	2	3
£65,000 - £69,999	2	2	2	3
£70,000 - £74,999	1	4	3	8
£75,000 - £79,999	3	4	2	0
£80,000 - £84,999	1	2	0	1
£85,000 - £89,999	0	0	0	1
£90,000 - £94,999	0	1	0	2
£95,000 - £99,999	0	2	0	1
£100,000 - £104,999	0	0	0	0
£105,000 - £109,999	0	1	0	0
£110,000 - £114,999	0	0	0	0

The schools figures above include foundation schools' staff and the comparative figures for 2017/18 have been amended to reflect a presentational change in the accounts.

The following table gives the ratio between the Chief Executive's scale point and the median scale point of Council staff:

	2018/19 Scale Point	2017/18 Scale Point
Chief Executive	£119,070	£116,735
Median	£19,670	£18,428
Ratio	6.05	6.33

### Termination Benefits

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

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18
							£	£
£0 - £19,999	12	12	40	27	52	39	413,029	287,623
£20,000 - £39,999	5	-	10	10	15	10	391,540	256,580
£40,000 - £59,999	2	-	4	-	6	-	300,204	-
£60,000 - £79,999	1	-	2	1	3	1	195,383	71,587
£80,000 - £99,999	-	-	-	-	-	-	-	-
£100,000 - £149,999	-	-	-	-	-	-	-	-
<b>Total</b>	<b>20</b>	<b>12</b>	<b>56</b>	<b>38</b>	<b>76</b>	<b>50</b>	<b>1,300,156</b>	<b>615,790</b>

### 30. External Audit Costs

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Authority's external auditors:

#### Disclosure of Fees Payable to the Wales Audit Office

	<b>2018/19</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>
Fees payable to WAO with regard to external audit services carried out for the year.	205	205
Fees payable to WAO in respect of Local Government Measures	99	99
Fees payable for the certification of grant claims and returns for the year.	54	52
Other fees payable in respect of other services provided by WAO during the year.	18	-
	<b>376</b>	<b>356</b>

### 31. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2018/19:

	2018/19	2017/18
	£'000	£'000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Revenue Support Grant	115,455	112,027
<i>Sub Total</i>	<i>115,455</i>	<i>112,027</i>
<b>Capital Grants:</b>		
General Capital Grant	3,300	2,092
Specific Capital Grant (Non REFCUS)	2,266	-
21st Century Schools Grant	1,440	384
Flood Alleviation Schemes	708	123
Environmental and Sustainable Development Grant	-	318
Strategic Regeneration Area	77	48
Colwyn Bay Waterfront Coastal Defence	557	1,825
Coastal Defence Grants	133	396
Local Transport Grant	1,751	1,078
Venue Cymru	1,193	-
Culture Centre	1,416	164
Other Welsh Government Grants	559	61
Other Various Grants	531	-
<i>Sub Total</i>	<i>13,931</i>	<i>6,489</i>
<b>Grand Total</b>	<b>129,386</b>	<b>118,516</b>
<b>Credited to Services:</b>		
Integrated Care Fund	1,410	1,016
Education Improvement Grant	3,509	3,715
Concessionary Fares	2,651	2,613
Flexible Funding/Families First	1,011	1,186
Flying Start Revenue Grant	2,012	2,055
Youth Justice Service	296	290
Post-16 Provision in Schools	4,426	4,655
Supporting People	6,742	6,674
Sustainable Waste Management Grant	847	2,527
Substance Misuse Action Fund	392	298
Various capital grants applied (REFCUS)	1,918	2,256
European Social Fund	2,457	1,298
DWP - Housing Benefits Grant	33,934	35,150
Pupil Deprivation Grant	2,804	2,736
Transport Services Grant / Bus Services Support Grant	492	608
Communities First Grant	(2)	343
Housing Transitional Funding	29	170
Safer Communities	-	37
Social Care Workforce Development Programme	283	283
Secondary School Sports	176	162
Revenue Funding towards School Maintenance	-	494
WG Rural Grants	216	284
Winter Pressures	-	481
Funded Nursing Care	128	377
Social Care Workforce Grant	544	742
Discretionary Housing Payments	220	231
National Exercise Referral Scheme	149	155
TRAC (European Social Fund)	494	380
Teachers Professional Training Grant	330	-
FF (Promoting Positive Engagement)	318	-
Local Authority Education Grant	818	-
Council Tax Admin Grant	291	284
Legacy & Communities For Work Plus	301	-
Other Grants	2,587	2,372
<b>Grand Total</b>	<b>71,783</b>	<b>73,872</b>

The 2017-18 Other Grants figure has been adjusted to exclude the Council Tax Administration Grant which is shown separately in the table above.

The Authority has received a number of contributions that have yet to be recognised as capital income as they have conditions attached to them that will require the monies to be returned to the grantor if conditions are not met. The balances at the year-end in respect of capital are as follows:

	<b>31 March 2019</b>	<b>31 March 2018</b>
	<b>£'000</b>	<b>£'000</b>
<b>Capital Grants Receipts in Advance</b>		
Section 106 Agreements	2,325	2,151
<b>Total</b>	<b>2,325</b>	<b>2,151</b>

## 32. Related Parties

In accordance with IAS 24, the Council has a duty to disclose any material transactions with a 'related party'. This is to ensure that financial statements contain disclosures necessary to draw attention to the possibility that the reported financial position and results may have been affected by the existence of related parties and by material transactions with them.

### Central Government

Detailed information on Revenue Grants, Capital Grants, Revenue Support Grant and NNDR pool transactions during the year is disclosed elsewhere in the statement.

### Precepts and Levies

Details of precepts collected on behalf of other organisations are provided in the Income and Expenditure Account. The Council appoints Members to certain bodies which levy on the Council's budget. Details of these levies are given in Note 7, and in the following table:

	2018/19 £'000	2017/18 £'000
North Wales Fire and Rescue Authority	5,590	5,539
North Wales Police and Crime Commissioner	12,913	12,436
Snowdonia National Park Authority	271	286

### Charitable and Voluntary Organisations

The Council appoints Members, Strategic Directors, Heads of Service, and other Officers to certain charitable and voluntary bodies. Other Officers are not included in the disclosure of transactions with related parties as it is not considered that these Officers are in a position to exert the same level of influence within the Council as Members, Strategic Directors and Heads of Service. During 2018/19 a total of £469,134 (including year end creditors of £24,978) (2017/18: £480,121 including year end creditors of £88,510) was paid to these bodies by way of grants and the purchasing of services. In 2018/19 the Council received income of £88,232 (including year end debtors of £14,054) (£68,226 in 2017/18 including year end debtors of £12,597) from these bodies.

### Welsh Local Government Association (WLGA) and Local Government Association (LGA)

The Council is a member of the WLGA and LGA, to which subscriptions of £97,598 were paid in 2018/19 (no year end creditor) (£98,035 in 2017/18, no year end creditor), and from which the Council received income of £229,567 (no year end debtor) (£34,707 in 2017/18, including a year end debtor of £199).

### Chief Executive, Strategic Directors and Heads of Service

The Chief Executive, Heads of Service and Strategic Directors were sent a declaration of interest with related parties return for the year 2018/19.

Nothing was paid by the Council in 2018/19 under such arrangements (£446 in 2017/18 (no year end creditors)), and no income was received by the Council (£5,467 in 2017/18, including a year end debtor of £770).

## **Members**

Members were sent a declaration of interest with related parties return for the year 2018/19 and mainly declared interests in companies or businesses which may have dealings with the Council.

A total of £256,921 (including a year end creditor of £4,200) was paid by the Council in 2018/19 under such dealings (2017/18: £244,442 including year end creditors of £7,875), and a total of £2,407 (no year end debtor) was received by the Council (£2,298 in 2017/18 (no year end debtor)).

Five Conwy Members sat on the Board of Management of Cartrefi Conwy. Two Conwy Members represented the Council on the North Wales Residual Waste Treatment Project and one Conwy Member represented the Council on the GwE Joint Committee. Due to the nature of the parties, transactions are incurred in the normal course of activity. The Council has nominated a Member to sit on the board of governors for Derwen College.

## **Other**

Conwy acts as an agent on behalf of the North Wales Fire & Rescue Authority in treasury management dealings, as part of the financial management service provided under a service level agreement.

Apart from normal transactions such as the payments of Council Tax, non-domestic rates and housing rents, there are no other material transactions with related parties.

### 33. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI contracts), 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 (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The movement in the CFR is analysed in the second part of this note.

	2018/19	2017/18
	£'000	£'000
Opening Capital Financing Requirement	178,467	173,532
<b>Capital Investment</b>		
Property, Plant & Equipment	22,006	18,691
Investment Properties	-	-
Intangible Assets	105	90
Revenue Expenditure funded from Capital under Statute	2,146	3,061
New Finance Lease 18/19 - Coed Pella	34,467	-
<b>Sources of Finance</b>		
Capital Receipts	(1,408)	(1,342)
Government Grants & Other Contributions	(13,169)	(9,009)
Sums set aside from revenue:		
Direct Revenue Contributions	(424)	(213)
MRP	(5,206)	(4,679)
Pre 2018/19 Financing	(467)	(1,664)
Principal Repaid 1980 Act	(3)	-
<b>Closing Capital Financing Requirement</b>	<b>216,514</b>	<b>178,467</b>
<b>Explanation of movements in year</b>		
Increase in underlying need to borrow	4,680	7,284
Finance Leases (including Coed Pella)	34,435	(57)
PFI contracts	(567)	(567)
Costs of disposal movement in CAA	(31)	(61)
Pre 2018/19 Financing	(467)	(1,664)
Principal Repaid 1980 Act	(3)	-
<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>38,047</b>	<b>4,935</b>

### 34. Revenue Expenditure Funded From Capital Under Statute

Revenue expenditure funded from capital under statute represents expenditure that has been properly capitalised, but does not result in tangible fixed assets. The revenue expenditure funded from capital under statute is written down in the year it is incurred. This write off is charged to revenue with a compensating credit to revenue from the Capital Adjustment Account. The movement for the year is as follows: -

	Renovation Grants and Renewal Areas		Other		Total	
	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000
Balance at 31 March	-	-	-	-	-	-
Transfer from Debtors	-	-	-	-	-	-
Expenditure in year	1,406	1,833	740	1,228	2,146	3,061
Grants	(1,331)	(1,042)	(587)	(648)	(1,918)	(1,690)
Written Off to Revenue	(75)	(791)	(153)	(580)	(228)	(1,371)
<b>Balance at 31 March</b>	-	-	-	-	-	-

'Other' revenue expenditure funded from capital under statute includes Colwyn Bay Townscape Heritage Initiative, Projects Match Funding - Ty Hapus Development, Commercial Property Investment Scheme, Play Area - Llanfairfechan Skate Park Contribution, Gypsy and Traveller Four Pitch Site, Vibrant and Viable Places – Space For Living Abergele Road and Lawson Road, Empty Homes Grants Scheme Y Ddarllenfa, Llansannan and Parc Morfa Accommodation – Acquisition of Land.

### 35. Leases

#### Authority as Lessee

##### Finance Leases

The Council has acquired a number of buildings, commercial vehicles, franking machines, and schools IT and other 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:

	31 March 2019 £'000	31 March 2018 £'000
Other Land & Buildings	35,044	598
Vehicles, Plant, Furniture & Equipment	14	50
<b>Total</b>	<b>35,058</b>	<b>648</b>

The Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	31 March 2019 £'000	31 March 2018 £'000
Finance lease liabilities (NPV of minimum lease payments)		
▪ Current	510	32
▪ Non-Current	33,965	304
Finance costs payable in future years	24,121	979
<b>Minimum Lease Payments</b>	<b>58,596</b>	<b>1,315</b>

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2019 £'000	31 March 2018 £'000	31 March 2019 £'000	31 March 2018 £'000
No later than one year	1,496	54	510	32
Later than one year and not later than 5 years	5,916	155	2,123	60
Later than 5 years	51,184	1,106	31,841	244
<b>Total</b>	<b>58,596</b>	<b>1,315</b>	<b>34,474</b>	<b>336</b>

### Operating Leases

The Authority leases land and buildings for various purposes including office accommodation, community use and for providing accommodation for homeless families.

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

	<b>31 March 2019 £'000</b>	<b>31 March 2018 £'000</b>
No later than 1 year	939	1,062
Later than 1 year and not later than 5 years	1,342	1,200
Later than 5 years	10,366	9,532
<b>Total</b>	<b>12,647</b>	<b>11,794</b>

The future minimum payments expected to be received by the Authority in respect of properties occupied by homeless families are determined by eligibility for housing benefit.

The expenditure during the year in relation to all operating leases, including those occupied by homeless families was:

	<b>2018/2019 £'000</b>	<b>2017/2018 £'000</b>
Minimum lease payments	1,062	1,016
Payments receivable in respect of properties occupied by homeless families	(496)	(405)
<b>Total</b>	<b>566</b>	<b>611</b>

## Authority as Lessor

### Finance Leases

The Authority has leased out several properties on finance leases with remaining terms of up to 120 years. The Authority has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Authority in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

	<b>31 March 2019 £'000</b>	<b>31 March 2018 £'000</b>
Finance lease debtor (NPV of minimum lease payments)		
▪ Current	114	109
▪ Non-Current	1,705	1,812
Unearned finance income	697	788
Unguaranteed residual value of property	(273)	(273)
<b>Gross Investment in the lease</b>	<b>2,243</b>	<b>2,436</b>

The gross investment in the lease includes a finance lease debtor for Canolfan Crwst, a multi agency arrangement involving a housing association, Betsi Cadwaladr University Health Board and the Authority.

The gross investment in the lease and the minimum lease payments will be received over the following periods:

	<b>Gross Investment in the Lease</b>		<b>Minimum Lease Payments</b>	
	<b>31 March 2019 £'000</b>	<b>31 March 2018 £'000</b>	<b>31 March 2019 £'000</b>	<b>31 March 2018 £'000</b>
No later than one year	200	200	200	200
Later than one year and not later than 5 years	748	754	748	754
Later than 5 years	1,295	1,482	1,295	1,482
<b>Total</b>	<b>2,243</b>	<b>2,436</b>	<b>2,243</b>	<b>2,436</b>

## **Operating Leases**

The Authority leases out property for various purposes including:

- for the provision of community services, such as sports facilities, tourism services and community centres
- for economic development purposes to provide suitable affordable accommodation for local businesses.

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

	<b>31 March 2019 £'000</b>	<b>31 March 2018 £'000</b>
No later than 1 year	723	818
Later than 1 year and not later than 5 years	1,332	1,389
Later than 5 years	11,123	10,311
<b>Total</b>	<b>13,178</b>	<b>12,518</b>

The minimum lease payments receivable do not include rent that is contingent on turnover. In 2018/19 contingent rents received amounted to £262,956. In 2017/18 this figure was £261,949.

## **36. Private Finance Initiatives and Similar Contracts**

### **Three Schools PFI Project**

The project comprised a new school building on a new site for Ysgol John Bright, Llandudno; the refurbishment and extension of Ysgol Aberconwy, Conwy; and new build accommodation and refurbishment at Ysgol Dyffryn Conwy, Llanrwst together with its rationalisation on to one site.

The project provides the Council with 3 fully serviced schools including facilities management services, cleaning, caretaking, grounds maintenance, NNDR, utilities.

Contracts were signed on 12 March 2003, and construction started at the end of March 2003. The Unitary Charges (the monthly payment made by the Council to the private sector for the 3 fully serviced schools) were payable from 1 August 2004 for a contract period of 25 years. The Unitary Charge in the financial year 2018/19 was £7.0m (availability and performance deductions of £1k) for the period April 2018 to March 2019 inclusive. (Unitary Charge in the financial year 2017/18 was £6.9m with availability and performance deductions of £3k). The full year charge in 2019/20 is estimated to be approximately £7.1m at a price base of 1 April 2019.

The outstanding undischarged obligation arising from the PFI transaction is approximately £78.4m (£85.5m in 2017/18), which represents the total of the estimated Unitary Charges payable for the remainder of the 25 year contract period.

In August 2004, the Council paid an advance payment of Unitary Charge of £9m.

At the start of the PFI Contract, Ysgol Aberconwy and Ysgol Dyffryn Conwy's existing assets included in the balance sheet at £7.6m, were transferred to the private sector's ownership at nil consideration.

### **Value of Assets Held under PFI and Similar Contracts**

	<b>£'000</b>
1 April 2017	46,954
Movement 2017/18	(1,251)
31 March 2018	45,703
Movement 2018/19	(1,251)
31 March 2019	44,452

### **Value of Liabilities resulting from PFI and Similar Contracts**

	<b>Finance Lease Creditor</b>	<b>Lifecycle Timing Differences</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
1 April 2017	(21,537)	(391)	(21,928)
Movement 2017/18	1,162	-	1,162
31 March 2018	(20,375)	(391)	(20,766)
Movement 2018/19	1,297	-	1,297
31 March 2019	(19,078)	(391)	(19,469)

### **Details of Payments due to be made under PFI and Similar Contracts**

	<b>Service Charges</b>	<b>Repayments of Liability</b>	<b>Interest</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Within 1 Year	4,082	1,344	1,678	7,104
Between 1 and 5 Years	16,518	7,763	5,136	29,417
Between 5 and 10 Years	27,621	8,688	2,831	39,140
Between 10 and 15 Years	1,380	1,283	57	2,720
Over 15 Years	-	-	-	-

### **Coed Pella**

New offices have been constructed by a developer on a site in Colwyn Bay owned by the Council. The cost of construction is being borne by the developer and the Council has entered into a lease type arrangement with the developer. The Council will rent the offices for a period of 40 years from the developer. The annual rental has been set at £1.451m (payable quarterly in advance) and will be uplifted each year by reference to the Retail Price Index published by the Office for National Statistics. The initial rent became payable on 30<sup>th</sup> October 2018 when the offices became operational and were handed over for use by the Council. The lease has been determined to be a finance lease and the offices were valued and included in

the Council's Balance Sheet at £34.467m at 30<sup>th</sup> October 2018, together with a finance lease liability of £34.467m.

During the lease period the developer will not be responsible for the maintenance and upkeep of the building. The Council does not have an option to terminate the lease and at the end of the lease term the title will pass to the Council and no further lease payments will be made to the developer. The Council estimates that the offices will have an operational life of 60 years.

### **37. Pension Schemes Accounted for as Defined Contribution Schemes**

Teachers employed by the Authority are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the Authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Authority is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. In 2018/19, the Council paid an employer contribution of £6.536m to Teachers' Pensions in respect of teachers' retirement benefits, representing 16.48% of pensionable pay. The figures for 2017/18 were £6.492m and 16.48%. There were no contributions remaining payable at the year end (31 March 2018 – Nil).

The Authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis.

### **38. Defined Benefit Pension Schemes**

#### **Participation in Pension Schemes**

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Authority participates in two post employment schemes:

- The Local Government Pension Scheme. The Authority participates in a scheme administered locally by Gwynedd Council – this is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. Also, the Authority participates in a scheme administered locally by Flintshire County Council, which is an unfunded scheme.
- Arrangements for the award of discretionary post retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

The employer's contribution rate for the Gwynedd scheme in 2018/19 was 19.1% plus a pensions fixed sum of £1.306m, less a discount for payment in advance

(2017/18 19.1% plus a pensions fixed sum of £1.306m less a discount for payment in advance). The rate will be 19.1% plus a pensions fixed sum of £1.306m less a discount for payment in advance in 2019/20. The total amount paid to the Gwynedd scheme in 2018/19 was £14.178m in respect of standard pension contributions (£13.567m in 2017/18).

### Transactions Relating to Post-Employment Benefits

The costs of retirement benefits are recognised in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Authority is required to make against Council Tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the Council Fund via the Movement in Reserves Statement. The transactions in the following table have been made in the Comprehensive Income and Expenditure Statement and the Council Fund Balance via the Movement in Reserves Statement during the year.

### IAS 19 Disclosure Requirements for 2018/19

There have been a number of changes relating to international accounting standard IAS 19 Employee Benefits, resulting in a change in the accounting treatment and accounting policy. The change has introduced new classes of components of defined benefit cost to be recognised in the financial statements (i.e. net interest on the net defined benefit liability (asset) and remeasurements of the net defined benefit liability (asset)), and, where there is a material impact, new definitions or recognition criteria for service costs (e.g. past service costs) and new recognition criteria for termination benefits.

The required restatements are reflected in the notes which follow.

Transactions relating to Retirement benefits recognised in Accounts:

	Funded		Unfunded	
	2018/19	2017/18	2018/19	2017/18
	£'000	£'000	£'000	£'000
<b>Comprehensive Income &amp; Expenditure Statement</b>				
<b>Net Cost of services:</b>				
▪ Current service cost	25,866	25,166	-	-
▪ Past service cost	193	356	4	8
▪ Settlements	-	-	-	-
<b>Financing &amp; Investment Income &amp; Expenditure</b>				
▪ Net Interest	4,042	3,948	521	529
<b>Total Defined Benefit Charged to Provision of Services</b>	<b>30,101</b>	<b>29,470</b>	<b>525</b>	<b>537</b>
<b>Other Pension Costs Charged to the Comprehensive Income &amp; Expenditure Statement</b>				
▪ Return on assets (excluding interest)	(28,451)	(3,992)		
▪ Remeasurements on liabilities	60,140	(13,478)	633	(206)
<b>Total Pension Costs Charged to the Comprehensive Income &amp; Expenditure Statement</b>	<b>61,790</b>	<b>12,000</b>	<b>1,158</b>	<b>331</b>
<b>Movement in Reserves Statement</b>				
▪ Reversal of charges in accordance with the Code	30,101	29,470	525	537
<b>Actual amounts charged to the General Fund in year:</b>				
▪ Employer contributions	15,194	17,029	-	-
▪ Less prepayment adjustment		(2,544)		
	15,194	14,485		
▪ Discretionary payments			1,367	1,382

A prepayment for 3 years of the lump sum due from the employer for the Local Government Pension Scheme was made in 2017/18. The payment for 2019/20 amounted to £1.272m and this is represented in the accounts as a payment in advance. The IAS19 figures have been amended to reflect the Council's accounting treatment.

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

	Local Government Pension Scheme		Discretionary Benefits	
	2018/19	2017/18	2018/19	2017/18
	£'000	£'000	£'000	£'000
Present value of defined benefit obligation	(752,052)	(658,878)	(19,433)	(19,642)
Fair value of assets	556,244	513,577		-
Less prepayment adjustment	-	(2,544)		
Sub total	(195,808)	(147,845)	(19,433)	(19,642)
Other movements in liability/assets	-	-	-	-
<b>Net liability</b>	<b>(195,808)</b>	<b>(147,845)</b>	<b>(19,433)</b>	<b>(19,642)</b>

#### Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

Liabilities	Funded Liabilities: Local Government Pension Scheme		Unfunded Liabilities: Discretionary Benefits	
	31 March 2019 £'000	31 March 2018 £'000	31 March 2019 £'000	31 March 2018 £'000
Opening balance	658,878	640,395	19,642	20,693
Current service cost	25,866	25,166	-	-
Interest cost	17,965	16,820	521	529
Contributions by plan participants	4,068	3,843	-	-
Remeasurements	60,140	(13,478)	633	(206)
Benefits paid	(15,058)	(14,224)	(1,367)	(1,382)
Past service costs/(credit)	193	356	4	8
<b>Closing Balance</b>	<b>752,052</b>	<b>658,878</b>	<b>19,433</b>	<b>19,642</b>

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date

<b>Assets</b>	<b>Local Government Pension Scheme</b>	
	<b>31 March 2019 £'000</b>	<b>31 March 2018 £'000</b>
Opening balance at 1 April	511,033	491,447
Remeasurements	28,451	3,992
Asset Interest	13,923	12,872
Employer contributions	13,827	13,103
Contributions by scheme participants	4,068	3,843
Benefits paid	(15,058)	(14,224)
Unfunded Benefits Paid	(1,367)	(1,382)
Unfunded Benefits Contributions	1,367	1,382
<b>Closing balance</b>	<b>556,244</b>	<b>511,033</b>

### Local Government Pension Scheme Assets

<b>Asset Category</b>	<b>2018-19</b>				<b>2017-18</b>			
	<b>Quoted Prices in Active Markets £'000</b>	<b>Prices Not Quoted in Active Markets £'000</b>	<b>Total £'000</b>	<b>%</b>	<b>Quoted Prices in Active Markets £'000</b>	<b>Prices Not Quoted in Active Markets £'000</b>	<b>Total £'000</b>	<b>%</b>
<b>Equity Securities</b>								
Consumer	13,918	-	13,918	2.5	15,298	-	15,298	2.97
Manufacturing	16,743	-	16,743	3.0	16,898	-	16,898	3.28
Energy and Utilities	-	-	-	0.0	1,613	-	1,613	0.31
Financial Institutions	6,527	-	6,527	1.2	9,111	-	9,111	1.77
Health and Care	35,762	-	35,762	6.4	26,155	-	26,155	5.08
Information Technology	9,784	-	9,784	1.7	19,581	-	19,581	3.80
Other	18,991	-	18,991	3.4	1,776	-	1,776	0.34
<b>Debt Securities</b>								
Other	-	81,270	81,270	14.5	-	74,874	74,874	14.54
<b>Private Equity</b>								
All	-	30,361	30,361	5.4	-	20,029	20,029	3.89
<b>Real Estate</b>								
UK Property	17,785	33,354	51,139	9.1	12,033	27,269	39,302	7.63
Overseas Property	-	297	297	0.1	-	474	474	0.09
<b>Investment Funds &amp; Unit Trusts</b>								
Equities	108,820	160,290	269,110	48.1	104,569	156,987	261,556	50.78
Bonds	-	-	-	-	-	-	-	-
Infrastructure	-	11,012	11,012	2.0	-	8,997	8,997	1.75
<b>Debt Securities</b>								
Other	-	-	-	-	-	-	-	-
<b>Cash &amp; Cash Equivalents</b>								
All	14,387	-	14,387	2.6	19,397	-	19,397	3.77
<b>Totals</b>	<b>242,717</b>	<b>316,584</b>	<b>559,301</b>	<b>100</b>	<b>226,431</b>	<b>288,630</b>	<b>515,061</b>	<b>100</b>

Details regarding the changes in the Local Government Pension Scheme rules, including the change from final salary benefits to career average re-valued benefits for service from 1<sup>st</sup> April 2014 onwards, can be found on the following link:

<https://www.lgpsregs.org/>

## 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 dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the Council Fund being based on the latest full valuation of the scheme as at 31 March 2019.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Discretionary Benefits	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018
<b>Mortality Assumptions:</b>				
<b>Longevity at 65 for current pensioners</b>				
▪ Men	22.0	22.0	22.0	22.0
▪ Women	24.2	24.2	24.2	24.2
<b>Longevity at 65 for future pensioners</b>				
▪ Men	24.0	24.0	24.0	24.0
▪ Women	26.4	26.4	26.4	26.4
Rate of Inflation	2.5%	2.4%	2.5%	2.4%
Rate of Increase in salaries	2.5%	2.4%	2.5%	2.4%
Rate of Increase in pensions	2.5%	2.4%	2.5%	2.4%
Rate for discounting scheme liabilities	2.4%	2.7%	2.4%	2.7%
Take-up of option to convert annual pension into retirement lump sum	50%	50%	-	-

## Sensitivity Analysis

The sensitivities regarding the principal assumptions used to measure the scheme liabilities for the Conwy element are set out below:

Change in assumptions at 31 March 2019:	Approximate % increase to Defined Benefit Obligation	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	11%	81,540
0.5% increase in the Salary Increase Rate	2%	13,357
0.5% increase in the Pension Increase Rate (CPI)	9%	66,755

The principal demographic assumption is the longevity assumption (i.e. a member life expectancy). For sensitivity purposes, it is estimated that a one year increase in life expectancy would approximately increase the Employer Defined Benefit Obligation by around 3-5%. In practice, the actual cost of a

one year increase in life expectancy will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominantly apply at younger or older ages).

In order to quantify the impact of a change in the financial assumptions used, the value of the scheme liabilities at the accounting date on varying bases have been calculated and compared. The approach taken is consistent with that adopted to derive the accounting figures provided in the actuarial report.

The above figures have been derived based on the membership profile of the Employer as at the date of the most recent actuarial valuation.

The approach taken in preparing the sensitivity analysis shown is consistent with that adopted in the previous year.

## Risks

The principal risks of the scheme to the Authority 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 equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the Council Fund the amounts required by statute.

## Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The contributions paid by the employer are set by the Fund Actuary at each triennial actuarial valuation (the most recent being as at 31 March 2016), or at any other time as instructed to do so by the Administering Authority.

It is estimated that the Employer's contribution for the period to 31 March 2020 will be approximately £11.774m for the Conwy element.

## Information about the Defined Benefit Obligation

	Liability Split as at 31 March 2019 £000	Liability Split as at 31 March 2019 %	Weighted Average Duration
Active members	412,666	56.2%	24.1
Deferred members	114,670	15.6%	24.0
Pensioner members	206,343	28.1%	12.1
<b>Total</b>	<b>733,679</b>	<b>100.0%</b>	<b>19.0</b>

The above figures are for the Conwy element funded obligations only and do not include any unfunded pensioner liabilities. The durations are as they stood at the date of the most recent actuarial valuation of the Employer as at 31 March 2016.

## **Transitional Protections**

When the LGPS benefit structure was reformed in 2014, transitional protections were applied to certain older members close to normal retirement age. The benefits accrued from 1 April 2014 by these members are subject to an 'underpin' which ensures that these members do not lose out from the introduction of the new scheme, by effectively giving them the better of the benefits from the old and new schemes.

In December 2018 the Court of Appeal upheld a ruling ("McCloud/Sargeant") that similar transitional protections in the Judges' and Firefighters' Pension Schemes were unlawful on the grounds of age discrimination. The implications of the ruling are expected to apply to the LGPS (and other public service schemes) as well. The UK Government requested leave to appeal to the Supreme Court and on 27 June, the Supreme Court denied the Government's application. Hence benefits accrued from 2014 may need to be enhanced so that all members, regardless of age, may benefit from the underpin. Alternatively, restitution may be achieved in a different way, for example by paying compensation. The Government will need to compensate younger members for the less favourable treatment they have received since the transitional provisions came into force, as well as revisiting pension scheme changes going forward so that the discriminatory elements are removed for all members.

The judgement is expected to have a wide-ranging impact on other public sector groups, but the extent of the impact will depend on the nature of the transition arrangements put in place.

### Gwynedd Pension Fund

At the 2016 valuation, the long-term salary increase assumption adopted by the Gwynedd Pension Fund was set equal to Consumer Price Index (CPI). This means that both final salary and CARE benefits are assumed to revalue in line with CPI. This in turn, due to the more generous accrual rate applied to CARE benefits, means that the underpin would not 'bite' for any members, as final salary benefits increasing in line with CPI would not exceed the value of CARE benefits accruing over the same period. As such, for the purposes of Conwy County Borough Council's 2018/19 statement of accounts, there is no additional liability to be recognised, and the McCloud case has no impact on the stated liabilities.

### Clwyd Pension Fund

The liabilities included in the 2018/19 statement of accounts, relating to the Clwyd Pension Fund, are unaffected by the McCloud case as they relate to members that retired prior to 2014.

### **39. Contingent Liabilities**

#### **Municipal Mutual Insurance (MMI)**

Actuarial opinion is that the levy could increase from the 25% paid to date. Whilst theoretically the exposure of a scheme creditor could ultimately equate to 100%, it is more likely that the final levy will be in the region of 50%. Based on the current scheme liabilities, should a further 25% levy be demanded, then another £694k would be needed. This sum is identified within the insurance reserves. It does not however take account of new and emerging claims, nor for an ultimate levy in excess of 50%.

#### **Insurance Claims**

There are occasions where an incident has, or might have occurred and we have reason to believe that an insurance claim may be received at some point in the future. It is impossible to quantify the potential value of these incidents unless, or until, a claim is submitted.

#### **Mochdre Commerce Park**

Negotiations and ground investigations are currently on-going in respect of the lease of the Mochdre Commerce Park. Once concluded this may result in future expenditure or a contribution in a yet to be established sum, to address the issues that may be determined and concluded.

### **40. Contingent Assets**

There are no contingent assets.

### **41. Joint Arrangements & Joint Committees**

Conwy County Borough Council is currently involved in two joint arrangements with neighbouring North Wales Authorities.

- There is one formal Joint Committee, for which Flintshire County Council prepares a separate set of accounts. The North Wales Residual Waste Treatment Partnership (NWRWTP) (with Flintshire (lead Authority), Anglesey, Denbighshire & Gwynedd). Conwy's contribution due to the NWRWTP in 2018/19 was £24k (£22k in 2017/18).
- A second formal Joint Committee, for which Gwynedd Council prepares a separate set of accounts, is GwE, an improvement service for schools on a North Wales basis. Conwy's contribution to the GwE Joint Committee in 2018/19 was £562k (£558k in 2017/18).

The separate sets of accounts for the Joint Committees can be accessed by the following links:

[www.nwrwtp.org](http://www.nwrwtp.org)

<https://www.gwynedd.gov.uk>

## 42. Nature and Extent of Risks Arising from Financial Instruments

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 adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Council in the Annual Treasury Management Strategy. The Council 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.

### Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the authority's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by Fitch, Moody's and Standard & Poor's Ratings Services. The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category.

The credit criteria in respect of financial assets held by the authority are as detailed below:

The Strategic Director - Finance and Efficiencies maintains a counterparty list in compliance with the following criteria and revises the criteria and submits them to Council for approval as necessary. These criteria are separate to those which determine Specified and Non-Specified investments, as it selects which counterparties the Council will choose rather than defining what its investments are.

1. Debt Management Office of the Treasury – unlimited
2. Local Authorities (except rate capped) – limit £10m
3. All UK and Irish banks and their subsidiaries that have good ratings (Fitch or equivalent). This is currently defined as: Long Term A-

Limit - £5m

Banks whose ratings fall below those in 3 above will be used if wholesale deposits are covered by a government guarantee, and the deposits fall within the terms of the guarantee.

#### 4. Building Societies

- Building societies with a rating (as for the banking sector) all have a lending limit of £3m.
- All building societies without a rating but with assets of £1bn or more will have a lending limit of £3m and a time limit of 9 months.
- All building societies without a rating but with assets of £500m or more will have a lending limit of £2m and a time limit of 6 months.

The Authority's maximum exposure to credit risk of £5m in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2019 that this was likely to crystallise.

The following analysis summarises the Authority's potential maximum exposure to credit risk on other financial assets, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions.

	<b>Amount at 31 March 2019</b>	<b>Historical Experience of Default</b>	<b>Historical experience adjusted for market conditions at 31 March 2019</b>	<b>Estimated Maximum Exposure to Default &amp; Uncollectability at 31 March 2019</b>	<b>Estimated Maximum Exposure at 31 March 2019</b>
	<b>£'000</b>	<b>%</b>	<b>%</b>	<b>£'000</b>	<b>£'000</b>
Customers	12,900	0	0	0	0

The Authority does not allow credit for customers. The past due but not impaired amount can be analysed by age as follows:

	<b>31 March 2019 £000</b>	<b>31 March 2018 £000</b>
< 3 Months	8,526	6,155
3-6 Months	678	245
6-12 Months	1,139	728
> 12 Months	2,557	2,139
<b>Total</b>	<b>12,900</b>	<b>9,267</b>

All trade and other payables are due to be paid in less than one year.

The credit ratings of the year end investments are as follows:

	<b>31 March 2019 £000</b>	<b>31 March 2018 £000</b>
Banks (A+)	9,750	9,435
Local authorities (Unrated)	10,000	10,000
<b>Total</b>	<b>19,750</b>	<b>19,435</b>

## Liquidity Risk

The Authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Authority has ready access to borrowings from the money markets and the Public Works Loan Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Authority sets limits on the proportion of its fixed rate borrowing during specified periods. The Council manages its portfolio by rescheduling debts when it is economic to do so. The maturity analysis of PWLB and market loans is as follows:

	<b>31 March 2019</b> <b>£'000</b>	<b>31 March 2018</b> <b>£'000</b>
< 1 Year	61,349	57,338
1 – 2 Years	360	349
2 – 5 Years	3,816	1,114
5 – 10 Years	3,904	6,199
10 – 25 Years	4,793	5,560
> 25 Years	100,655	100,655
<b>Total</b>	<b>174,877</b>	<b>171,215</b>

The above analysis does not include Invest to Save loans.

## Market Risk

### Interest Rate Risk

The Authority is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Authority. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise
- borrowings at fixed rates – the fair value of the borrowings will fall
- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the Council Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Authority has a number of strategies for managing interest rate risk. The Council has the option to keep a maximum of 30% of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses.

The Council is not currently taking any long term borrowing, except in respect of Local Government Borrowing Initiative schemes (LGBI), and has repaid borrowing out of investments in order to reduce its exposure and to reduce interest costs. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Authority's cost of borrowing and provide compensation for a proportion of any higher costs.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable. According to this assessment strategy, at 31 March 2019, if interest rates had been 1% higher with all other variables held constant, the financial effect would be as shown in the following table:-

	<b>£'000</b>
Increase in Interest receivable on variable rate Investments	(206)
Impact on Surplus or Deficit on the Provision of Services	(206)
Decrease in Fair Value of fixed rate Investment assets	-
Impact on Other Comprehensive Income & Expenditure	-
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income & Expenditure)	(33,643)

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

### **Price Risk**

The Council does not invest in equity shares or marketable bonds and so there is no risk that its investments will lose value through falls in the stock market price.

### **Foreign Exchange Risk**

The Authority has minimal financial assets and no liabilities denominated in foreign currencies, and has little exposure to loss arising from movements in exchange rates.

### **43. Trust Funds**

1. The Council currently administers 24 Education Trust Funds. The funds are not assets of the Council and are not, therefore, included within the Balance Sheet.

The Education Trust Funds operate for a variety of causes from school prize funds to maintaining children's play areas. Each one consists of a relatively small sum of money received largely from individuals and invested in order to provide an annual income.

The Fund balances at 31 March 2019 amounted to £112,194 and the income for the year was £4,121. (Fund Balances at 31 March 2018 amounted to £114,623 and income for the year 2017/18 was £4,529).

2. In addition, the Council is also responsible for the Welsh Church Act Fund. This scheme provides income which is to be applied to charitable, educational, recreational and social purposes at the discretion of the Council. The Fund is not an asset of the Council and is not, therefore, included within the Balance Sheet. A copy of the Fund's income and expenditure account and balance sheet appear on page 110.
3. A Trust Fund was set up for the benefit of scholars in Llanrwst for ancillary education. The details of the Ymddiriedolaeth Addysg Llanrwst income and expenditure account and balance sheet appear on page 114.
4. There are a small number of other Trust Funds which have been received. The Fund balances at 31<sup>st</sup> March 2019 amounted to £248,692 (Fund balances at 31<sup>st</sup> March 2018 amounted to £242,638).

#### 44. Council Tax

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into ten valuation bands with estimated 1 April 2003 values for this specific purpose. Charges are calculated by taking the amount of income required for Conwy County Borough Council and the Police and Crime Commissioner for North Wales for the forthcoming year and dividing this amount by the Council Tax Base. The Council Tax Base is the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts.

The Council Tax Base for 2018/19 was calculated as follows: -

<b>Band</b>	<b>Equivalent Number of Dwellings after Discount</b>	<b>Band D Adjustment</b>	<b>Band D Equivalent</b>
A*	9	5/9	5.00
A	4,202	6/9	2,801.17
B	6,849	7/9	5,327.19
C	13,242	8/9	11,770.22
D	10,318	1	10,317.50
E	8,169	11/9	9,984.64
F	4,586	13/9	6,624.58
G	1,733	15/9	2,888.75
H	385	18/9	769.00
I	129	21/9	300.42
			<b>50,788.47</b>
<b>Council Tax Base after allowing for losses on collection</b>			<b>50,026.64</b>

The amount raised by the Council Tax is as follows: -

	<b>2018/19</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>
Council Tax raised	74,538	70,898

#### 45. National Non-Domestic Rates (NNDR)

The National Non-Domestic Rate is set by the Welsh Government but collected locally through an agency arrangement before being paid into a central pool administered by the Welsh Government. The amount distributed to local authorities is then determined on a population basis.

For 2018/19 the rate set by the Welsh Government was 0.514p per £1 of rateable value of the non-domestic properties (2017/18: 0.499p). At 31 March 2019 there were 5,613 properties on the local valuation list in Conwy, representing a rateable value of £86,845,868 (2017/18: £85,924,299). The net income accruing to the Council from the NNDR is as follows:-

	<b>2018/19</b>	<b>2017/18</b>
	<b>£'000</b>	<b>£'000</b>
National Non-Domestic Rate raised	32,987	30,880
Less Cost of Collection Allowance	(291)	(284)
Less sum paid to the National Pool	(32,696)	(30,596)
	-	-
Receipts from the National Pool	38,160	38,530
<b>Net Income from the National Non-Domestic Rates</b>	<b>38,160</b>	<b>38,530</b>

## **WELSH CHURCH ACT FUND (UNAUDITED)**

### **STATEMENT OF ACCOUNTS 2018/19**

#### **Explanatory Foreword**

The Council holds the Welsh Church Act Fund by virtue of section 50 of the Local Government (Wales) Act 1994 and the Welsh Church Act Funds (Designation and Specification Order 1996(b)).

The Council through its committee processes is responsible for distributing the income of the fund to such charitable purposes as are detailed in the scheme. Further information on the scheme is available on the Council website, [www.conwy.gov.uk](http://www.conwy.gov.uk).

The Council is the corporate trustee of the Welsh Church Act Funds in the area of Conwy County Borough. It holds some funds disaggregated from the Clwyd fund at reorganisation in 1996. The majority of the funds were held by Gwynedd who are responsible for making investments on behalf of the fund in order to maximise the income available for distribution.

This is the final year that Gwynedd will act as the lead authority for the Welsh Church Act and prepare the accounts for submission to the Charities Commission on behalf of three Authorities, Gwynedd, Ynys Mon and Conwy. The Gwynedd fund has been disaggregated in 2018/19 and in anticipation of this the majority of the assets held by the fund have been transferred to cash. The cash distribution is shown as an accrual in the accounts as the actual cash transfer has been made in 2019/20. In future years Conwy will be responsible for investing the funds and reporting to the Charity Commission.

#### **Accounting Policies**

The Accounting policies followed are those outlined on pages 19 to 37, which are applicable to the items in the Welsh Church Act Accounts. The accounts also follow the Charity Commission Statement of Recommended Practice.

The main accounting principle applicable to these accounts is the accruals principle, which requires the inclusion of debtors and creditors in the accounts.

These Statements are not audited by Wales Audit Office.

## INCOME AND EXPENDITURE ACCOUNT

	Notes	2018/19	2017/18
		£	£
<b>Resources Arising</b>			
Investment Interest	1	3,293	1,887
		3,293	1,887
<b>Use of Resources</b>			
Allocations	2	(1,790)	(5,350)
		(1,790)	(5,350)
<b>Resources Retained (Shortfall) for Future Use</b>		<u>1,503</u>	<u>(3,463)</u>
Resources Brought Forward		1,305	4,768
Resources Carried Forward		2,808	1,305
<b>Movement in Year</b>		<u>1,503</u>	<u>(3,463)</u>

## BALANCE SHEET AT 31 MARCH

	Notes	2019	2018
		£	£
<b>Fixed Assets</b>			
Land	1	-	56,102
		-	56,102
<b>Current Assets</b>			
Debtors (Gwynedd Council)	3	378,871	2,083
Debtors (Other)	3	3,014	1,682
Cash (Conwy)	2	60,349	58,847
Cash (held by Gwynedd Council)	2	-	321,220
		442,234	383,832
<b>Current Liabilities</b>			
Creditors	3	-	(2,302)
Net Assets		<u>442,234</u>	<u>437,633</u>
<b>Fund Balance</b>		<u>442,234</u>	<u>437,633</u>

## **NOTES TO THE WELSH CHURCH ACT FUND ACCOUNTS**

### **Income and Expenditure Account**

#### **Note 1**

The main source of income is investment income from assets administered by Gwynedd Council on behalf of the fund; this amounted to £3,014 (£1,682 in 2017/18). The income on the main fund is apportioned on a percentage basis and Conwy is entitled to 17.810244%. Conwy holds cash on behalf of the fund and pays interest on the balance to the fund which amounted to £279 (£205 in 2017/18), the interest rate used in the calculation is the average interest rate achieved by the Authority on external deposits in year.

#### **Note 2**

Under the provisions of the Welsh Church Act, Conwy allocates grants to various organisations. The amount available for distribution in 2018/19 was estimated at £3,105 (£5,868 in 2017/18) and the actual amount distributed was £1,790 (£5,350 in 2017/18). The balance of the funds available for distribution in 2018/19 has been carried forward for distribution in 2019/20.

## **Balance Sheet**

### **Note 1**

The land held by the fund was revalued in anticipation of the disaggregation of the fund. The land value in 1996 was £26,250 and in 2018 £315,000. Conwy's share of the value of the land in 2017/18 was £56,102 (17.810244%). The land was transferred to Anglesey Council in 2018/19 which has been reflected in their cash share.

### **Note 2**

The fund no longer holds any investments as these have been converted to cash as a result of the disaggregation of the fund in 2018/19.

The main fund was held in year as cash deposits by Gwynedd on which interest accrued. In 2018/19 this amounted to £1,805,361 before disaggregation (£1,803,570 in 2017/18). Conwy's share of the Gwynedd fund due is £378,871, 17.810244% of the total. The cash amount held by Conwy in 2018/19 amounted to £60,349 (£58,847 in 2017/18), of this amount £57,542 (£57,542 2017/18) is held as non-distributable cash and is invested in order to generate income for distribution.

### **Note 3**

The debtor amount on the balance sheet is the amount held by Gwynedd Council at year end to be distributed to Conwy on the disaggregation of the scheme. The other debtor is the amount due to Conwy from Gwynedd for the investment interest in year.

## **YMDDIRIEDOLAETH ADDYSG LLANRWST**

### **Statement of Accounts 2018/19**

#### **Explanatory Foreword**

In 2018/19 the Council was the Custodian Trustee for this fund.

#### **Accounting Policies**

The accounting policies followed are those outlined on pages 19 to 37, which are applicable to the items in the Accounts. The Accounts also follow the Charity Commission Statement of Recommended Practice.

The main accounting principle applicable to these accounts is the accruals principle which requires the inclusion of debtors and creditors in the accounts.

These statements are not audited by the Wales Audit Office.

**INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2019**

	2018/19 £		2017/18 £	
<b>RESOURCES ARISING</b>				
Donations	-		-	
Investment Interest	4,107		2,921	
Less Expenditure	(10,000)		(10,000)	
		(5,893)		(7,079)
Resources Brought Forward	855,843		862,922	
Resources Carried Forward	849,950		855,843	
<b>Movement in Year</b>		<b>(5,893)</b>		<b>(7,079)</b>

**BALANCE SHEET AT 31 MARCH**

	2019 £	2018 £
Current Assets		
Investments	849,950	855,843
Current Liabilities	-	-
<b>Fund Balance</b>	<b>849,950</b>	<b>855,843</b>

**Note**

The Cash Fund is invested by Conwy County Borough Council and earns interest, the rate used is the average interest earned by the Council for the relevant months.

## **GLOSSARY OF TERMS**

### **ACCOUNTING PERIOD**

The period of time covered by the accounts, typically a period of twelve months commencing on 1 April. The end of the accounting period is the balance sheet date.

### **ACCOUNTING POLICIES**

The specific principles, bases, conventions, rules & practices applied by the Council in preparing & presenting its financial statements.

### **ACCRUALS**

Amounts included in the final accounts to recognise revenue and capital income and expenditure earned or incurred in the financial year, but for which actual payment had not been received or made as at 31 March.

### **ACTUARIAL GAINS AND LOSSES**

For a defined benefit pension scheme, the changes in actuarial surpluses or deficits that arise because:

- events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
- the actuarial assumptions have varied

### **AGENCY ARRANGEMENTS**

An arrangement between two organisations where one will act as an agent, collecting money on behalf of the other party, to whom the money is then paid over. An example of this is NNDR collections, where the Council is acting as the billing agent for central government, collecting money from tax payers on behalf of central government and then paying it over to them.

### **AMORTISATION**

The gradual elimination of a liability, such as a loan, in regular payments over a specified period of time. Such payments must be sufficient to cover both principal & interest.

### **ASSET**

An item having value to the authority in monetary terms. Assets are classed as either current or non current:

- A **current** asset will be consumed or cease to have material value within the next financial year (e.g. cash and stock);
- A **non current** asset provides benefits to the Authority and to the services it provides for a period of more than one year and may be **tangible** e.g. a school building, or **intangible**, e.g. computer software licences.

### **AUDIT OF ACCOUNTS**

An independent inspection of the Authority's financial affairs.

### **BALANCE SHEET**

A statement of the recorded assets, liabilities and reserves at the end of the accounting period.

### **BUDGET**

The anticipated net revenue and capital expenditure over the accounting period.

### **CAPITAL EXPENDITURE**

Expenditure on the procurement of a non current asset, which will be used in providing services beyond the current accounting period or expenditure that adds to, and not merely maintains, the value of an existing non current asset.

### **CAPITAL FINANCING**

Funds obtained to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue financing, usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

### **CAPITAL PROGRAMME**

The capital schemes the Council intends to carry out over a specified period of time.

### **CAPITAL RECEIPT**

The income from the disposal of land or other non current assets.

**CASH**

Comprises cash on hand & demand deposits

**CASH EQUIVALENTS**

Short-term, highly liquid investments that are readily convertible to known amounts of cash & which are subject to an insignificant risk of changes in value.

**CASH FLOWS**

Inflows & outflows of cash & cash equivalents.

**CIPFA**

The Chartered Institute of Public Finance and Accountancy.

**CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING IN THE UK**

The Code constitutes 'proper accounting practice' under the terms of section 21(2) of the Local Government Act 2003.

**COMMUNITY ASSETS**

Assets that the Council plans to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and historical buildings.

**COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT**

The revenue account of the Council that reports the net cost for the year of the functions for which it is responsible, and demonstrates how that cost has been financed from precepts, grants and other income.

**CONSISTENCY**

The concept that the accounting treatment of like items within an accounting period and from one period to the next are the same.

**CONSTRUCTIVE OBLIGATION**

An obligation that derives from the Authority's actions where:

- by an established pattern of past practice, published policies or a sufficiently specific current statement, the Authority has indicated to other parties that it will accept certain responsibilities; and
- as a result, the Authority has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

**CONSUMER PRICE INDEX (CPI)**

An Internationally comparable measure of inflation which employs methodologies and structures that follow International Legislation and Guidelines.

**CONTINGENT ASSET**

A contingent asset is a likely asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control.

**CONTINGENT LIABILITY**

A contingent liability is either:

- a potential obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control; or
- a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

**CORPORATE AND DEMOCRATIC CORE**

The corporate and democratic core includes all activities that local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

**CREDITOR**

Amount owed by the Council for works done, goods received or services rendered within the accounting period, but for which payment has not been made by the end of that accounting period.

**CURRENT SERVICE COST (PENSIONS)**

The increase in the present value of a defined benefit pension scheme's liabilities, expected to arise from employee service in the current period.

**DEBTOR**

Amount owed to the Council for works done, goods received or services rendered within the accounting period, but for which payment has not been received by the end of that accounting period.

**DEFINED BENEFIT PENSION SCHEME**

Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

**DEPRECIATED REPLACEMENT COST (DRC)**

A method of valuation which gives a recognised approximation for the market value of specialised properties. It is an estimate of the market value for the existing use of the land, plus the current gross replacement costs for the building less an allowance for physical deterioration of the asset to its current equivalent physical state.

**DEPRECIATION**

The measure of the cost of the wearing out, consumption or other reduction in the useful economic life of the Authority's non current assets during the accounting period, whether from use, the passage of time, or obsolescence through technological or other changes.

**DISCRETIONARY BENEFITS (PENSIONS)**

Retirement benefits which the employer has no legal, contractual or constructive obligation to award and are awarded under the Authority's discretionary powers such as The Local Government Pension Scheme (Benefits, Membership & Contributions) Regulations 2007.

**EFFECTIVE INTEREST RATE**

This is the rate of interest needed to discount the estimated stream of principal and interest cash flows through the expected life of a financial instrument to equal the amount at initial recognition.

**EMPLOYEE BENEFITS**

All forms of consideration given by the Council in exchange for service rendered by its employees.

**EQUITY**

The Authority's value of total assets less total liabilities.

**EVENTS AFTER THE BALANCE SHEET DATE**

Events after the balance sheet date are those events, favourable or unfavourable, that arise between the balance sheet date and the date when the Statement of Accounts is authorised for issue.

**EXCEPTIONAL ITEMS**

Material items which derive from affairs or transactions that fall within the ordinary activities of the Authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

**EXISTING USE VALUE (EUV)**

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, after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion, assuming that the buyer is granted vacant possession of all parts of the property required by the business and disregarding potential alternative uses and any other characteristics of the property that would cause its market value to differ from that needed to replace the remaining service potential at least cost.

### **EXPECTED RETURN ON PENSION ASSETS**

For a funded defined benefit scheme, this is the average rate of return, including both income and changes in fair value but net of scheme expenses, which is expected over the remaining life of the related obligation on the actual assets held by the scheme.

### **EXTRAORDINARY ITEMS**

Material items, having a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the authority and which are not expected to recur. They do not include exceptional items, nor do they include prior period items merely because they relate to a prior period.

### **FAIR VALUE**

The fair value of an asset is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction.

### **FINANCE LEASE**

A lease that transfers substantially all of the risks and rewards of ownership of an asset to the lessee.

### **FINANCIAL INSTRUMENT**

Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term covers both financial assets and financial liabilities, from straightforward trade receivables (invoices owing) and trade payables (invoices owed) to complex derivatives and embedded derivatives.

### **FINANCIAL REPORTING ADVISORY BOARD (FRAB)**

The independent body that advises the Government on accounting issues.

### **FINANCING ACTIVITIES**

Activities that result in changes in the size & composition of the principal received from or repaid to external providers of finance.

### **GOING CONCERN**

The concept that the Statement of Accounts is prepared on the assumption that the Council will continue in operational existence for the foreseeable future.

### **GOVERNMENT GRANTS**

Grants made by the government towards either revenue or capital expenditure in return for past or future compliance with certain conditions relating to the activities of the Council. Grants may be specific to a particular scheme or may support the revenue or capital spend (respectively) of the Authority in general.

### **HERITAGE ASSETS**

A Heritage Asset is an asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

### **HOUSING BENEFITS**

A system of financial assistance to individuals towards certain housing costs administered by authorities and subsidised by Central Government.

### **HOUSING REVENUE ACCOUNT (HRA)**

A separate account to the Council Fund that includes the expenditure and income arising from the provision of housing accommodation by the Authority. N.B. CCBC no longer has an HRA following the transfer of the housing stock to Cartrefi Conwy in 2008/09.

### **IMPAIRMENT**

A reduction in the value of a non current asset to below its carrying amount on the balance sheet. Impairment may be caused by a consumption of economic benefit (economic benefit impairment) or a general fall in prices.

### **INCOME**

Amounts that the Council receives or expects to receive from any source, including fees, charges, sales and grants.

### **INFRASTRUCTURE ASSETS**

Non current assets belonging to the Authority that cannot be transferred or sold, on which expenditure is only recoverable by continued use of the asset created. Examples are highways, footpaths and bridges.

## **INTANGIBLE ASSETS**

An intangible asset is an identifiable non-monetary asset without physical substance. The intangible asset most frequently found in local authorities is computer software.

## **INTEREST COST (PENSIONS)**

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

## **INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

International Financial Reporting Standards are a suite of accounting standards used across the world. In the 2007 Budget, the then-chancellor announced that the UK Public Sector would adopt IFRS, as this was seen as best practice and allowed for international comparisons to be made. As a result, CIPFA/LASAAC produces the IFRS-based Code of Practice on Local Authority Accounting, overseen by the Financial Reporting Advisory Board (FRAB).

## **INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS (IPSAS)**

These are accounting standards developed specifically for the public sector by the International Public Sector Accounting Standards Board (IPSASB).

## **INVENTORIES**

Items of raw materials and stores an authority has procured and holds in expectation of future use.

## **INVESTING ACTIVITIES**

The acquisition & disposal of long-term assets & other investments not included in cash equivalents.

## **INVESTMENT PROPERTY**

Property that is held solely to earn rentals or for capital appreciation or both.

## **INVESTMENTS (PENSION FUND)**

The investments of the Pension Fund will be accounted for in the statements of that fund. However, authorities are also required to disclose, as part of the disclosures relating to retirement benefits, the attributable share of pension scheme assets associated with their underlying obligations.

## **LASAAC**

Local Authority (Scotland) Accounts Advisory Committee.

## **LEASE**

An agreement whereby the lessor conveys to the lessee, in return for a payment or series of payments, the right to use an asset for a period of time.

## **LIABILITY**

A liability is where the Council owes payment to an individual or another organisation.

- A **current** liability is an amount which will become payable or could be called in within the next accounting period, e.g. creditors or cash overdrawn.
- A **deferred** liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period of time.

## **LIQUID RESOURCES**

Current asset investments that are readily disposable by the Authority without disrupting its business and are either:

- readily convertible to known amounts of cash at or close to the carrying amount; or
- traded in an active market.

## **LONG-TERM CONTRACT**

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken to substantially complete the contract is such that the contract activity falls into more than one accounting period.

## **MATERIALITY**

The concept that the Statement of Accounts should contain all amounts which, if omitted, or misstated, could be expected to lead to a distortion of the financial statements and ultimately mislead a user of the accounts.

**MINIMUM REVENUE PROVISION (MRP)**

The minimum amount which must be charged to the revenue account each year in order to provide for the repayment of loans and other amounts borrowed by the Council.

**NET BOOK VALUE**

The amount at which non current assets are included in the balance sheet, i.e. their historical costs or current value less the cumulative amounts provided for depreciation and impairment.

**NET DEBT**

The Authority's borrowings less cash and liquid resources.

**NON-DISTRIBUTED COSTS**

These are overheads for which no user now benefits and as such are not apportioned to services.

**NON-DOMESTIC RATES (NDR)**

The Non-Domestic Rate is a levy on businesses, based on a national rate in the pound set by the government and multiplied by the assessed rateable value of the premises they occupy. It is collected by the Council on behalf of central government and then redistributed back to support the cost of services.

**OPERATING ACTIVITIES**

The activities of the Council that are not investing or financing activities.

**OPERATING LEASE**

A lease where the ownership of the non current asset remains with the lessor.

**PAST SERVICE COST (PENSIONS)**

For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

**PENSION SCHEME LIABILITIES**

The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

**PRECEPT**

The levy made by precepting authorities on billing authorities, requiring the latter to collect income from council taxpayers on their behalf.

**PRIOR YEAR ADJUSTMENT**

Material adjustments relating to prior years arising from changes in accounting policies or from the correction of fundamental errors. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

**PRIVATE FINANCE INITIATIVE (PFI)**

PFI arrangements typically involve a private sector entity constructing or enhancing property used in the provision of a public service, and operating and maintaining that property for a specified period of time on behalf of the public sector body. In return the public sector body pays for the use of the assets and associated services over the period of the arrangement through a unitary payment.

**PROJECTED UNIT METHOD**

An accrued benefits valuation method in which the pension scheme liabilities make allowance for projected earnings. The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not.

**PROVISION**

An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur, but the amounts or dates of when they will arise are uncertain.

**PUBLIC PRIVATE PARTNERSHIPS (PPP)**

A joint venture in which a private sector partner agrees to provide services to or on behalf of a public sector organisation. A Private Finance Initiative is a form of PPP.

**PUBLIC WORKS LOAN BOARD (PWLB)**

A Central Government Agency, which provides loans for one year and above to authorities at interest rates only slightly higher than those at which the government itself can borrow.

**RATEABLE VALUE**

The annual assumed rental value of a property, which is used for NDR purposes.

**RELATED PARTIES**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions.

**RELATED PARTY TRANSACTIONS**

The Code of Practice on Local Authority Accounting requires the disclosure of any material transactions between the Authority and related parties to ensure that stakeholders are aware when these transactions occur and the amount and implications of such.

**REMUNERATION**

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash.

**RESERVES**

The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Council. Some capital reserves such as the Revaluation Reserve cannot be used to meet current expenditure.

**RESIDUAL VALUE**

The net realisable value of an asset at the end of its useful life.

**RETAIL PRICE INDEX (RPI)**

Originally a compensation index developed to protect workers from price increases associated with World War 1. After a number of significant developments it came to be used as the main domestic measure of inflation.

**RETIREMENT BENEFITS**

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

**REVENUE EXPENDITURE**

The day-to-day expenses of providing services.

**REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)**

Expenditure which can be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a non current asset. This is to enable it to be funded from capital resources. Examples of REFCUS are grants of a capital nature to voluntary organisations.

**REVENUE SUPPORT GRANT**

A grant paid by Welsh Government to authorities, contributing towards the general cost of their services.

**SERVICE CONCESSION ARRANGEMENT**

A service concession arrangement generally involves the grantor (usually a public sector body) conveying to the operator (usually a private sector entity), for the period of the concession, the right to provide services that give the public access to major economic & social facilities.

**SOFT LOAN**

A loan made interest free or at a rate less than the market rate, usually for policy reasons. Such loans are often made to individuals or organisations that the Council considers benefits the local population.

**SOLACE**

Society of Local Authority Chief Executives

**TEMPORARY BORROWING**

Money borrowed for a period of less than one year.

**TERMINATION BENEFITS AND EXIT PACKAGES**

Termination Benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's

decision to accept voluntary redundancy. The costs of Termination Benefits are deemed Exit Packages.

**TRUST FUNDS**

Funds administered by the Authority for such purposes as prizes, charities, specific projects, and on behalf of minors.

**UK GAAP**

The UK Generally Accepted Accounting Practice, now superceded by IFRS.

**USEFUL ECONOMIC LIFE (UEL)**

The period over which the Council will derive benefits from the use of a non-current asset.

**WORK IN PROGRESS**

The cost of work performed on an incomplete project at the balance sheet date, which should be accounted for.

# **Annual Governance Statement**

**Conwy County Borough Council  
2018/2019**

## **1 The Purpose of the Annual Governance Statement**

- 1.1 Modernising services to support the needs of our communities, whilst addressing a significant reduction in resources, is a challenge for all local government authorities. In order to meet these challenges every Authority must ensure that corporate governance arrangements (the way we direct and control our business and relate to communities) support the management of risk and the effective delivery of services. Corporate governance concerns the way in which the affairs of Authority are handled by elected members and officers, and how we engage with the community, stakeholders and partners.
- 1.2 A governance framework supported by a Local Code of Corporate Governance, has been in place at Conwy County Borough Council (the Authority), for the year ending 31<sup>st</sup> March 2019 and up to the date of approval of the annual statement of accounts. This accords with proper practice. The governance framework comprises the systems, processes, culture and values under which the Authority operates and through which it accounts to, engages with, and works with the community. It enables the Authority to monitor the achievement of its strategic priorities and to consider whether those priorities have led to the delivery of appropriate cost effective services and continuous improvement.
- 1.3 The governance framework is designed to manage risk to a reasonable level rather than eliminate all risk. It can therefore only provide reasonable and not absolute assurance of effectiveness.
- 1.4 This statement also represents the Authority's self-assessment of compliance with our Code of Corporate Governance and whether we have met the requirements of the Accounts and Audit (Wales) Regulations 2014. This statement should be read together with the performance management accountability arrangements as detailed in the Annual Report which is published by 31<sup>st</sup> October each year<sup>1</sup>.

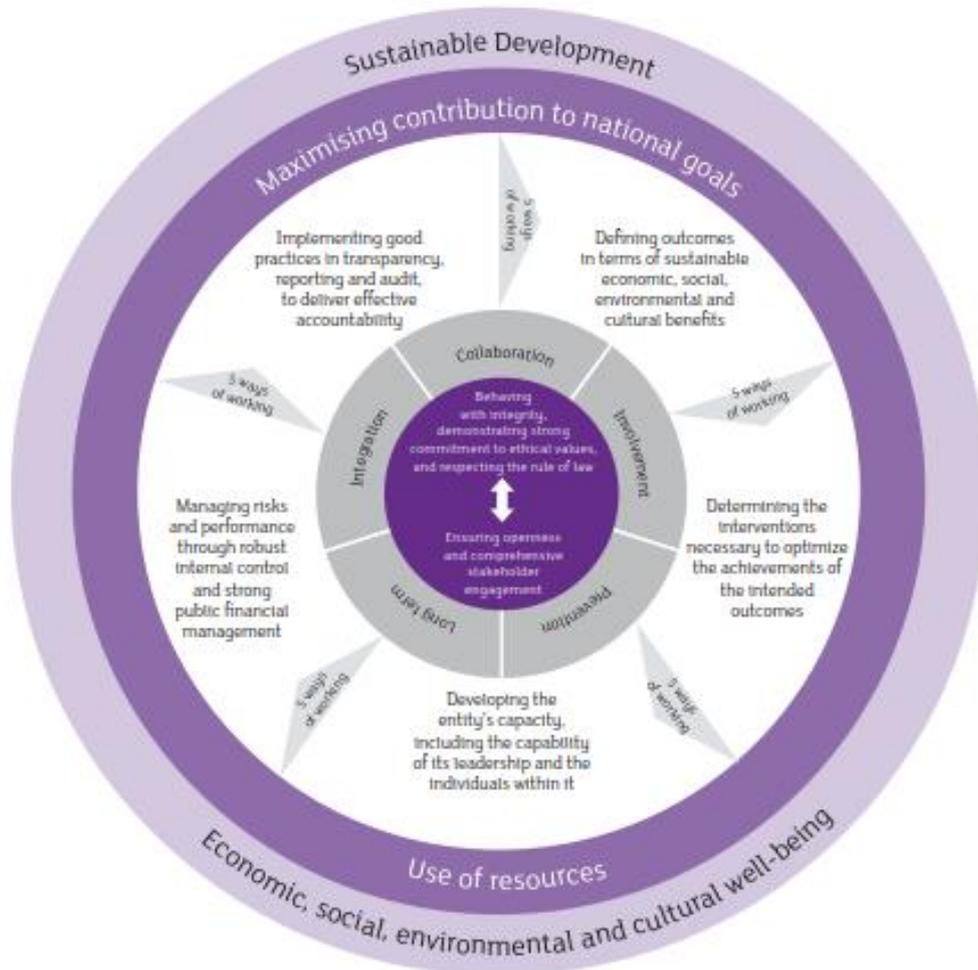
## **2 Scope of Responsibility**

- 2.1 The Authority is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority also has a duty under the Local Government Act 1999, and Local Government (Wales) Measure 2009, to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. The Authority has a duty under the Well-being of Future Generations (Wales) Act 2015 to act in accordance with the sustainability principle and to ensure this guides decision making. Sustainable Development means the process of improving the economic, social, environmental and cultural well-being of Wales. This means the Authority must act in a manner which seeks to ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs.
- 2.2 In discharging our overall responsibilities, the Authority is responsible for putting in place proper arrangements for the governance of its affairs and for ensuring that there is a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.
- 2.3 To demonstrate good governance, the Authority must demonstrate that it is complying with the core (and supporting) principles contained within the Framework for Delivering Good Governance in Local Government (2007) and addendum 2012, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives

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<sup>1</sup> [www.conwy.gov.uk/accountability](http://www.conwy.gov.uk/accountability)

(SOLACE). The International Framework Good Governance in the Public Sector (2014) published an updated set of Principles. Delivering Good Governance in Local Government. Guidance notes for Welsh Authorities were published in 2016. This statement has been prepared in accordance with the revised principles.



### 3 The Governance Framework

3.1 The International Framework defines governance as follows:

*Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.*

*To deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their entity's objectives while acting in the public interest at all times.*

3.2 'Governance is about how public bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, and cultures and values, by which public bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities' (WAO Good Governance When Determining Significant Changes Conwy Report 2017)

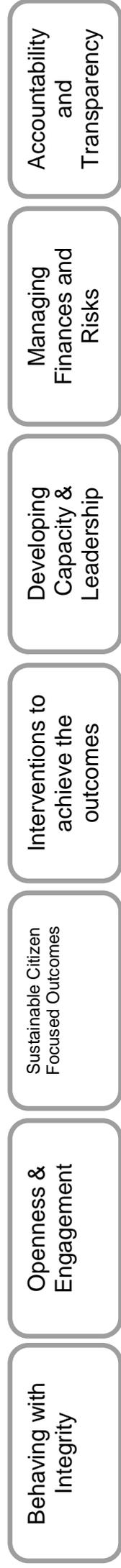
3.3 This statement describes the key elements of the Authority's Governance Framework and our self-assessment of the compliance with the Authority's Code of Corporate Governance. The governance assurances contained in this statement are structured around each of the CIPFA Good Governance Principles as referred to in paragraph 2.3.

3.4 Each of these principles is an important part of the Authority's Code of Corporate Governance arrangements. By applying these principles we can demonstrate that we are delivering the services to our citizens and communities in a way that demonstrates accountability, transparency, effectiveness, integrity and inclusivity.

3.5 The diagram on the next page outlines the Governance Framework.

## CONWY COUNTY BOROUGH COUNCIL GOVERNANCE FRAMEWORK

Corporate Governance comprises the systems and processes, cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities.



### Key Documents: Annual Review/ Production

[Corporate Plan](#)  
[Annual Report](#)  
[Annual Governance Statement](#)  
[Finance Reports](#)  
[Corporate Information Security Policy](#)  
[Asset Management Plan](#)  
 Corporate Risk Register  
 Delegations from/to Directors  
 Service Plans  
 Internal/External Audit Protocol  
 Conwy ICT Digital Strategy  
 Information Governance Framework  
[Medium Term Financial Strategy](#)  
[Members Allowances Scheme](#)  
 Prudential Code & Treasury  
[Statement of Accounts](#)  
 Service Continuity Plans

### Key Documents: Ad-hoc Review/ Production

Anti-Fraud & Corruption Policy  
 Business Planning Framework  
[Code of Conduct](#)  
[Community Involvement Strategy](#)  
[Communications & Engagement Strategy](#)  
[Constitution](#)  
 Corporate Procurement Strategy & CPRs  
[Complaints Guidance](#)  
[Strategic Equality Plan](#)  
 Financial Regulations  
 Health and Safety Policies  
[HR Strategy](#)  
[Member/Officer Relations](#)  
 Officer Employment Procedure Rules  
 Partnership Governance Framework  
 Performance Management Framework  
 Public Engagement Protocol  
[Record of Decisions](#)  
 Whistle Blowing Policy  
 Risk Management Policy & Procedures

### Processes /Regulatory Monitoring

[Audit and Governance Committee](#)  
 Budget Accountability Statements  
 Corporate Intranet  
 Corporate Training Plan  
[Council Tax Information](#)  
 Customer Feedback Process  
 Director of Finance and Resources  
[Data Protection](#)  
 Stakeholder Forums  
[Freedom of Information](#)  
 Head of Paid Service (CEO)  
 Independent Remuneration Panel  
[Inspectorate Reports](#)  
 Internal Audit  
 Information Governance Group  
 Job Descriptions  
 Job Evaluation Process  
 Law & Governance  
 Member Development & induction  
 Monitoring Officer  
 Managers Forum  
 Performance Development Reviews  
[Combined FWP Council Meetings](#)  
 Improvement & Audit Group  
 Report Review Group (RRG)

[Public Service Board](#)  
 Corporate H&S Process  
[Scrutiny Committees](#)  
[Standards Committee](#)  
 Staff Induction  
 Staff Surveys  
 Strategic Leadership Team  
 Senior Management Team  
 Scheme of delegation  
 External web & social media  
[Safeguarding Policy](#)

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

Public sector entities are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. Public sector entities are accountable to legislative bodies for the exercise of legitimate authority in society. This makes it essential that each entity as a whole can demonstrate the appropriateness of all of its actions and has mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.

### A1 Current Arrangements

- A) The Ethical elements of the Governance Framework include:
- [Code of Conduct](#) for members which is communicated via member induction and all members must sign to acknowledge their compliance. Training on the Code of Conduct is also compulsory for all members.
  - **Staff induction** which covers Conwy behavioural values, competency framework, expectations around the role as a public sector employee, the respect booklet, disciplinary policy and financial regulations.
  - Planning code of conduct,
  - Protocol governing [Member Officer](#) relations,
  - [Whistleblowing Policy](#) which is widely communicated within the Authority.
  - [Register](#) of personal and business interests,
  - Process to declare any interests in committee meetings, which are recorded in the minutes,
  - Agreed policy and associated corporate procedures for ensuring that [complaints](#) about services can be properly made and investigated, and for ensuring that any lessons learnt can be applied.

These are compliant and consistent with Welsh Government guidance

- B) The Head of Law and Governance is the designated '**Monitoring Officer**' in accordance with the Local Government and Housing Act, 1989, and ensures compliance with established policies, procedures, laws and regulations. All statutory officers are issued with job descriptions which clearly state their legislative and regulatory responsibilities and there is dedicated committee support to comply with legislative requirements. After appropriate consultation, this officer will report to Council in respect of any proposals, decisions or omissions which could be unlawful or which have been the subject of an Ombudsman Investigation resulting in a finding of maladministration. The Authority has a set of [Corporate Values](#) which were revised and published in October 2017 in conjunction with new the Corporate Plan 2017 – 22 and which are visible in all areas of the Authority. The revised values retain the same principles of expected behaviour as the previously published values, but are simpler and easier to communicate.
- C) The Authority has an [Anti-Fraud & Corruption policy](#) that identifies the responsibilities of both elected members and staff in promoting a culture of honesty and integrity. Also identified are the measures for prevention, detection, and investigation of allegations of fraud and corruption, information. The policy will be reviewed during 2019/20. These include procedures designed to combat [Anti Money Laundering](#). This policy was reviewed in March 2019 and approved in May 2019.
- D) **Internal Audit** is an independent objective assurance and consulting activity designed to add value and improve the Authority's operations. It helps the Authority to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. Internal Audit operates

to the standards set out in the 'Code of Practice for Internal Audit in Local Government in the United Kingdom, 2006' produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) during 2014/15. The Terms of Reference define the purpose, authority and responsibility of the internal audit activity. These have been incorporated into an Internal Audit Charter to comply with the Public Sector Internal Audit Standards (PSIAS) requirements which came into force on the 1<sup>st</sup> April 2013. A revised terms of reference were approved by Audit & Governance Committee in February 2016, and minor amendments were made to reflect the Well-being of Future Generations (Wales) Act 2015 in October 2016. The minor amendments were approved by the Monitoring Officer. The Audit & Governance Committee terms of reference and the IA Charter will be reviewed during 2019/20. PSIAS requires an independent external assessment to be undertaken every 5 years. In November 2016 Wrexham County Borough Council undertook an external assessment of Conwy County Borough Council Internal Audit Service. There are 334 best practice lines within the PSIAS. The results concluded full conformance with 313, partial conformance with 17 and non-conformance with 4. The overall opinion was that the Internal Audit Service generally conforms to the PSIAS and Code of Ethics. In all significant areas and that it operates independently and objectively. None of the areas of non-conformance were considered to be a significant failure. The Internal Audit Service developed an action plan to make improvements and progress on implementation was reported to Audit & Governance Committee in July 2017. All actions have been implemented. The Assurance Map has been developed and formed the basis of the 2019/20 audit plan. A presentation explaining the assurance mapping process and benefits was delivered to the Audit & Governance Committee on 26 November 2018.

- E) The Authority has a [Standards Committee](#) to promote and enforce high standards of conduct and behaviour by elected members. The Committee comprises three elected members, one community councillor and 5 independent members. The role of the Committee includes:
- i. assisting, advising and monitoring compliance with the elected members' Code of Conduct;
  - ii. arranging to train elected members on matters relating to the Code;
  - iii. granting dispensations to elected members from requirements relating to interests set out in the Code;
  - iv. Dealing with complaints of breach of the Code of Conduct submitted to it by the Public Services Ombudsman;
  - v. Considering such other matters as are appropriate and necessary to maintain the highest standards of conduct by the Authority and its elected members, in consultation with the Monitoring Officer;
  - vi. Considering and granting indemnities to Members in respect of the costs of representation at hearings relating to the Code of Conduct;
  - vii. Reviewing the Members' register of gifts and hospitality;
  - viii. Considering the Ombudsman's report on an annual basis.

There were no code of conduct issues allegations referred to the Standards committee during 2018/19.

- F) The Well-being of Future Generations (Wales) Act 2015 (WBFAG) came into force on 1<sup>st</sup> April 2016. Led by the Chief Executive, the Authority established a working group to review the implications of the Act and to complete an action plan to ensure the Act was embedded in the Authority. Wales Audit Office (WAO) have undertaken a national audit 'Reflecting on year one: How have public bodies responded to the Well-being of Future Generations (Wales) Act?' The Audit concluded that

*Public bodies are able to provide examples of how they are using the Act to change how they work, but they are not yet able to describe how they are systematically applying the sustainable development principle. Public bodies need to set out how they will continue developing their approach to the Act so that they can deliver on the ambition and maximise the opportunities it affords*

A local WAO audit report on 'Early intervention and prevention for children, young people and families' also considered the impact of the WBFG Act and concluded that

*The Council is taking steps to balance current and long term needs through the focus on long term prevention but needs to consider the financial sustainability of the work.*

- G) A WAO audit on Leisure Services (including the WBFG Act) is currently pending. In addition the Authority has undertaken a self-assessment of compliance with the WBFG Act utilising the WBFG Commissioner's '9 Expectations' Report. The findings of the self-assessment were published in the Annual report 2017/18. The Authority has also responded to the WBFG Commissioner's self-assessment exercise in December 2018 and completed a self-assessment against the WBFG Commissioner's '80 Simple Steps' report in March 2019..

## **A2 Review of Effectiveness**

- A) The role of the Head of Law and Governance is to ensure compliance with the ethical framework. The conclusions of the PSIAS external review evidence that a good standard of independent audit takes place. In addition, the Head of Internal Audit Annual Report on the adequacy and effectiveness of the Authority's internal control environment provides details of any weaknesses and notifies any issues that are relevant to the preparation of the Annual Governance Statement. All Internal Audit reports and those issued by our external regulators are considered by the Audit and Governance Committee, which monitors progress in implementing all improvement actions.
- B) After the election of a new administration, a comprehensive Member Induction programme is implemented where councillor responsibilities and the governance of the authority are explained. The induction included the Member Code of Conduct, the requirements of the Well-being of Future Generations Act and the organisation's ethical values.

As part of the launch of the 2017/2022 Corporate Plan, the Corporate Values were communicated to all staff through Member and staff induction, team brief, team meetings and the intranet; and posters were issued across all areas of the authority and are on display in all buildings. This is evidence of the importance placed on embedding the corporate values across the organisation. A staff survey took place during February and March 2018. The staff survey asked a number of questions about values, behaviour and ethics. The results of the 2018 survey were published in June 2018 and had a response rate of 65.1%, which was a slight decline from the 68.7% response rate in 2015. The results were published in the [intranet](#) and overall reveal that staff are satisfied with where they work, confident in leadership, change management, and communication has improved, albeit it was noted that more work needed to be done to promote the new Corporate Plan. This has now been addressed by sharing information to all services on how they contribute to the corporate priorities. A corporate and Service Action Plan has been developed to address areas for improvement and updates are reported annually.

- C) The Ombudsman's report on maladministration complaints is submitted to the Authority's Scrutiny Committee on an annual basis. In 2018/19 no complaints were upheld.

<b>Year</b>	<b>No of complaints referred to Ombudsman</b>	<b>No being investigated</b>	<b>Upheld</b>
2010/11	28	0	0
2011/12	26	0	0
2012/13	28	0	0
2013/14	29	0	0
2014/15	26	0	0
2015/16	24	3	0
2016/17	27	1	1
2017/18	36	3	1
2018/19	37	2	0

### **A3 Conclusion of Self-Assessment**

There is good evidence that there are comprehensive mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law. The policies and processes put in place support the Well-being of Future Generations (Wales) Act 2015, by setting clear expectations on behaviour and values, which prevent unacceptable behaviour, encourage community involvement and support accountability for a public organisation's actions. The overall conclusion for this principle is High assurance (the criteria for this self-assessment is listed in appendix c)

### **A4 Recommendations for Improvement**

#### **R1 Complete the review of the Anti-Fraud & Corruption Policy**

## Principle B. Ensuring openness and comprehensive stakeholder engagement

As public sector entities are established and run for the public good, their governing bodies should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.

### B1 Current Arrangements

#### Democracy

- A) All [Cabinet and Council meetings](#) are held in public (with the exception of exempt items) and all papers are published on the Authority's website. All reports to committees are accompanied with a cover report which details a summary of the report, the recommendations seeking approval and a rationale for why that recommendation has been made, in order to show legislative compliance, reasoning and evidence for decisions. In accordance with the Authority's [Strategic Equality Plan](#), all key decisions must assess the impact on protected characteristics. All reports tabled for Council, Cabinet and Audit & Governance Committee are reviewed by a **Report Review Group (RRG)** to ensure that they are of a sufficiently high standard and to consider the forward work plans of the Scrutiny functions to form a view of developing work patterns and identify any capacity issues that might arise. In addition, the Group ensures synergy between the work plans of Council, Cabinet, the Scrutiny function, and Strategic Management. An annual report on the Scrutiny function is also published each year. The Authority has a procedure for decision making and the debate of each decision is clearly documented, including any professional advice given in reaching the decision.
- B) The Authority started [webcasting](#) key meetings in 2014. From 2016 – 2018 webcasting was undertaken on a 'pay as you go' basis. In January 2018 the Authority signed a 5 year contract to continue webcasting up to 60 hours per year..
- C) A [Combined Forward Work Programme](#) for Cabinet, and the four Overview and Scrutiny Committees is publicly available. There are clear timescales for the submission, publication and distribution of reports. A Scrutiny Workshop was held in October 2018 following the WAO review of scrutiny and one of the improvements Scrutiny Chairs and Vice Chairs agreed to, was to have individual Forward Work Programmes, (fwp) therefore separate forward work programmes were introduced to Overview and Scrutiny Committees from December 2018.

#### Community Involvement

- D) **Community Engagement** has been fundamental in the development of all strategic plans and key decisions. Ensuring people in Conwy are informed, included and listened to, is one of the eight citizen outcomes within the Corporate Plan 2017-2022. In January 2014 Council approved the [Overview & Scrutiny Public Engagement Protocol](#). This includes, amongst other things, webcasting, use of 'expert witnesses', and allowing members of the public to speak at Overview and Scrutiny Committees, similar to those arrangements already in place for Planning Committee. The Authority developed a bilingual software solution for e-petitions, and launched [e-petitions](#) in September 2018. To date no petitions have been received. During the summer of 2016 the first County Conversation was launched, on behalf of all public bodies who serve Conwy County. The findings from the engagement exercise and analysis of the key themes were used to inform the Assessment of Well-being and each public organisation's Well-being Statement & Corporate Plan. The County Conversation was also used for the development of the Conwy & Denbighshire Public Service Board Well-being Plan (published April 2018). The information has been used to support other engagement activities. The Authority has developed an engagement forward work programme to highlight forthcoming engagement exercises and the summary findings are saved to a shared folder so that other officers can learn from the information. The Authority has a [Community Involvement Strategy](#) and staff guide which were approved in April 2018. It enables staff to deposit summary consultation findings into shared folders so that community feedback can be shared with other services which may assist their own service improvements. A [North Wales](#)

[Regional Citizen Panel](#), coordinated by CVSC, is in place. The Citizen Panel is an initiative of the partnership between Health and Social Care services, working with the third and independent sectors across the North Wales region. The aim of the Citizen Panel is to build the capacity and understanding of individuals who are willing to act as representatives for their communities and localities and the primary function of the Citizen Panel is to engage with people who are underrepresented across the region to ensure that their voices, ideas and opinions heard in relation to the improvement and development of future health and social care delivery. In June 2018 the Authority's [Communication & Engagement Strategy](#) was reviewed and aims to provide a better corporate steer in relation to corporate branding and communication and engagement with citizens, staff and other key stakeholders.

- E) The Authority's approach to modernisation, accessibility, openness and engagement has undergone a significant change over the last two years through the work of the Modernisation Programme. The programme has resulted in an increased online customer presence and the opening of new office accommodation in Colwyn Bay in November 2018. The new office, [Coed Pella](#), houses most front lines services in one location ( with the exception of Environment services which are housed in Mochdre). The benefits of the Modernisation Programme, including Coed Pella, were reported to Finance and Resources Overview Scrutiny in [June 2019](#) and include improved customer satisfaction, a more efficient office estate and improved environmental impact. The way in which we communicate and engage with residents is being reviewed in the light of the new technology and Coed Pella. We will be preparing a **Customer Strategy** that will define the way in which we interact with citizens digitally, on the phone and face-to-face. This will replace the old Customer Charter. The Authority also has a number of **forums** to extend engagement with the community. There is a Town and Community Council Forum which rotates the meeting location between a coastal and rural location in order to improve accessibility and attendance. We are continuing to review our engagement with Town and Community Councils and actively looking at ways to link in Town & Community Councils. This is a priority in the Corporate Plan. In July 2018 the Authority rolled out 5 local area forums. The forums are supported by a Head of Service and membership includes all Elected Members whose wards are in the local area forum boundary. The Forums meet quarterly. In addition, there is a Business Forum, Involvement Network, a Third Sector Partnership Committee, People's Partnership, a Youth Council, a Leaving Care forum and a 'Loud Voices' forum for Looked After Children. This is not an exhaustive list. A community involvement database is maintained to provide a list of forums which are both run by the authority and by communities, so that information can be shared and targeted to key stakeholders of interest eg voluntary groups, equality groups, sensory loss groups and so on. This is a useful resource to identify who to engage with according to the topic area. In accordance with the Planning (Wales) Act, the Authority is supporting communities to develop Place Plans. The Authority was part of a pilot to develop Place Plans and has developed a draft **Place Plan** for Abergele. To date no other place plan has been developed.
- F) The Authority has a [Corporate Complaints policy](#) and each service has a complaints link officer. The Complaints Policy was reviewed and updated in March 2019. There is now greater analysis on the types of complaints received so services can learn from the feedback received. This information is reported to Elected Members and is used by services as a method of feedback from the community on where service improvement is needed. A **Complaints and Compliments Report** is published annually each autumn and evaluated for lessons that can be learnt from citizen concerns.
- G) There are a **variety of channels of communication** to support the community to engage with the Authority and vice versa. The Authority has an increasing social media presence through a number of pages, and has made improvements to ensure that messages are visual and plain language. The authority has an increasing number of services which can be applied for or reported on line as well as 3 Conwy apps which support environmental services, tourism and general authority business. In March 2017 a new website content management system was launched which permits greater interaction through the website and permits information to render with tablet and smart phones.

- H) The Authority's [values](#) and key priorities are published in the [Corporate Plan 2017-2022](#) and the Community are encouraged to give their opinion on all key decisions and strategies and they are invited to contribute towards the development and annual review of the Corporate Plan. As previously stated, during the summer of 2016 an extensive engagement exercise was undertaken called 'The County Conversation' to gain community views on the priorities for the new 5 year Corporate Plan (2017 – 2022). Engagement took place online and via attending community groups and working with staff and Elected Members. A draft Corporate Plan (which includes the legislative requirement for a Well-being Statement) was presented to Council in March 2017 and published for public consultation until May 2017. A final approved version was published in October 2017 after a period of engagement with newly Elected Members. Performance data is published on the web and now includes the use of infographics and animation to visualise and communicate data. The [Annual Report](#) on the Authority's performance is published and is available in key reception areas and on the website. Notification is published on the website. The Authority had a bulletin which was posted to every household twice a year, however there was feedback from the community that this was not necessary. As all information is available on the Authority's website, and via social media, the Bulletin has now ceased and the savings made will contribute towards the Authority's efficiency drive. A digital [Council Tax Leaflet](#) and **digital NNDR leaflet** details how the Authority manages its budget is produced annually. Both leaflets were reviewed in 2018/19 and are now in a more accessible and 'public friendly' format. The Authority has procedures in place to comply with the legislative requirements of the **Freedom of Information Act** and the **General Data Protection Regulations** which came into force on 25<sup>th</sup> May 2018.

### Internal arrangements

- I) The Authority has a **Manager's Forum**, and a **Joint Consultative Committee** (JCC) to ensure that there is regular communication with staff and Trades Unions. In 2017/18 the Staff Council undertook a 'pause and review' and was relaunched in March 2018, however it was agreed in December 2018 that the Staff Council should cease given that other communication channels with staff were more appropriate. A monthly team brief is published on the intranet and it was agreed in March 2019 to commence a review regarding its format. For specific activities, staff workshops are held to broaden staff involvement in policy development and key decisions. For many years the authority hosted staff and elected member workshops to help develop improvements through the 'Improving Conwy Scheme', however in 2017/18 Improving Conwy did not take place owing to staff capacity, and the scheme is now being replaced by a new Staff suggestion approach which was presented to Scrutiny and Cabinet in June 2019 as part of the Conwy Opportunities Board proposal. Service team events have been held to gain staff contributions to efficiency savings.

### Collaborations

- J) The Authority maintains relationships with institutional stakeholders and is involved in several collaboration arrangements in order to improve outcomes for the community. The Authority approved a **statement on collaboration** (November 2010) to ensure that good governance and value for money are achieved and that the outcome priorities and values of the Authority are promoted and safeguarded when **working in partnership**. The Authority works with the leaders of other stakeholder organisations through the Conwy & Denbighshire statutory [Public Services Board](#) (PSB) which was established in April 2016. The PSB has developed an Assessment of Well-being to evaluate the views, demographic trends and future needs of communities and published a partnership Well-being Plan in April 2018. The Well-being of Future Generations (Wales) Act and the formation of the statutory PSB requires require the development of a collective approach to governance and in particular scrutiny arrangements. Initially the PSB was scrutinised by the Partnership Overview and Scrutiny Committee in Denbighshire, and Finance and Resources Overview and Scrutiny Committee in Conwy. However after an option appraisal and approval by both Councils, a new joint Scrutiny Committee commenced in May 2019. There is also a **Regional Leadership Board** which seeks to help its members maximise the service level achievable from the resources available. The Regional Leadership Board works together to promote to local people the benefits of self-help, community ownership of facilities and delivery of services by community and voluntary bodies. The board also shares experiences and good practice in making savings and delivering services differently.

- K) Senior Managers and Members represent the Authority at various collaborative Boards. Key collaborations include; the **North Wales Economic Ambition Board, Regional Partnership Board (to promote Health and Social Care integration), Regional Residual Waste Project, sub regional food waste scheme, North Wales Councils Regional Emergency Planning Service (NWCREPS) and the Regional School Effectiveness and Improvement Service (Gwe)**. There is a regional fee group for fee setting in the Residential and Nursing Homes sector and there is a regional domiciliary care contract to secure greater efficiency in the procurement care packages for children and adults. An overview of these collaborations is listed in Appendix B. The Authority also provides services on behalf of other Local authorities eg legal services, research support and Welsh translation services.
- L) Key collaborations are also listed within the Annual Report published each year. The Authority has a comprehensive database and clear categorisation of the different types and levels of partnership working across all service areas, and the benefits of each collaborative project are logged. The Authority has Collaboration Implementation Guidance which must be referred to when implementing a major service change. This guidance links directly into the Authority's Project Management Framework and ensures changes are made to the monitoring and the degree of member scrutiny in collaborative arrangements to strengthen governance. An overview of key collaborations' performance is presented to the Senior Management Team, who review and ascertain which collaboration should be placed on the forward work programme of the most relevant Scrutiny and Overview Committee.

## B.2 Review of Effectiveness

- A) The Authority has clear channels of communication and engagement processes to engage effectively with citizens as well as institutional stakeholders. Key decisions must reflect the Well-being of Future Generations Act and be supported by an Equality Impact Assessment. During 2018/19 the Authority has developed an integrated impact assessment to ensure key decisions reflect equalities, the Wellbeing Act and Data protection. In March 2019 Managers received training on 'Nudge Theory' to help them consider and reflect on the future direction of local government and the need to support community behaviour change and increased resilience. The changes in engagement arrangements outlined above are evidence that we are implementing changes to keep up with changing engagement styles.
- B) A **Citizen Services work stream** was part of the Modernisation Programme to improve the coordination of current arrangements and to implement all customer focussed recommendations made by our regulators. The outputs of the work stream included a new front of house design and staff restructure at Coed Pella, a Communications and Engagement Strategy, a Payments Strategy across the whole council including the withdrawal of the acceptance of cash and cheque face to face payments at all main offices, the introduction of online forms and payment integration, the introduction of Paypal to e-store, and the introduction of Parent Pay in schools. In addition, Customer Service Excellence standard reaccreditation has been gained by the Environment Roads and Facilities Service and Revenue and Benefits Service for the 8<sup>th</sup> consecutive year.
- C) The Authority has used technology to broaden engagement and communication and as a result there are now more online services. The authority also uses videos as a media of sharing information and is developing a style guide to ensure that key strategic plans are published in a more user friendly format. During 2018/19 the authority commenced a project to improve accessibility and transparency for citizens who are deaf, or have vision or hearing loss, and in December 2018 launched a 12 month pilot for a digital interpretation service called [Interpreterslive!](#) In addition applications for Blue Badges are now predominately submitted electronically where only a few months ago 80% of these were submitted in paper form.
- D) A [Complaints and Compliments Report](#) is presented to the Finance & Resources Overview and Scrutiny Committee annually providing a summary of the number of complaints and compliments received, and analyses what can be learnt from this type of feedback.

### **B3 Conclusion of Self-Assessment**

The Authority has improved processes for engaging with local people, should they wish to get involved. The [National Survey for Wales](#) is good evidence of this; 81% of residents stated they knew how to get information about the Authority (compared to the Wales average of 76%) however there is room for improvement in relation to people's perception of decision making. Despite having a process in place for engagement for all key decisions 23% of respondents felt they had the opportunity to participate (compared to a Wales average of 17%). The Authority's approach to engagement is to encourage greater community ownership and to be more community led. We are also aware that with all public organisations aiming to strengthen engagement, there is a risk of community overload and a repetition of questions. We therefore aim to share feedback received and reflect whether the relevant information has been collected, before asking communities the same questions twice, just under a different context. A key challenge which remains is building the level and diversity of community involvement in engagement processes. The Authority is aware that improving community involvement is a key way to work collaboratively, to listen and change when there are opportunities for better integration. It is essential that identified issues are addressed to stop them in the longer term. The overall conclusion for this principle is satisfactory assurance (the criteria for this self-assessment is listed in appendix c)

### **B4 Recommendations for Improvement**

**R2 Complete the Customer Strategy.**

## Principle C. Defining outcomes in terms of sustainable economic, social, cultural and environmental benefits

The long-term nature and impact of many of the public sector's responsibilities mean that it should define and plan outcomes and that these should be sustainable. The governing body should ensure that its decisions further the entity's purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available.

### C.1 Current Arrangements

- A) During every administration, the Authority publishes a **Vision** and five year strategic **Corporate Plan** to provide a focus on the Authority's key priorities for improvement. The Corporate Plan 2017-2022 was developed through community engagement, and was approved in draft in March 2017. A final version was approved in October 2017 by the newly elected administration. An annual review and consultation for the Corporate Plan takes place each year and seeks the views of stakeholders including members of the public, businesses, Town Councils, County Councillors, staff, voluntary groups, community groups and Conwy Youth Council.
- B) The [Corporate Plan 2017-2022](#) is based on 8 citizen focused outcomes which reflect the economic, social, cultural and environmental aspirations which define the sustainability principle. The 8 outcomes have been aligned to the 7 outcomes of the Well-being of Future Generations (Wales) Act 2015 and the actions reflect the 5 ways of working. In accordance with the Well-being of Future Generations (Wales) Act 2015, a [Conwy & Denbighshire Public Services Board](#) was formed in April 2016 and an 'Assessment of Well-being' was completed to review community views and demographic information which supports the 7 well-being goals. The assessment informed the development of the Corporate Plan 2017-2022, and the development of a PSB Well-being Plan which was approved in April 2018.
- C) Invitations to share views to form the engagement process for the Corporate Plan and PSB Well-being Plan were undertaken collectively. Invitations were advertised in an article in the Conwy Bulletin, via social media, through an advert on the front page of the Authority's website, and through a press release which received good coverage in the local paper. Stakeholders could submit their views via online, by email, letter or phone or through discussing with staff. Staff and Elected Member workshops were held and conversations took place with a number of community forums. Discussions and workshops also took place with all Town & Community Councils, and emails were sent to the business forum and Conwy Voluntary Services Council (CVSC) members. Feedback from other consultations that the Authority had undertaken were also analysed.
- D) The Authority is a member of a number of other **Strategic Partnerships**. The [Conwy Local Action Group](#) work to implement the Local Development Strategy 2014 - 2020. The **Conwy Growth Strategy Board** has been established to mirror the work of the North Wales Economic Ambition Board at a local level. A Conwy Economic Growth Strategy was published in August 2017. This strategy oversees a suite of economic strategies including the County Economic Regeneration Strategy, Destination Conwy, Events Strategy and a Social Enterprise action plan.
- E) Conwy **People's Partnership** focuses on well-being and the partnership priorities are in line with the 8 citizen outcomes. There is also a **Community Safety Partnership** (regional and sub-regional with Denbighshire) and a regional and sub-regional (with Denbighshire) **Local Safeguarding Boards**. A Strategic Housing Partnership supports the implementation of the [Conwy Local Housing Strategy](#) which was approved in summer 2018. The Authority also

works collaboratively with health colleagues in the community mental health partnerships (CMHTs). The cessation of the Communities First Partnership occurred in March 2018. A legacy fund was made available for one year and reported progress to the PSB.

- F) The governance and effectiveness of these partnerships is reviewed through annual progress reports which are presented to the most relevant scrutiny committee according to the service area they support. External regulatory reports are also undertaken from time to time, the most recent being a review of CMHTS by Care Inspectorate Wales and Health Inspectorate Wales. All reports are presented to Audit & Governance Committee.
- G) The Corporate Plan provides a framework that helps shape budget plans, and against which the Authority can assess and account to the community on the level of progress made against targets set, and inform them about areas for further improvement. A **Medium Term Financial Strategy** is also reviewed annually, in line with the corporate priorities, and was received by Council in March 2019. The Authority has a **Business Planning Framework** which outlines the process and criteria for business cases for revenue and capital investment and how the expenditure will be monitored.
- H) Each service area produces an outcome focused service plan which reflects how the service contributes to the corporate priorities. The service plans include measures to evidence how actions will make a difference and service risk registers and issue logs are produced to assess any barriers to implementation. The service plans are reviewed annually and six monthly Service Performance Reviews (SPRs) are undertaken. A corporate performance report is presented to Finance & Resources Overview and Scrutiny Committee and Cabinet after each round of SPRs detailing the action and measure progress. This is supported by a highlight report on the key messages from the SPRs.

## C2 Review of Effectiveness

The Authority has had long term outcome focused plans in place for a number of years, and the culture of outcome based planning is embedded in partnership plans, the Corporate Plan and at all levels of the organisation, including service plans. All key strategic plans are aligned to the relevant citizen outcome and all reports submitted for democratic approval must evidence how they support the Well-being of Future Generations Act and to which Corporate Plan outcome they contribute.

We regularly review strategic plans, and the following were also approved by Cabinet / Council in 2018/19.

- Conwy Local Housing Strategy
- Investment Strategy
- Capital Strategy
- Community Involvement Strategy and staff guide
- Education Social Inclusion Strategy
- Social Care Commissioning Strategy
- Communications and Engagement Strategy
- Growth Vision and Strategy for the Economy of North Wales Governance Agreement
- Conwy's Welsh in Education Strategic Plan
- North Wales Learning Disability Strategy
- Regional Homeless Strategy
- Destination Conwy Management Plan

### **C3 Conclusion of Self-Assessment**

There are sound governance arrangements in place for the strategic priorities of the Authority and these have been outcome based for a number of years. All strategic plans are produced after implementing community engagement processes and are supported with resource management. There are strong links between strategic and financial planning. Key decisions reflect the impact on a number of factors, including sustainability, and the Authority continues to embed the Well-being of Future Generations (Wales) Act 2015 within the culture of the organisation by ensuring that the Act has been considered in all key plans and all key decisions presented to democracy. The overall conclusion for this principle is high assurance (the criteria for this self-assessment is listed in appendix c)

### **C4 Recommendations for Improvement**

There are no recommendations for improvement.

## Principle D. Determining the interventions necessary to optimise the achievement of the intended outcomes

The public sector achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions. Determining the right mix of interventions is a critically important strategic choice that governing bodies of public sector entities have to make to ensure they achieve their intended outcomes. Public sector entities need robust decision-making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed continually to ensure that achievement of outcomes is optimised.

### D1 Current Arrangements

- A) Conwy County Borough Council has an approved [Constitution](#) which sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. Some of these processes are required by law, while others are a matter for the Council to choose. The Constitution, which can be found on the Authority's website sets out:
- i. how the Authority operates and makes decisions;
  - ii. the procedures to ensure that decision-making is transparent and accountable to local people and other stakeholders;
  - iii. the key roles of all members and senior officers, including the lead responsibilities for corporate governance of the Leader, the Chief Executive and other designated senior officers;
  - iv. a scheme of delegated powers for decision-taking;
  - v. responsibilities for reviewing and agreeing the Authority's corporate governance arrangements;
  - vi. arrangements for ensuring it is regularly reviewed and updated;
  - vii. related codes and protocols.

Council has approved the modernisation of the Constitution and Members will be involved in this exercise which will focus on the format and accessibility of the Constitution rather than its formal content.

- B) **Policy approval and decision-making** is undertaken by Elected Members, the meetings of which are open to the public except where exempt matters are being discussed under Schedule 12A Local Government Act 1972. Approval is given by:
- i. The Council, which meets a minimum of four times a year. It approves overall policies and sets the budget each year. The Council agrees the form of the Authority's Committees (in accordance with the provisions of the Local Government (Wales) Measure 2011 where appropriate), appoints the Leader of the Council (who in turn appoints the Council's Cabinet) and carries out all other functions assigned to it under the Constitution (which includes any statutory functions which are the responsibility of the Council);
  - ii. Cabinet, which meets at least monthly, approves all decisions which do not fall to be determined under (i) (iii) or (iv) of this para (B), and
  - iii. The regulatory committees (Planning Committee, Audit and Governance Committee, and Licensing and Regulation Committee),
  - iv. The Council's scheme of delegation to committees and officers as set out in the Constitution.

The roles and responsibilities of each Cabinet Member are published on the Authority's website. The Cabinet also meets informally (**Informal Cabinet**) to receive briefings and to discuss emerging issues but no decisions are made at Informal Cabinet meetings. There are four **Overview and Scrutiny committees: Finance & Resources** (chaired by the leader of the

biggest political party not represented on the Executive and meets monthly), **Economy & Place, Education & Skills** and **Social Care and Health** (which meet as a minimum 6 weekly). Their role is to review, scrutinise and hold to account the performance of the Cabinet, decision-making committees and officers. A Scrutiny “Call-In” process for decisions which have been made but not yet implemented is incorporated in the Constitution in order to consider their appropriateness. There was 1 ‘call in’ in 2018/19 which related to Home to School Transport. In addition, the Authority has three regulatory committees: **Planning Committee, Licensing and Regulation Committee** and **Audit & Governance Committee**. The **Audit & Governance Committee** is independent of the executive and scrutiny functions and its purpose is to provide independent assurance of the adequacy of the internal control framework including governance and risk management, to provide independent scrutiny of the Authority’s financial and non-financial performance and to oversee the financial reporting process. In accordance with the requirements of the Local Government (Wales) Measure, the Authority has two appointed Lay Members to the Audit & Governance Committee who sit for the period of the administration. There is also a **Standards Committee** (which includes lay members), which aims to promote high standards of conduct and behaviour by Elected Members. These committees meet regularly throughout the year and all meeting dates are published on an annual timetable of meetings which is available on the Authority’s website.

The Authority also has a **Democratic Services Committee**. The functions of the committee are to ensure there is adequate support for meetings of the Council and its Committees; to promote the role of Overview and Scrutiny; provide support and advice to individual Councillors in carrying out their roles as members and resource Member development and training. The Committee can produce reports and make recommendations to the Council in relation to such provision. The Committee meets 4 times a year.

- C) The **Report Review Group** (RRG) consists of the Chief Executive, Strategic Directors, Head of Law and Governance, and the Leader. They meet twice a month to review the reports scheduled to go to Cabinet, and consider the forward work plans of the Scrutiny functions to form a view of developing work patterns and identify any capacity issues that might arise. In addition, the Group ensures synergy between the work plans of Council, Cabinet, the Scrutiny function, and Strategic Management. All reports considered by the Council, Cabinet and Committees and the minutes of decisions taken are, unless exempt, made available on the Authority’s website.
- D) The Chief Executive Officer (CEO) and Strategic Directors are accountable for ensuring that the Council Priorities are delivered, and performance against key targets is regularly monitored via the performance management framework and is reported to Members. The CEO has a schedule of regular meetings with the Leader and there are frequent meetings between senior managers and Cabinet through Informal Cabinet meetings. There are also regular Member/ Officer meetings relating to specific matters and updates on progress generally. The CEO and Strategic Directors together with the Head of Environment, Roads & Facilities, Head of Corporate Human Resources and the Monitoring Officer meet twice a month as a **Strategic Leadership Team** (SLT). The senior management of the Authority meet monthly as the **Senior Management Team** (SMT), comprising the CEO, Strategic Directors, all Heads of Service and relevant direct reports from across the Authority. A **Managers’ Forum** meets quarterly to share messages and seek consistency, listen to key note speakers and debate developments between Directors and managers within the organisation.
- E) Agreed arrangements enable the Authority to comply with statutory requirements in respect of **child protection** and the **protection of vulnerable adults**. The Safeguarding policy was reviewed, updated and approved in April 2017. The Chief Executive chairs the Corporate Safeguarding Panel demonstrating corporate leadership and ensuring sufficient strategic coverage across the Authority.
- F) Following the departure of the Safeguarding Manager in June 2017, the service has been restructured and a Service Manager for Safeguarding was appointed and commenced in role January 2018. A second follow up of Corporate Safeguarding issued in July 2018 identified the

Safeguarding Service Manager has driven much improvement since the follow up in November 2017, resulting in a reassessment of the audit opinion to a satisfactory level of assurance. The main outstanding issue is the delay in the provision of online training to members of staff.

- G) Recruitment procedures help to ensure that Authority employees and members working with children or vulnerable adults are checked for their suitability to do so. In December 2016 the Authority established a **School effectiveness and standards Group** to review school performance. The group, chaired by the Chief Education Officer, includes Elected Members, the Strategic Director for Social Care & Education, and representative from Gwe. It meets with each secondary and primary senior management team on a rotational basis to review and support school improvement. There is an annual review of secondary schools and 3 yearly cycle for primary schools. The order is in line with school categorisation.
- H) In accordance with its statutory responsibilities, the Authority has in place a **Health and Safety Policy** and related procedures. There is a Health and Safety Leadership Group which provides a high level oversight of our compliance with H & S rules, regulations and principles in order to help improve health, safety and welfare. An annual report on Health and Safety is produced and presented to SMT, Health, Safety and Health Promotions Committee and Finance & Resources Overview & Scrutiny Committee.

## **D2 Review of Effectiveness**

- A) The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. As part of this, the Constitution is kept under regular review by the Monitoring Officer. The Head of Regulatory Services and Housing is the Senior Responsible Officer in respect of the Regulation of Investigatory Powers Act.
- B) The Authority is challenged on the self-assessment of effectiveness of managing risk through the Audit and Governance Committee and annual meetings with Wales Audit Office. Assurances are also sought from Heads of Service in respect of risk management and the control environment for which they have responsibility. The risk register is also tabled for review each month at Informal Cabinet and Senior Management Team.
- C) There are regular reports on key performance indicators. Underperforming areas provide evidence regarding what action is being taken to address/manage the decline. The Authority has clear and aligned planning and financial cycles and there is a published forward work programme of all committee meetings and dates for the consideration and approval of decisions. The Medium Term Financial Strategy integrates and balances key priorities with affordability and other financial pressures. All key decisions presented for democratic approval are evidenced to show how they support The Well-being of Future Generations (Wales) Act 2015, corporate priority outcomes, what level of engagement has taken place and what level of risk is associated with the decision. The Corporate priorities are supported by relevant performance indicators and each service has a service plan and measures which are reviewed by Members every six months.

## **D3 Conclusion of Self-Assessment**

The Authority is satisfied that there are clearly defined functions and roles to facilitate Members and Officers working together to achieve a common purpose, and to determine the interventions necessary to meet the Well-being of Future Generations (Wales) Act and the corporate outcomes. The overall conclusion for this principle is high assurance (the criteria for this self-assessment is listed in appendix c)

## **D4 Recommendations for Improvement**

**R3** That the recommendations from the internal audit of corporate safeguarding continue to be implemented.

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

Public sector entities need appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mind set, to operate efficiently and effectively and achieve their intended outcomes within the specified periods. The governing body must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that an entity's management has the operational capacity for the entity as a whole. Because both individuals and the environment in which an entity operates will change over time, there will be a continuous need to develop the entity's capacity as well as the skills and experience of the leadership of individual staff members.

### E1 Current Arrangements

- A) Conwy County Borough Council has a **Members' Development Strategy 2017 - 2022**. The strategy aims to provide elected members with access to appropriate levels of knowledge, skills and development opportunities needed to fulfil their roles. A **Member induction programme** was organised after the May elections to ensure all new and returning Elected Members were made aware of their role and responsibilities and how the Authority functions. There is an ongoing programme of Member Development in place which is reviewed annually by the Democratic Services Committee. The monthly Member Development and Information Forum continues, which is an opportunity to keep Members up to date with forthcoming changes.
- B) The Corporate **Human Resources (HR) Strategy** was approved by Cabinet in December 2013 and is scheduled for review. The authority is required to continuously improve its performance against the backdrop of significantly reduced budgetary provision. As a people intensive business, to do this successfully it is necessary to pay particular attention to staff and business and working practices.
- C) The HR Strategy sets out the authority's approach to the resourcing, leadership, management, development, deployment, performance, culture and reward of employees. It also helps to provide clarity for managers and individuals about what is expected from them. This is not, however, a strategy for our Human Resources professionals, it is a strategy that is owned collectively by the Council, from the County Councillors to front-line service delivering employees. Corporate and service objectives are similarly co-owned. It is intended to be a flexible strategy which reflects our current and future needs.
- D) The delivery of our HR Strategy is about ensuring that the authority can continue to deliver services that are affordable whilst creating an organisational culture of empowerment, initiative, innovation challenge and support, positioning the Authority to become an 'Employer of Choice' and ensuring that people aspire to work for Conwy County Borough Council owing to its excellent reputation as a local employer. There are a series of **HR policies** which support a variety of aspects of staff management, all of which are regularly reviewed and accessible via the Authority intranet. A staff survey is undertaken every 3 years to seek staff views.
- E) Organisational development is important for the Authority. A new Corporate Organisation Development Manager was appointed in May 2018. Since that time the content of Corporate Induction has been reviewed and updated to ensure information remains engaging and appropriate. All members of staff are issued with a contract, job description and have an annual **performance development review (PDR)**. The PDR is based on a competency framework which was rolled out across the authority in 2013 and was updated in 2016. This process also includes group PDRs for specific staff groups where deemed appropriate. However staff can still request an individual PDR. After discussion at senior Management team, the PDR process

will be reviewed again in 2019/20 to ensure that it remains suitable and fitting tool for driving employee and organisational performance now and in the future. All staff can access a **Corporate Training Plan** which includes a variety of courses to support personal and organisational development. The L&D Plan for 2019 and 2020 has been refreshed for this year and includes new opportunities which support the SMT Charter as well as a Management Development Programme delivered through an apprenticeship framework. This process is used to support service **succession planning**.

F) The Authority proactively promotes good health and supports well-being by:

- Providing a safe workplace.
- Promoting work/life balance.
- Supporting employees during periods of ill health.
- Encouraging a supportive work environment with a no blame culture.
- Encouraging good health.
- Alcohol and Substance Misuse Policy
- Attendance Management Policy
- Domestic Abuse and Violence Against Women Policy
- Smoke Free Policy
- Occupational Health Service
- Rapid Access Physiotherapy Service
- Mental Health Policy
- Charter Signatory: Mindful Employer
- Health and Well Being Framework

G) The Authority has processes in place to manage and support staff who cannot attend work owing to illness. The **Attendance Management Policy** was published in June 2016. Good attendance is a key element of our performance culture, and the authority aims to create a working environment that promotes the health and well-being of employees. The policy promotes a fair, consistent and supportive approach to managing attendance and encourages a culture of good attendance. The authority takes proactive steps to manage recurring short-term absence including return to work interviews and trigger points. However, there is also sensitivity for the needs of longer term, chronically sick and disabled employees, and there is provision to make reasonable adjustments to duties and the work environment in order to assist employees in achieving good levels of attendance. Attendance management had been identified as an area which was lower in comparison to other authorities in Wales and as a result of being closely monitored there has been improvement. Monthly reports are provided to senior managers in to enable them to manage attendance in their service area. Early intervention in areas with a significant issue has proved beneficial, and a dedicated HR officer provides focused support for attendance management. The authority utilises an external company for **occupational health** support (Health Management Ltd) which offers pre-employment screening and referrals.

H) The authority also provides an employee assistance and employee benefits scheme through **Care First**. The service is confidential and all Care first information specialists are trained and experienced advice workers who can ensure accurate information is provided immediately on a wide range of issues which affect daily life. This give employees access to a variety of support, from counselling, to information and advice on work and personal issues. Care First also provide a **Care First Zest** which is a website and mobile app offering employees and elected members free access to an interactive health and wellbeing portal which includes a food and exercise diary, personal training programme and wellbeing checks. Maintaining health and wellbeing has been shown to help strengthen immunity, wellbeing and supports personal resilience.

I) The Authority has a **scheme of delegation** which clearly defines the mandate for decision making within all levels of the organisation. This is supported by **Standing Orders and financial regulations** which are regularly reviewed.

J) Information is cascaded to staff through digital screens, Team Brief, email, the intranet and team meetings. The website is compatible with tablets and smart phones and the Authority now has a much bigger presence on social media, utilising more graphic design and informal language. Staff were invited to share their ideas through the Staff Council, Improving Conwy and the 'Have your say' area of the intranet, however these approaches have been reviewed and a new staff ideas and Conwy Opportunities Board is due to be launched in the summer of 2019 to replace the old schemes. In addition to Committee papers, Members are given a fortnightly Member Information pack on recent activity across the Authority. Team meetings are regularly held by all services. In order to improve communication below Head of Service level, there is a Managers' Forum to support a more informed and inclusive approach and promote good governance, communication and compliance amongst all staff. A communication forward work programme has been developed to organise information published and to ensure that messages are cascaded appropriately.

## E2 Review of Effectiveness

- A) The Authority completed performance appraisals for the CEO, Strategic Directors and Performance and Development Reviews (PDR's) have also been held for all Heads of Service. The Authority has an approved Local Pay Policy Statement which is reported to Council annually. This ensures the Authority complies with the need for adequate accountability and transparency around senior management pay in the public sector. The 2018 Staff survey revealed that overall staff are satisfied with where they work, confident in leadership, change management, and communication has improved.
- B) The HR policies are regularly reviewed, and in 18/19 the following policies were reviewed and updated:
- Disclosure and Barring Scheme Policy
  - Engaging Volunteers Policy
  - Management of Contractors ( Health and Safety) Policy
- C) The Authority has a schedule in place to develop and monitor the capacity and capability of members and officers to ensure they are effective. Developing our staff is an objective in the Corporate Plan, and in each PDR staff are encouraged to put forward ideas for service efficiencies and improvement. The % of staff who have had a PDR is regularly monitored and reported to Senior Managers and to Members.

Year	PDR out turn
10/11	64.57%
11/12	70.47%
12/13	68.77%
13/14	62.72%
14/15	75.77%
15/16	72.79%
16/17	76.03%
17/18	78.00%
18/19	73.76%

- D) The PDR performance shows a decrease in performance, and discussions take place with the service areas where performance has declined. The PDR process is a valued process to ensure that all staff are aware of their objectives, have an opportunity to assess and discuss their core competencies and review their training needs. However feedback received from staff is that one standard format is not necessarily appropriate for the wide variety of roles across the council. As stated above, the PDR process will therefore be reviewed during 2019/20. PDR performance will continue to be monitored through Service Performance Reviews. There are good

arrangements in place for employee support, and this was acknowledged in March 2019 when the Authority was awarded the Silver Corporate Health Standard by [Healthy Working Wales](#).

- E) Staff attendance performance is open and transparent. Twice yearly reports are tabled at Finance & Resources Overview & Scrutiny Committee. Whilst performance has declined slightly but is significantly better than two years ago. The Authority was placed 6 out of 22 Welsh Authorities for the year end outturn.

For the period April 2018 – March 2019, the total days lost to sickness absence per FTE staff member for this period was 9.98. This represents a slight decrease in performance from 2017/18 when the year-end outturn was 9.65 days per FTE.

33,288 sick days were taken. This is an increase of 1,020 days when compared to 17/18 however is significantly less than the 6,189 days taken in 2016/17.

15 of 26 reporting units bettered the Authority's estimate of 9.5 days per FTE.

14 of 26 reporting units achieved or bettered their service specific estimates

278 Improvement notices were issued (an increase on the previous year).

- F) All Corporate Priorities and Corporate Risks are assigned to Senior Managers and Cabinet Members in order that they can be held to account for the effectiveness of implementation. The implementation of the Members' Development Strategy is monitored by the Democratic Services Committee. All Elected Members who are in receipt of a senior salary have an annual PDR and PDRs are offered to all other councillors should they choose to have one. As a minimum, all Elected Members are required to complete a training needs analysis questionnaire. Members are given the opportunity to produce an annual report for each financial year. However, these reports are not obligatory.

### **E3 Conclusion of Self-Assessment**

There are good systems in place to support and develop both Elected Members and staff and reports on performance are presented to Members via Scrutiny and via SPRs. The roles and responsibilities of Members and Officers are clearly defined – particularly in relation to the role of the Leader and Chief Executive, who meet regularly to discuss and review the Authority's progress. The Elected Member and Corporate staff induction is now well embedded, and regularly reviewed to ensure it encompasses key changes, ensuring that all new starters are aware of governance processes within the authority and the support available to development them in their professional role. The induction process includes information on the Well-being of Future Generations (Wales) Act 2015. The ongoing programme of training, enables continuous improvement and now includes an increasing number of e learning modules which enable staff to access training at a time that suits them. The approach ensures the ongoing development of the Authority's Members and staff, so that we are upskilling people, supporting them, preventing hr issues arising where feasible, and developing the leaders of the future, in line with the requirements of the Well-being Act. The overall conclusion for this principle is high assurance (the criteria for this self-assessment is listed in appendix c).

### **E4 Recommendations for Improvement**

#### **R4 Complete the review of the HR Strategy**

## **Principle F. Managing risks and performance through robust internal control and strong public financial management**

The governing bodies of public sector entities need to ensure that the entities they oversee have implemented—and can sustain—an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and crucial to the achievement of outcomes. They consist of an ongoing process designed to identify and address significant risks involved in achieving an entity's outcomes.

### **F1 Current Arrangements**

- A) The Authority uses an integrated performance management system, **CAMMS**, to support service planning, risk management, incidents, audit and project management. CAMMS facilitates the greater linkage and integration of service outcomes, project actions and risk management, supporting the requirement that risk management is an integral part of decision making and actions. In 2017 WAO also undertook an audit of CAMMS, the Authority's performance management system and in July 2018 concluded that "The performance management system collates data efficiently and supports the Council's evaluation of its work, but currently lacks financial information." The **Performance Management Framework**, (PMF) is reviewed when required to reflect policy and performance indicator changes. The framework seeks to provide a clear link between the delivery of objectives set for individual officers in their personal development plans and how they contribute to the achievement of service plans which in turn help deliver the Corporate Plan citizen outcomes. Through these links the Authority can demonstrate the contribution to improving the County of Conwy both to meet the needs of the present, without compromising the needs of future generations. Progress against actions and performance measures is monitored twice yearly through the **Service Performance Reviews**. The reviews form a self-assessment of performance and are a method of seeking assurance from Heads of Service that internal control arrangements are in place within their service area. Annually each Head of Service and their Strategic Director signs a written statement of assurance. The Service Performance Reviews are attended by a Strategic Director, the Deputy Leader, Portfolio Cabinet Member, and representation from the two most relevant Scrutiny Committees, who provide support and challenge to the service self-assessment. An open invitation is extended to all Elected Members to attend a service performance view should they so wish. A **Corporate Performance Report** is produced every six months and an **Annual Report** accounting for performance and benchmark with other Authorities is published by 31<sup>st</sup> October each year.
- B) The Authority has a **Risk Management Policy** and **Procedural Manual** in place. A policy and procedural manual for primary and secondary schools is included in the arrangements of the regional school improvement service, Gwe. The Risk Policy and Procedural Manual incorporate the framework for managing risks and issues throughout the Authority and include the roles and responsibilities for risk management. In addition to Service risk & issues registers, the Authority has an established Corporate Risk & Issues Register. Each risk/issue is assigned to a Strategic Director or Head of Service and lead Elected Member. The register is maintained and managed through the Improvement and Audit Group, the Strategic Leadership Team and Senior Management Team. The Corporate risk register is reviewed monthly by Informal Cabinet and by the Senior Management Team. The risks are reported to Elected Members formally through the democratic process. The Authority discussed its corporate risks with its external auditors on a 6 monthly enabling the risks to be considered in a regular and structured manner with a degree of external support and challenge. This process has now changed to 6 monthly meetings with Strategic Directors and the Leader, Cabinet Member for Finance & Resources, and an annual meeting with WAO. WAO still receive the Corporate Risk Register every 6 months as part of the presentation of the register to Audit & Governance Committee. Training on risk management is scheduled twice a year through the Corporate Training Team. In addition, the corporate risks are considered during the **Business Planning Framework** process that

supports the Authority's resource allocation process. The Authority has a rolling programme of **Enhanced Risk Management**, which involves a detailed review of each Corporate Risk to assess the effectiveness of risk controls and actions and appropriate accountability in order to provide a level of assurance for the management of each risk.

- C) A **Programme and Project Managers Forum (PPM)** meets on a quarterly basis. Attendees include identified Programme and Project Managers from across the Authority as well as Project Support Officers and Officers wishing to develop their skills. The role of the Forum is to share knowledge and best practice and provide Project and Programme Managers with the corporate knowledge (i.e. governance, standing orders etc) that they require to implement their Projects and Programmes. The Project & Programme Management Framework was updated in June 2017 to reflect the Well-being of Future Generations (Wales) Act and changes within CAMMs and is in the process of being updated again in light of lessons learned from the Mochdre Commerce Park review.
- D) The Authority is committed to improving its procurement processes and the Corporate Procurement Service is actively involved in supporting services to procure goods and services in compliance with relevant legislation and the internal rules of the Authority embodied in its Contract Procurement Rules. The Authority has strong links with both the Welsh Government through its Value Wales Team and neighbouring public sector bodies. The Authority signed up to the National Procurement Service in December 2012. This has enabled the Authority to undertake procurement of common and repetitive spend items on a National basis across the whole of the public sector, with the aim of securing efficiency savings and price savings by reducing the number of procurement exercises and aggregating buying power. At this time, the NPS's future is uncertain as alternative arrangements are being developed by Welsh Government. Procedures for tendering and contract letting are included in the Authority's Contract Procurement Rules. Council approved a revised set of **Contract Procedure Rules (CPRs)** in December 2018. A revised **Corporate Procurement Strategy 2015-2020** was approved in February 2016. The procurement strategy aims to improve the understanding of the Authority's stance on procurement, relating to sustainability, safeguarding, and equality issues, and to promote good practise across the departments and ensure awareness of CPRs. The Authority's **Treasury Management** arrangements follow professional practice and are subject to regular review. In order to ensure the successful delivery of services and completion of projects, central guidance and support is provided in respect of **procurement and project management**. All significant programmes and projects are monitored corporately and the relevant **Overview and Scrutiny Committees** where highlight reports can be referred for further scrutiny and challenge.
- E) There are robust arrangements for effective **financial control** through the Authority's accounting procedures and financial regulations. These include established budget planning procedures, which are subject to risk assessment, and regular reports to members comparing forecasts of revenue and capital expenditure to annual budgets and a business planning framework process that supports the Authority's resource allocation process. In March 2019 Council approved a **Medium Term Financial Strategy (MTFS)** which clarifies the financial planning process and the links between medium term resource allocation and the corporate priorities. The **Chief Financial Officer's** role (S151 Officer) is included in the responsibilities of the Strategic Director of Finance and Efficiencies. The Director has responsibility for the proper administration of the Authority's financial affairs, as required by Section 151 of the Local Government Act 1972, and has responsibility for overseeing that sound governance arrangements are in place and are embedded in the Authority. This includes co-ordinating the review of the Annual Governance Statement and the implementation of any areas for improvement. The Strategic Director of Finance and Efficiencies is a member of the Strategic Leadership Team (SLT) and reports to the Chief Executive. As a member of SLT the Strategic Director Finance and Efficiencies is able to develop and implement strategy and to resource and deliver the Authority's strategic objectives, ensuring they are sustainable, in the public interest, and aligned to the overall financial strategy. The Authority complies fully with the principles of CIPFA's Statement on the role of the Chief Financial Officer in Local Government

(2010). The Authority's Annual Statement of Accounts is prepared following the Code of Practice on Local Authority Accounting and is subject to audit by Wales Audit Office.

- F) The Authority's Information Management Strategy finished in 2017. This has been reviewed and a revised **Information Management Framework** of information policies was approved in May 2019. An annual action plan supports the Framework. The purpose of this framework is to ensure that the Authority is able to make best use of its information assets to inform its operational, strategic and transformational business requirements and complies with the legislation, standards and codes of practice for records and information management. The implementation of the Framework is being overseen by an Information Governance Group (IGG). The purpose of the group is to provide strategic direction for information management. The membership of this group was reviewed in May 2018. The IGG is chaired by the Head of Regulatory Services and Housing, who is the Authority's SIRO (Senior Information Risk Owner). A Corporate ICT strategy 2017-2022 was approved in October 2017.
- G) The Authority established a project in 2017 to ensure that the **General Data Protection Regulations (GDPR)** were embedded in business processes in readiness for the May 2018 deadline. The Data Protection Policy and a suite of supporting policies, procedures and privacy notices were updated. An awareness raising communication plan was implemented across the authority, and training was provided to over 300 staff prior to the 25<sup>th</sup> May deadline. An ongoing programme of training remains in place and is supported by an e-learning module. The Authority also has procedures in place to meet its responsibilities under the **Environmental Information Regulations** and the **Freedom of Information Act, 2000**. In compliance with the latter, the Authority's website includes an Access to Information Publication Scheme which provides guidance on information which the Authority publishes routinely. The website also includes other information which the Authority is required to publish, such as allowances paid to members in accordance with statutory provisions. The Authority has a **Research and Information Unit** which provides statistical data and needs analysis to support and inform decisions.

## F2 Review of Effectiveness

- A) The Authority continues to review internal controls and make changes as required by legislation. Internal Audit continue to review and develop the Assurance Map developed in 2017/18 which is used to inform the Internal Audit Annual Plan. The Head of Audit & Procurement Services and the Audit Managers meet regularly with service management teams to discuss their latest risks, concerns and requirements. This ensures that Internal Audit are up to date and aware of emerging issues and risks and will be able to focus resources in the greatest areas of priority and risk at the time. The assurance mapping process also ensures that any assurance gaps are filled and that there is no 'over assurance' in any activity. The map allows Internal Audit to provide a more flexible approach to internal auditing taking into account any changes in the organisation. The assurance map is shared with the Audit and Governance Committee and assists the Committee in assessing the Council's assurance framework and ensuring that it adequately addresses the risks and priorities of the Council. This supports the Committee's approval of the risk based plan.
- B) Despite 11 years of austerity, the Authority has a good track record of managing its spending plans within the approved budget. Successive Annual Improvement Reports produced by the Wales Audit Office (WAO) conclude that there is good internal control. In March 2019 Wales Audit Office published the findings of their audit on the follow up of proposals for improvement. The purpose of this review was to gain assurance that the Authority has effective arrangements for addressing proposals for improvement and recommendations made by the Wales Audit Office and is evaluating the extent to which its actions are contributing to delivering improved service performance and outcomes for citizens.

The conclusion was

*The Council has satisfactory processes for addressing proposals for improvement and recommendations from the Wales Audit Office.*

There were no recommendations or proposals for improvement.

- C) As stated in principle B, the **Modernisation Programme** has implemented the business case and relevant policies in order to deliver the corporate objective to modernise the way we work. The Board was chaired by the Chief Executive and the corporate work streams for Citizens, Communication, Assets, ICT, Business Processes and Communications & Change Management all reported the achievement of all objectives on time and within budget when the Programme was brought to a close in June 2019. The Authority has implemented a host of new initiatives which will improve the customer experience whilst reducing financial cost eg online payments, the Conwy app, and new website. The closure of the Modernisation Programme is not the end of modernisation. A proposal for a new Conwy Opportunities Board (which will include a process for generating staff ideas and a corporate oversight of all significant projects and programmes across the Authority) is being presented to democracy in June 2019.

The Modernisation Programme represents an excellent example where the Authority's implementation of a sound project and programme framework has yielded exemplar results. However the Council's usually robust governance and procedural arrangements fell short in the acquisition of the lease at Mochdre Commerce Park. This resulted in the Council being unable to occupy the building until a solution to structural issues is found. In March 2019 a Special Finance and Resources Overview and Scrutiny Meeting was held to inform Members on the independent fact finding report commissioned by the Chief Executive relating to the lease. The report identified a lack of project management and governance as the root cause of problems with the lease and made a number of recommendations to prevent re-occurrence. This is clearly of great disappointment for the Authority, and lessons have been learned from this process. The Authority has developed a comprehensive action plan in response to the findings which is currently being implemented and is confident that such a situation would not happen again.

- D) The **Annual Certificate of Compliance** confirmed that the Authority complied with its responsibilities relating to financial reporting, use of resources, improvement planning and performance management. In common with all Public Sector organisations the Authority delivered significant budgetary savings during 2018/19 in the sum of £6.161m. The Authority is actively planning to deliver further savings and is faced with a resource shortfall of £8.610m in 2019/20 and is preparing for a potential resource shortfall of £12.107m for 2020/21 and £10.028m for 2021/22. The Authority is looking at a number of key areas in order to develop a strategy to close the emerging financial gap. This includes reshaping services, further modernising the way we work and involvement in regional programmes where Conwy works in partnership with other public sector bodies to share areas of expertise and service delivery.
- E) The Annual Report on the Authority's assessment of its performance and published Performance Indicators are audited by WAO through their Corporate and Performance Assessment. The findings of all WAO audits undertaken during the financial year are summarised in their Annual Improvement Report (AIR). The WAO AIR 2018/2019 was received in June 2019 and concluded that "The Council is meeting its statutory requirements in relation to continuous improvement but faces challenges going forward." There were no recommendations for improvement and there are action plans in place to address proposals for improvement noted in individual audits.

- F) Heads of Service provide assurance in their professional capacity for their service area through the presentation of reports, and biannual service reviews that provide assurance of risk management, the implementation of external and internal recommendations and progress on performance. Effectiveness is challenged through reviews undertaken both internally (Scrutiny, Internal Audit, Service Performance Reviews, and the Improvement and Audit Group) and through reports published by external auditors and inspectors. Each May all Heads of Service and their Strategic Director also sign a Statement of Assurance.

### **F3 Conclusion of Self-Assessment**

The Authority has a clear strategic direction which is based upon citizen focused outcomes and delivery is interlinked with risk management. All corporate risks are categorised by citizen outcome, to highlight the connection to the Well-being of Future Generations (Wales) Act and the Corporate Plan. The risk procedure 'prompts' ensure that the authority thinks of longer term risks and implications. The invitation to our external auditors to challenge to our corporate risk register are evidence of the importance of this governance process within the Authority. Sound processes are in place to ensure the economic, effective and efficient use of resources and for securing continuous improvement in the way that functions are exercised. It was disappointing to report the failure in governance processes for the Mochdre Commercial Lease, but the authority will learn from this, and a comprehensive action plan is already in place to prevent a similar situation happening again. This should not however, overshadow the numerous other successful projects and programmes that the Authority has implemented, such as the successes achieved through the corporate Modernisation Programme. The overall conclusion for this principle is satisfactory assurance (the criteria for this self-assessment is listed in appendix c).

### **F4 Recommendations for Improvement**

**R5 Implement the Action plan for Mochdre Commerce Park Report**

**Principle G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability**

Accountability is about ensuring that those making decisions and delivering services are answerable for them, although the range and strength of different accountability relationships varies for different types of governing bodies. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the entity plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.

**G1 Current Arrangements**

- A) All agendas and reports are available on the Authority's website unless they contain exempt information. This includes any information on 'declarations of interest' that are made at meetings. The Authority's web management system is 'resident focused' and accessible from tablets and smart phones. The Corporate Plan includes a summary plan, and this has been designed to be citizen focussed and accessible in format. The plan is also available as a BSL video. Every year an annual report on performance is published on the website which includes a summary report and is supported with a short animation to make the information more accessible to the public. The Authority has reviewed and updated the Community Involvement Strategy and Corporate Communication Strategy and is considering alternative ways to present key messages and to explain what the Authority does. This includes looking at improvements in accessibility for people with a sensory loss.
- B) There are four **Overview and Scrutiny Committees; Finance & Resources**, (chaired by the leader of the biggest political party not represented on the Executive), **Education & Skills, Social Care & Health and Economy & Place Overview & Scrutiny Committees**. Their role is to review, scrutinise and hold to account the performance of the Cabinet, check whether existing policies are effective and help to shape new policies; review or investigate matters of particular concern either within the Authority or within the community. Their scrutiny role includes consideration of the Well-being of Future Generations (Wales) Act 2015 to ensure that the decision meets the needs of the present without compromising the needs of future generations. This has been incorporated into the Member induction process. A Scrutiny "Call-In" process for decisions which have been made but not yet implemented is incorporated in the Constitution to enable the Overview and Scrutiny Committees to consider whether the decisions being taken are appropriate. In 2018/19 1 'call in' was enacted. In compliance with the Local Government (Wales) Measure 2011, a **Democratic Services Committee** was established in May 2012. The role of the committee is to designate the Head of Democratic Services (who is responsible for overview and scrutiny support, members' services and committee services) and to keep under review the provision of staff, accommodation and other resources made available to the Head of Democratic Services to ensure that these are adequate. The **Members' Register of Interests** is also published on the Authority's website. The Authority has a 5 year contract to continue webcasting up to 60 hours of committee meetings per year. (A webcast is a transmission of audio and video over the internet. Cameras in the council chamber capture the live information which is then accessible on the Authority's website to anyone who would like to view it). The number of hits is monitored and reported to the Democratic Services Committee.
- C) The **Audit & Governance Committee** meets at least quarterly, and in addition to the elected members, it also has 2 lay members who are appointed through a recruitment process. The committee's role is to consider the effectiveness of the Authority's internal control; risk management and governance arrangements; considers internal and external audit reports and action plans relating to all recommendations; monitors the relationships between auditors and staff; and monitors the responses to audit and inspection recommendations. It also has responsibility for approving the annual Statement of Accounts and its associated reports (which include this

statement). The process for monitoring outstanding audit recommendations includes the reporting of both internal and external actions which have not been signed off.

- D) An **Improvement and Audit Group** ensures that identified risks and external and internal audit recommendations for improvement are being appropriately addressed. These measures incorporate principles of performance management and internal control. The group comprises the Strategic Director Finance and Efficiencies, Head of Audit and Procurement Services, Audit Manager, Corporate Performance and Improvement Manager; Corporate Performance and Improvement Officer, Business Manager for Education and Social Services Service Manager, Quality Standards and Commissioning.
- E) The Authority has an objective and professional relationship with its external auditors and statutory inspectors, as evidenced by the Annual Improvement Report<sup>2</sup>. This can be found on the Authority's or WAO's website. Bi monthly meetings has also been set up between WAO, Corporate Finance and Corporate Improvement and Development as a means of regular updates on governance progress and developments.

## **G2 Review of Effectiveness**

- A) An annual report of Scrutiny performance is published each year to review and reflect on the scrutiny function. During 2017/18 a WAO audit of Scrutiny was undertaken. The conclusion was published in July 2018 and stated that *"The Council's overview and scrutiny function responds effectively to current needs and is developing its arrangements to meet future challenges."* There is an Audit & Governance Committee Forward Work Programme and pre-Audit & Governance Committee briefings are held as a matter of course with the Chair, Vice Chair and Finance and Resources Cabinet Member to discuss agenda items and support effective challenge.
- B) The Good Governance Report when determining significant service changes Report on the Authority published in May 2017 by Wales Audit Office reviewed the effectiveness of corporate governance and concluded that the Authority has good governance arrangements in place but needs to improve the consistency of equality impact assessments and the transparency of service savings. The Authority has developed action plans to address this.
- C) The Head of Audit Annual Report for 2018/19 concludes that CCBC has satisfactory internal control, risk management and governance processes in place to manage the achievement of the Authority's objectives.
- D) The review of effectiveness is informed by the work of the CEO and Strategic Directors who have responsibility for the development and maintenance of the governance environment and culture. The Head of Internal Audit is required to produce an Annual Report giving an opinion on the adequacy and effectiveness of the Authority's internal control environment, providing details of any weaknesses that would qualify this opinion and drawing attention to any issues that are relevant to the preparation of the Annual Governance Statement. The report also provides evidence and assurance that the Internal Audit Service operates to the standards set out in the Public Sector Internal Audit Standards 2017 to enable the Authority to take assurance from this opinion. The service performs regular reviews of the financial systems and controls to provide assurance to the Authority through its Audit & Governance Committee.
- E) The Head of Audit Annual Report was presented to the Audit & Governance Committee in May 2019 and concludes that the Authority has satisfactory internal control, risk management and corporate governance processes in place to manage the achievement of the Authority's objectives for the 12 months ended 31<sup>st</sup> March 2019. The findings in respect of follow up audits conducted during 2018/19 were reported to Audit & Governance Committee on a quarterly basis and demonstrated that 172 improvement actions made by Internal Audit, 67 were outstanding or subject to ongoing work, which represents an implementation rate of 61.05%.

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<sup>2</sup> [www.conwy.gov.uk/accountability](http://www.conwy.gov.uk/accountability) or [www.wao.gov.uk](http://www.wao.gov.uk)

- F) It was identified that 61% of critical and major recommendations have been implemented. The reduction in performance is due to 4 major recommendations in the 2<sup>nd</sup> follow up Corporate Safeguarding report being identified as work in progress. A further follow up is scheduled to be performed early in 2019/20.
- G) Out of all of the planned audits completed during 2018/19, 87% have resulted in positive levels of assurance. Access Control Management - the Authority's main Active Directory and 3 applications (Electoral Registration Xpress, Education CAPITA ONE and the AS400) provided only a Limited level of assurance. Follow up audits of all 4 systems are scheduled for May 2019. An unplanned audit of Ysgol San Sior also resulted in Limited level of assurance. A follow up audit undertaken in January 2019 identified a significant improvement and the audit opinion was revised to providing a High Assurance.
- H) There were no significant events identified in respect of 2018/19 which merited reference in the Head of Audit's Annual Report.

### **G3 Conclusion of Self-Assessment**

The Authority has access to good information on which to base decisions which are made in a transparent manner through public documented meetings. Elected Members are aware that decisions must consider the Well-being of Future Generations (Wales) Act 2015 and through the New Member Induction all Elected Members were made aware of their scrutiny responsibilities. Decisions are subject to effective external and internal scrutiny and where weaknesses are found, action plans are promptly put in place and monitored through a corporate group and Audit & Governance Committee to ensure that improvements are made. The Authority has moved forward using graphics, BSL and short films to highlight and summarise complex information, and this process is constantly evolving as new technology is investigated. The overall conclusion for this principle is high assurance (the criteria for this self-assessment is listed in appendix c).

### **G4 Recommendations for Improvement**

There are no recommendations for improvement.

## **8 Programme of Improvement for Governance Issues**

- 8.1** Overall the Authority has good governance arrangements in place. The failings identified with the Mochdre Commerce Park are evidence that regular review and assessment of compliance is essential to ensure that the processes put in place are being complied with and that lessons are learned from errors. To continually review arrangements and to consider best practice elsewhere is necessary to ensure good governance is maintained, which is reflected by new processes such as enhanced risk management and an internal audit assurance map.
- 8.2** The governance recommendations for improvement identified in the Annual Governance Statement action plan for 2017/18 have been monitored, reported to Audit and Governance Committee and in the main, completed. Those outstanding are noted in appendix A and are due to be completed by autumn 2018. Progress against the improvement recommendations identified in this statement will be co-ordinated and monitored by the Improvement and Audit Group and reported to Audit & Governance Committee. In addition, all improvement actions identified by our external regulators and the Internal Audit Service are supported by detailed action plans with timescales for implementation, which are monitored by the Improvement and Audit Group, the Internal Audit Service and Audit & Governance Committee.

## 9 Assurance Summary

9.1 Good governance is the foundation for the delivery of good quality services that meet all local people's needs and it is fundamental to showing that public money is well spent. As stated by WAO,

*Good governance is essential for the effective stewardship of public money and the continued delivery of efficient and trusted public services. The current financial climate and reduced settlements for local government as well as rising demand for some services mean that all councils are likely to continue to need to make decisions regarding the future configuration and level of service delivery. It is appropriate that public bodies continuously seek to improve. Small, incremental changes to service delivery are made at a managerial and operational level as part of normal, operational decision making. However, good governance supported by effective planning and rigorous processes is critical when determining significant service changes. Such decisions are often controversial, generate considerable local interest and can have significant impacts on the individuals and groups affected. (Good Governance When Determining Significant Service Changes May 2017).*

9.2 Based on the review, assessment and on-going monitoring work undertaken during 2018/19 we have reached the opinion that good governance arrangements are in place, key systems are in the main, operating soundly and that there are no fundamental control weaknesses in evidence. However, no system of control can provide absolute assurance against misstatement or loss. Based on the various assurances given, this statement is intended to provide reasonable assurance that satisfactory corporate governance arrangements are in place and working effectively.

9.3 We propose over the coming year to take steps to address the recommendations for improvement identified in this statement to further improve our governance arrangements. We are satisfied that these steps will address the need for improvement identified in our review of effectiveness and we will monitor our implementation and operation as part of our next annual review.

Signed

Signed



Date 24/7/2019

Date 24/7/2019

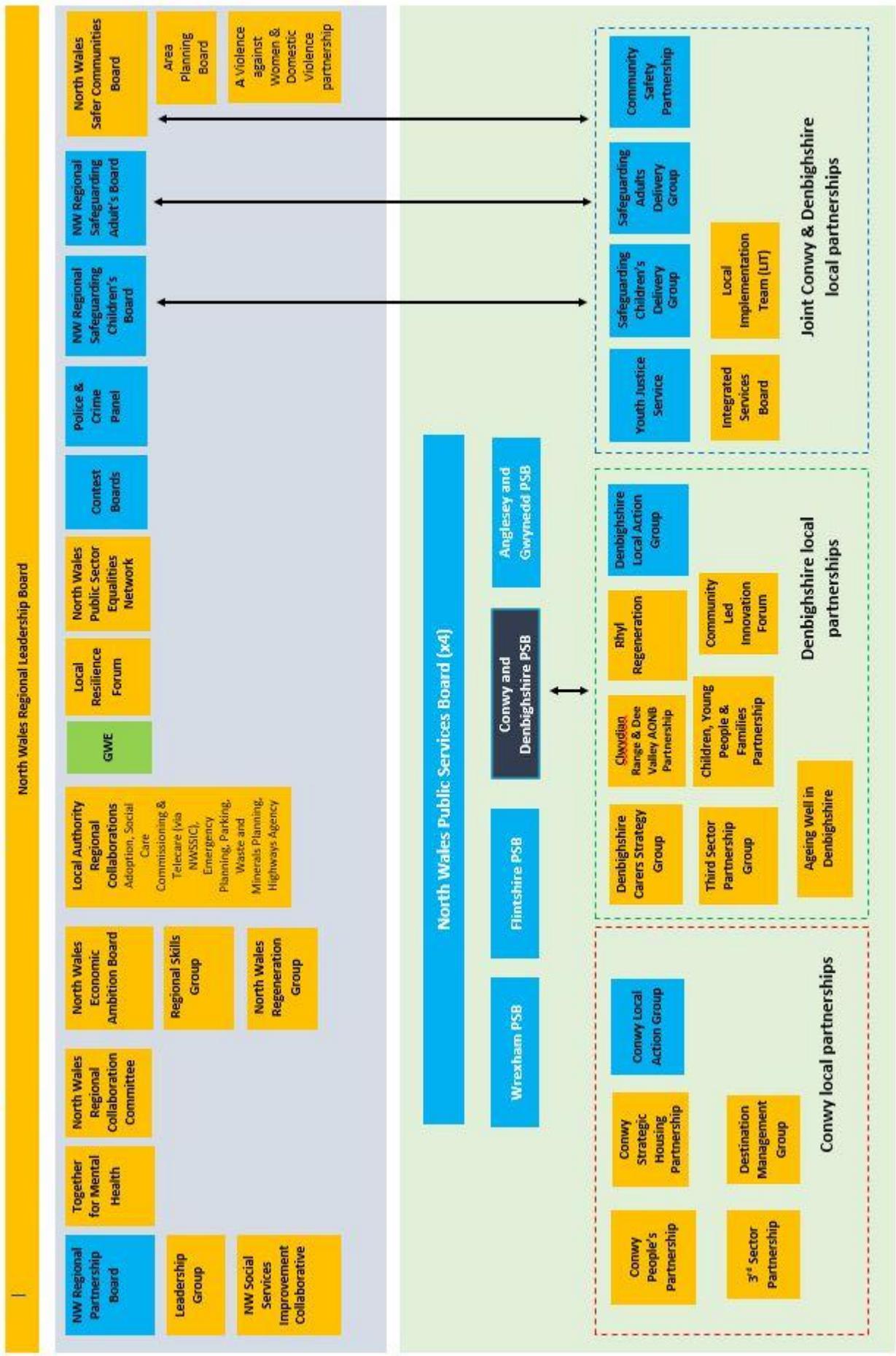
Iwan Davies  
Chief Executive

Councillor Sam Rowlands  
Leader of the Council

## APPENDIX A Update on recommendations from AGS 2017/18

Recommendation	Responsibility	Progress made	Date Completed
R1. Update the anti-fraud and corruption strategy	Mike Halstead	The Anti-Fraud & Corruption Policy is due to be reviewed during 2019	2019/20
R2. Complete the internal audit assurance mapping exercise	Sioned Parry	Completed	December 2018
R3. Complete the review of the Customer Charter	Andrew Saunders	The way in which we communicate and engage with residents is being reviewed in the light of new technology and our new facility at Coed Pella. We will be preparing a customer strategy that will define the way in which we interact with residents digitally, on the phone and face-to-face. It would be premature to review or change the charter before this piece of work has been done. The strategy may demonstrate that there is no need for a single charter that tries to establish a single protocol for communications across the organisation. We will prioritise developing the strategy over the coming months and then establish whether a charter is needed going forward.	Revised deadline March 2020
R4. Implement an action plan to improve access for people who are Deaf, or have vision or hearing loss.	Fran Lewis	The Video interpretation service for BSL went live in December 2018. We are now focusing on vision loss. Two software tools are being piloted for the website in January and February 2019.	September 2018
R5. That the recommendations from the internal audit of corporate safeguarding continue to be implemented.	Sioned Parry	3 <sup>rd</sup> Follow up planned for Spring 2019	May 2019
R6. Complete the review of the HR Strategy	Phil Davies	Actively researching and preparing material for consideration but progress hampered by other strategic priorities like assisting Council services delivering cuts of £16 million to the budget.	July 2019
R7. Review the Contract Standing Orders	Sioned Parry	CPRs have been reviewed Constitution will be updated and reported to Council in July 2019.	January 2019 July 2019
<b>Actions carried forward from 2016/17 AGS</b>			
Complete the review of the communication and engagement strategy	Hannah Edwards	This has been reviewed and approved.	October 2018
Complete the review of the staff council	Phil Davies, Corporate Head of HR Services	A meeting took place in March 2018, the Terms of Reference were updated. Most services have provided representative names. Ongoing meetings will be scheduled.	March 2018
Review the Information Strategy	Peter Brown	Completed	May 2019

## Appendix B



## APPENDIX C

### DEFINITION OF ASSURANCE RATINGS

LEVELS OF ASSURANCE	CONTROLS	RISKS
HIGH ASSURANCE	Key controls are in place to ensure the achievement of service objectives and to protect the Authority against significant foreseeable risks and are applied consistently and effectively. No significant or material errors were found.	Low priority actions required which are easily managed.
SATISFACTORY ASSURANCE	Key controls exist to enable the achievement of service objectives and to mitigate against significant foreseeable risks. However, there was some inconsistency in application and opportunities still exist to mitigate further against potential risks.	Some opportunities still exist to mitigate further against potential risks.
LIMITED ASSURANCE	Key controls are in place and to varying degrees are complied with but there are gaps in the process which leave the service exposed to risks. Objectives are not being met or are being met without achieving value for money.	Some risk of loss, fraud, impropriety or damage to reputation. There is a need to introduce additional controls and/or improve compliance with existing ones, to reduce the risk exposure to the Authority. A high risk of loss, fraud, impropriety or damage to reputation.
NO ASSURANCE	Key controls are considered to be insufficient with the absence of at least one critical control mechanism. There is also a need to improve compliance with existing controls and errors and omissions have been detected.	Key controls do not exist and objectives are not met or are being met without achieving VFM. The Authority is exposed to very significant risk, which could lead to major financial loss, reputational risk of embarrassment or failure to achieve key service objectives.

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## Conwy County Borough Council

### Summary Annual Governance Statement 2018/2019

#### Scope of Responsibility

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Conwy County Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Conwy County Borough Council also has a duty under the Local Government Act 1999 and Local Government (Wales) Measure 2009, to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Conwy County Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

Conwy County Borough Council has a corporate governance framework which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. Information about the corporate governance framework can be obtained from the Corporate Improvement & Development Team<sup>1</sup>. This statement explains how Conwy County Borough Council has complied with the framework and also meets the requirements of Accounts and Audit (Wales) Regulations 2014, which requires all relevant bodies to prepare an annual governance statement.

#### The Purpose of the Code of Governance

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The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with, and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Conwy County Borough Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Conwy County Borough Council for the year ended 31st March 2019 and up to the date of approval of the Annual report and statement of accounts.

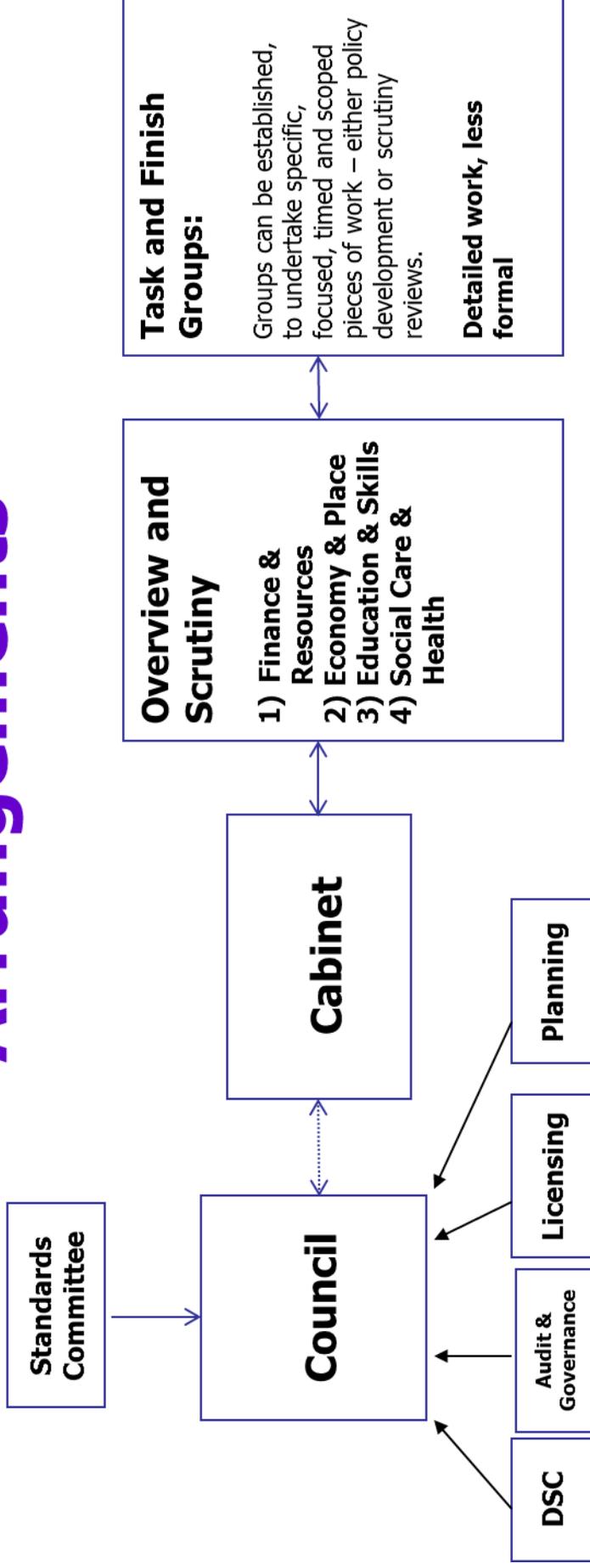
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<sup>1</sup> [cidt@conwy.gov.uk](mailto:cidt@conwy.gov.uk)

## The Governance Framework

The diagrams below outlines the annual governance framework.

# Political and Demotcratic Arrangements



DSC = Democratic Standards Committee

## CONWY COUNTY BOROUGH COUNCIL GOVERNANCE FRAMEWORK

Corporate Governance comprises the systems and processes, cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities.



### Key Documents: Annual Review/ Production

[Corporate Plan](#)  
[Annual Report](#)  
[Annual Governance Statement](#)  
[Finance Reports](#)  
[Corporate Information Security Policy](#)  
[Asset Management Plan](#)  
 Corporate Risk Register  
 Delegations from/to Directors  
 Service Plans  
 Internal/External Audit Protocol  
 Conwy ICT Digital Strategy  
 Information Governance Framework  
[Medium Term Financial Strategy](#)  
[Members Allowances Scheme](#)  
 Prudential Code & Treasury  
[Statement of Accounts](#)  
 Service Continuity Plans

### Key Documents: Ad-hoc Review/ Production

Anti-Fraud & Corruption Policy  
 Business Planning Framework  
[Code of Conduct](#)  
[Community Involvement Strategy](#)  
[Communications & Engagement Strategy](#)  
[Constitution](#)  
 Corporate Procurement Strategy & CPRs  
[Complaints Guidance](#)  
[Strategic Equality Plan](#)  
[Financial Regulations](#)  
 Health and Safety Policies  
[HR Strategy](#)  
[Member/Officer Relations](#)  
 Officer Employment Procedure Rules  
 Partnership Governance Framework  
 Performance Management Framework  
 Public Engagement Protocol  
[Record of Decisions](#)  
 Whistle Blowing Policy  
 Risk Management Policy & Procedures

### Processes /Regulatory Monitoring

[Audit and Governance Committee](#)  
 Budget Accountability Statements  
 Corporate Intranet  
 Corporate Training Plan  
[Council Tax Information](#)  
 Customer Feedback Process  
 Director of Finance and Resources  
[Data Protection](#)  
 Stakeholder Forums  
[Freedom of Information](#)  
 Head of Paid Service (CEO)  
 Independent Remuneration Panel  
[Inspectorate Reports](#)  
 Internal Audit  
 Information Governance Group  
 Job Descriptions  
 Job Evaluation Process  
 Law & Governance  
 Member Development & induction  
 Monitoring Officer  
 Managers Forum  
 Performance Development Reviews  
[Combined FWP Council Meetings](#)  
 Improvement & Audit Group  
 Report Review Group (RRG)

[Public Service Board](#)  
 Corporate H&S Process  
[Scrutiny Committees](#)  
[Standards Committee](#)  
 Staff Induction  
 Staff Surveys  
 Strategic Leadership Team  
 Senior Management Team  
 Scheme of delegation  
 External web & social media  
[Safeguarding Policy](#)

## Review of Effectiveness

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Conwy County Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Senior Management Team within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's Annual Report, and also by comments made by the external auditors and other review agencies and inspectorates. The effectiveness of the governance framework has been evaluated through review by the Improvement and Audit Group, and the Senior Management Team.

We have been advised on the implications of the result of the **review of the effectiveness of the governance framework** by the Audit & Governance Committee, Principal Overview and Scrutiny Committee and Cabinet and that the arrangements **continue to be regarded as fit for purpose in accordance with the governance framework**. The areas to be specifically addressed with new actions planned are outlined below.

## Governance Issues

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There are no significant governance issues, but after a process of self-evaluation to review our effectiveness, the following internal recommendations for improvement have been made.

- R1 Complete the review of the Anti-Fraud & Corruption Policy**
- R2 Complete the Customer Strategy.**
- R3 That the recommendations from the internal audit of corporate safeguarding continue to be implemented.**
- R4 Complete the review of the HR Strategy**
- R5 Implement the Action plan for Mochdre Commerce Park Report**

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

**Signed**



**Date 24/7/2019**

**Iwan Davies  
Chief Executive**

**Signed**



**Date 24/7/2019**

**Councillor Sam Rowlands  
Leader of the Council**

**Conwy County Borough Council**

**Local Code of Corporate Governance 2019**

Conwy County Borough Council is committed to the seven principles of Good Governance as agreed by the Chartered Institute of Public Finance Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE).

These are set out in the CIPFA/SOLACE publication Delivering Good Governance in Local Government: Framework 2016.

Our local Code of Governance is underpinned by these principles and is comprised of a framework of policies, procedures, behaviours and values by which the authority is controlled and governed.

The documents that make up this framework provide the structures and guidance that our members and employees require in order to ensure effective governance across our organisation.

The principles and main documents associated with their delivery are set out below:

Principles	Sub Principles	Demonstrated by
<b>Acting in the public interest requires a commitment to effective arrangements for:</b>		
<b>Principle A</b> <b>Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law</b>	<b>Behaving with integrity</b>	<a href="#">Constitution</a> Annual Declarations of Interest
	<b>Demonstrating a strong commitment to ethical values</b>	<a href="#">Corporate Values</a> <a href="#">Code of Conduct</a> & <a href="#">Ethics Training</a> (intranet) Employee Code of Conduct <a href="#">Standards Committee</a> <a href="#">Member Officer Protocol</a> <a href="#">Contract Procedure Rules</a> ( intranet)

	<p><b>Respecting the rule of law</b></p>	<p><a href="#">Declaration of Interest at Meetings</a>  <a href="#">Member Induction</a>  <a href="#">Staff Induction (intranet)</a>  <a href="#">Whistleblowing Policy (intranet)</a>  <a href="#">Designated Monitoring Officer</a>  <a href="#">Gifts and Hospitality Register (intranet)</a>  <a href="#">Anti-Fraud &amp; Corruption policy (intranet)</a>  <a href="#">Anti Money Laundering Policy (intranet)</a>  <a href="#">ICT Security Policy</a></p>
<p><b>Principle B</b>  <b>Ensuring openness and comprehensive stakeholder engagement</b></p>	<p><b>Openness</b></p> <p><b>Engaging comprehensively with institutional stakeholders</b></p> <p><b>Engaging with individual citizens and service users effectively</b></p>	<p><a href="#">Forward Work Programmes</a>  <a href="#">Record of Decisions – all committee meetings on Modern.gov</a>  <a href="#">Webcasting</a>  <a href="#">Freedom of Information</a></p> <p><a href="#">North Wales Economic Ambition Board</a>  <a href="#">Conwy and Denbighshire Public Services Board</a>  <a href="#">North Wales Social Care and Well-being Regional Collaborative</a>  <a href="#">Gwe</a>  <a href="#">NWCREPS</a>  <a href="#">Safer Conwy Community Safety Partnership</a></p> <p><a href="#">Overview &amp; Scrutiny Public Engagement Protocol (intranet)</a>  <a href="#">Communication and Engagement Strategy</a>  <a href="#">Community Involvement Strategy</a>  <a href="#">North Wales Citizen Panel</a>  <a href="#">Local Area Forums x5 (intranet)</a>  <a href="#">Complaints, comments &amp; compliments</a>  <a href="#">Strategic Equality Plan</a>  <a href="#">Staff suggestion scheme e-petitions</a></p>

<p><b>In addition to the overarching requirements for acting in the public interest found in principles A and B, achieving good governance also requires a commitment to and effective arrangements for:</b></p>	
<p><b>Principle C</b></p> <p>Defining outcomes in terms of sustainable economic, social and environmental benefits</p>	<p><a href="#">Corporate Plan</a></p> <p><a href="#">Annual Report</a> Conwy and Denbighshire PSB Annual Report <a href="#">Annual Governance Statement</a> <a href="#">Finance Reports</a> <a href="#">Director of Social Services Annual Report</a> <a href="#">Welsh Language Annual Monitoring Report</a> <a href="#">Environmental Report</a> <a href="#">Conwy Economic Strategy</a></p>
<p><b>Principle D</b></p> <p>Determining the interventions necessary to optimise the achievement of the intended outcomes</p>	<p><a href="#">Committee structure</a> <a href="#">Standard Committee Report Template</a> (Intranet) <a href="#">Strategic Leadership Team</a> (Intranet) <a href="#">Senior Management Team</a> (Intranet) Managers Forum</p> <p>Service Performance Reviews (<a href="#">Performance Management Framework</a>) (Intranet)</p> <p><a href="#">Project and Programme Management Framework</a></p> <p><a href="#">HR Strategy</a> <a href="#">Recruitment and Selection Policy</a> (Intranet)</p>
<p><b>Principle E</b></p>	<p>Developing the Councils</p>

Developing the Councils capacity, including the capacity of its leadership and the individuals within it	capacity	<a href="#">Performance Development Review (PDRs)</a> (Intranet)
	Developing the capability of the Councils leadership and other individuals	<a href="#">Member Development Programme</a> ( Intranet) <a href="#">Staff Training</a> ( Intranet)
Principle F Managing risks and performance through robust internal control and strong public financial management	Managing risks	<a href="#">Risk Management Policy and Framework</a> (Intranet) Corporate Risk Register – published through <a href="#">Audit &amp; Governance Committee</a> Health & Safety Risk Assessments ( Intranet) Service continuity plans
	Managing performance	<a href="#">Annual Report</a> CAMMs integrated performance Management System
	Robust internal control	<a href="#">Internal Audit Charter</a> ( Intranet) Internal Audit Performance Reports ( via <a href="#">Audit &amp; Governance Committee</a> )
	Managing data	<a href="#">Information Governance Unit</a> ( GDPR, FOIs) Information Governance Training Information Governance Framework and Action plan ( in draft) <a href="#">Performance Measure Policy</a> (Intranet)
	Strong public financial management	<a href="#">Finance Reports</a> <a href="#">Medium Term Financial Strategy</a> <a href="#">Members Allowances Scheme</a> Prudential Code & Treasury <a href="#">Statement of Accounts</a> Financial Regulations <a href="#">Council Tax Information</a>
		Members' register of interests

<p><b>Principle G</b></p> <p><b>Implementing good practices in transparency reporting and audit, to deliver effective accountability.</b></p>	<p><b>Implementing good practice in transparency</b></p>	<p>Internal Audit Performance Report  <a href="#">Democratic Services Committee</a></p>
	<p><b>Implementing good practices in reporting</b></p>	<p><a href="#">Audit &amp; Governance Committee</a>  Improvement and Audit Group (IAG)</p>
	<p><b>Assurance and effective accountability</b></p>	<p>Annual Scrutiny Report  <a href="#">Overview &amp; Scrutiny Engagement Protocol</a>  <a href="#">Inspectorate Reports</a>  Head of Audit Annual Report  WAO audit reports  Estyn Audit reports  CIW Audit reports</p>