



*Annual Finance  
and  
Governance  
Report  
2011/2012*

*A H Kirkham BA (Hons) CPFA*

**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, Leisure, Planning and Highways.

The County Borough of Conwy has a population of around 112,000. Over 80% of the population lives along the coastal belt that includes the towns of Abergele, 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. The current political make-up of the Council following the elections in May 2012 is:-

- 19 Independents
- 13 Conservative
- 12 Plaid Cymru
- 10 Labour
- 5 Liberal Democrats

### **Council**

The Council (all 59 Councillors) sets the overall budget and policies. It meets 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**

The Cabinet comprises ten Councillors 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.

## EXPLANATORY FOREWORD

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 2011/12 (The Code 2011/12), 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 2011/12 constitutes a 'proper accounting practice' under the terms of section 21 (2) of the Local Government Act 2003. The Code 2011/12 is based on International Financial Reporting Standards (IFRS).
3. Service costing within the Statement of Accounts is in accordance with the Service Reporting Code of Practice 2011/12 (SeRCOP) which defines Total Cost, and outlines the service expenditure analysis to be adopted, together with a recommended standard subjective analysis.
4. 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 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 for Council Tax setting. The Net Increase / Decrease before Transfers to 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 £36.768m at the year end 31 March 2012 (31 March 2011 £39.482m), including the Council Fund balance of £3.005m (31 March 2011 £3.005m).

## 2. 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 surplus in the year of £5.544m (2010/11 surplus £45.245m), due to the change in treatment of past service pension costs from an RPI to a CPI basis having a marked effect in the surplus for 2010/11, but embedded for 2011/12.

## 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, ie those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category 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 2012 amounted to £139.14m, a decrease of £21.7m over the position at 31 March 2011, due to the increase in Pensions Liability.

## 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. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (ie borrowing) to the Authority.

## 5. 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.

### 5.1 Review of the Year – Revenue Expenditure

The Council's net revenue budget for 2011/12 was originally set at £186.6m (£186.9m in 2010/11) and took account of known and estimated pay awards, price increases and pressures.

The budget was set against a backdrop of a poor financial settlement from the Welsh Government. A challenging savings and efficiencies package was implemented in order to set the budget within the available resources.

The budget was closely monitored and controlled during the year and reported to Cabinet, in accordance with approved Council procedures. During the course of the financial year, budgetary overspending pressures were identified within Social Services (Care Home Fees) and Infrastructure/Education Services (Home to School Transport).

A report on Care Home Fees was taken to Council in October 2011, as a result of which a funding package was approved comprising of the use of a specific reserve and the Risk Reserve. The outturn on the additional Care Home Fees was in accordance with projections using £584k of the specific reserve and £371k of the Risk Reserve.

The over spend on Home to School Transport was detected late in the financial year and projected to be £290k (£242k after use of a specific reserve), approved to be drawn from the General Fund balance (minute 932). The actual net over spend was £375k which was funded from the specific reserve, savings on winter maintenance and other Infrastructure budgets (£223k) together with net under spends on Corporate budgets (£104k) thus avoiding the use of the General Fund Balance.

Actual net expenditure totalled £186.69m, and it is pleasing to note that the Council achieved an overall net spend within the budget, despite variations of over and under spends in individual services. The main components of the revenue budget for 2011/12 and how these compare with the actual outturn are shown in the following table, together with notes explaining the main variances:-

Col 1	Col 2	Col 3	Col 4	Col 5	Col 6	
SERVICE	ORIGINAL ESTIMATE	APPROVED POSITION AT JANUARY	BUDGET ADJUSTED FOR JE	FINAL OUTTURN	VARIANCE (Col 5 - Col 4)	NOTES
	2011/12 £'000	2011/12 £'000	2011/12 £'000	2011/12 £'000	2011/12 £'000	
<b>Resource Base</b>						
Revenue Support Grant	(117,945)	(117,945)	(117,945)	(117,945)	-	
NNDR Grant	(26,671)	(26,671)	(26,671)	(26,671)	-	
Council Tax	(41,977)	(41,977)	(41,977)	(42,073)	(96)	1
<b>Sub-Total</b>	<b>(186,593)</b>	<b>(186,593)</b>	<b>(186,593)</b>	<b>(186,689)</b>	<b>(96)</b>	
<b>Net Expenditure</b>						
Education Service	71,257	72,615	72,713	72,653	(60)	2
Home to School Transport	3,855	4,138	4,138	4,272	134	3
Social Services	46,499	49,072	49,072	49,042	(30)	4
Infrastructure - Highways	7,025	7,273	7,218	6,947	(271)	3
Environmental Services	12,801	13,073	13,073	13,072	(1)	
Community Development Services	7,016	7,663	7,637	7,638	1	
Regulatory Services & Housing	4,517	5,277	5,296	5,291	(5)	
Theatres & Conference Centre	964	1,216	1,221	1,221	-	
Support Services	12,393	13,468	13,467	13,448	(19)	
Levies	5,825	5,825	5,825	5,810	(15)	
Treasury Management Activities & Other Corporate costs & services	14,797	7,971	7,931	7,845	(86)	5
<b>Total Net Expenditure</b>	<b>186,949</b>	<b>187,591</b>	<b>187,591</b>	<b>187,239</b>	<b>(352)</b>	
Contribution from Reserves	356	356	356	356	-	
Contribution from Risk Reserve	-	400	400	371	(29)	4
Contribution to Risk Reserve	-	-	-	(177)	(177)	6
Contribution from General Fund Balance	-	242	242	-	(242)	3
<b>Total Contributions</b>	<b>356</b>	<b>998</b>	<b>998</b>	<b>550</b>	<b>448</b>	
<b>Net Revenue Budget</b>	<b>186,593</b>	<b>186,593</b>	<b>186,593</b>	<b>186,689</b>	<b>96</b>	

#### Notes

#### NB. The Revised Budget is adjusted in Column 4 for the costs of Job Evaluation

1. Surplus on Council Tax collection used to contribute to the Risk Reserve
2. Minor under spends on the Education service budgets
3. Over spend on Home to School Transport (£375k) offset by savings on Winter Maintenance costs and other Corporate savings thus avoiding the approved use of the General Fund balance
4. Spend on Social Services Care Fees (£400k) less than expected, approved use of Care Fees Reserve in the sum of £584k
5. Favourable position on Treasury Management and net minor under spends offsetting additional expenditure on School Transport
6. Net under spend on overall Revenue Budget used to re-establish the Risk Reserve, balance currently £205k

Job Evaluation was the process whereby a new Pay and Grading structure was implemented under the Single Status Agreement. With effect from 1 December 2010 the new Pay and Grading Structure was implemented for all staff who had agreed to accept the new terms and conditions.

The full costs of implementing Job Evaluation were accounted for in 2011/12, including back pay, where applicable, to 2009/10. The costs were funded from the approved funding envelope using the back pay provision, base budget plus the Single Status reserve.

Opinions on Equal Pay claims throughout Great Britain have been the subject of a great deal of challenge, case work and review. This is a fast changing situation which is being kept under constant review. The provision for Equal Pay within the accounts is £2m. This is not cash backed, it is offset by a negative unusable reserve – the Unequal Pay Back Pay Account as permitted by the Welsh Government.

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 Council Fund balance was at a level of £3.005m at the year end, which is deemed to be a minimum prudent amount. Other usable reserves are shown in Note 7 to the accounts.

## 5.2 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 2011/12 was £28.2m. The following is a summary of the service areas which incurred capital investment in 2011/12 and how it was financed:-

<b>Capital Expenditure</b>	<b>2011/12 Actual £'000</b>
<b>Capital Expenditure by Service:</b>	
Education	3,085
Environmental & Technical Services	10,071
Infrastructure & Transport	3,115
Private Sector Housing	1,417
Community Development - Other	1,961
Community Development - Leisure Services	5,433
Social Care	510
Planning & Countryside	164
Information Technology	121
Property Management & Asset Services	334
Theatres	611
Housing Retained Contracts	287
Regulatory Services	841
Other	253
<b>Total Capital Expenditure</b>	<b>28,203</b>

<b>Capital Financing</b>	<b>2011/12 Actual £'000</b>
<b>Financed By:</b>	
Supported Borrowing	6,469
Prudential Borrowing & Invest to Save Loans	4,590
Capital Receipts	676
Capital Grants	15,894
Capital Reserves	574
<b>Total Capital Financing</b>	<b>28,203</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 the Council's revenue budget.

Major projects undertaken during 2011/12 were as follows:-

- Colwyn Bay Waterfront Redevelopment & Coastal Defences
- Llandudno Junction Enhancement
- Parc Eirias Events Centre
- Theatr Colwyn refurbishment
- Colwyn Bay Property Enhancement Grants
- Replacement of Deteriorating Streetlighting
- Resurfacing of County Road Network
- Conwy Morfa to Penmaenbach Cycle Track
- Bron y Nant Crematorium Upgrading
- Recycling Initiatives
- School Building Improvements & Kitchen Refurbishment
- Private Sector House Improvements and grants

The Council's debt outstanding at 31 March 2012 was £122.044m (£107.868m at 31 March 2011) being an increase of £14.176m in short term borrowing to support the Capital Programme.

The Limits to Borrowing Activity in 2011/12, 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:-

	<b>£'000</b>
<b>Authorised Limit for External Debt:</b>	
Borrowing	168,169
Other Long term Liabilities	28,336
	196,505
<b>Operational Boundary for External Debt:</b>	
Borrowing	158,169
Other Long Term Liabilities	28,336
	186,505

## **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 2012 and the reserve needed to fund that liability.

The Pension Fund liability that is disclosed within the Balance Sheet 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 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 **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 2012.

SIGNED: .....

Councillor S Rowlands  
Chair of Audit Committee

DATED: 25/09/2012

**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"), 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 2012.

In preparing this statement of accounts, the 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 of Practice;
- 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 2012 and its income and expenditure for the year then ended.

SIGNED: .....

A H Kirkham  
Strategic Director – Finance & Efficiencies

DATED: 25/09/2012

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CONWY COUNTY BOROUGH COUNCIL**

I have audited the accounting statements and related notes of Conwy County Borough Council for the year ended 31 March 2012 under the Public Audit (Wales) Act 2004.

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

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 based on International Financial Reporting Standards (IFRSs).

### **Respective responsibilities of the responsible financial officer and the independent auditor**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on pages 13 & 14, the responsible financial officer is responsible for the preparation of the statement of accounts, which gives a true and fair view.

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

### **Scope of the audit of the accounting statements**

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

In addition, I read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited accounting statements and related notes. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

### **Opinion on the accounting statements of Conwy County Borough Council**

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of Conwy County Borough Council as at 31 March 2012 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

### **Opinion on other matters**

In my opinion, the information contained in the Explanatory Foreword for the financial year for which the accounting statements and related notes are prepared is consistent with the accounting statements and related notes.

**Matters on which I report by exception**

I have nothing to report in respect of the Governance Statement on which I report to you if, in my opinion, it does not reflect compliance with 'Delivering Good Governance in Local Government: Framework' published by CIPFA/SOLACE in June 2007, or if the statement is misleading or inconsistent with other information I am aware of from my audit.

**Certificate of completion of audit**

I have carried out the audit of the accounts of Conwy County Borough Council in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Code of Audit Practice issued by the Auditor General for Wales. The audit cannot be formally concluded and an audit certificate issued until I have completed my consideration of matters brought to my attention by local authority electors. I am satisfied that these matters do not have a material effect on the financial statements.

Anthony Barrett  
Appointed Auditor  
Wales Audit Office,  
Cardiff  
Date

# **THE STATEMENT OF ACCOUNTS 2011/12**

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

### **1. GENERAL PRINCIPLES**

The Statement of Accounts summarises the Authority's transactions for the 2011/12 financial year and its position at the year-end of 31 March 2012. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (Wales) Regulations 2005, 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 2011/12 (the Code) and the Service Reporting Code of Practice 2011/12 (SeRCOP), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the 2003 Act.

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.

### **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 the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- 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.

### **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 debited 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, time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is 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 Children's and Education Services 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 4.77% (5.4% in 2010/11) (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 Non Distributed Costs.
  - 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.
  - Expected return on assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

- 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 Non Distributed Costs.
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve.
- Contributions paid to the 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 (25/9/2012 for 2011/12) 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. 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. OVERHEAD AND SUPPORT SERVICES**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the Service Reporting Code of Practice 2011/12 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:-

- Corporate and Democratic Core – costs relating to the Authority's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Cost of Services.

The bases of distribution of these costs vary according to the nature of the charge being made:-

<b>Support Services</b>	<b>Basis of Recharge</b>
Finance <ul style="list-style-type: none"> <li>- Accountancy</li> <li>- Payroll</li> <li>- Creditor Payments</li> <li>- Audit</li> <li>- Debtors</li> <li>- Cashiers</li> <li>- Administration</li> <li>- Management</li> </ul>	Time Payslips produced Number of invoices paid Audit Days Number of invoices raised Number of transactions receipted Time Time
Legal	Time
Human Resources	Time and staff employed
Information Technology	Allocation, Time and equipment in use
Property Management and Asset Services	Fee basis (Capital Schemes) and Floor Area for office accommodation

## 18. 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.

### 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 on the following bases:-

- Dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer: 1 - 100 years.
- Vehicles, plant, furniture and equipment: over the useful life between 1-10 years.
- Community Assets: 1-40 years
- Infrastructure – straight-line allocation between 1-40 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.

### **19. 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.

### **PFI Credits**

Government grants received for PFI schemes, in excess of current levels of expenditure, are carried forward as an earmarked reserve to fund future contract expenditure.

## **20. 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.

## **Provision for Back Pay Arising from Unequal Pay Claims**

The Authority has made a provision for the costs of settling claims for back pay arising from discriminatory payments incurred before the Authority implemented its equal pay strategy. However, statutory arrangements allow settlements to be financed from the Council Fund in the year that payments actually take place, not when the provision is established. The provision is, therefore, balanced by an Unequal Pay Back Pay Account created from amounts credited to the Council Fund balance in the year the provision was made or modified. The balance on the Unequal Pay Back Pay Account will be debited back to the Council Fund balance in the Movement in Reserves Statement in future financial years as payments are made.

## **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.

## **21. 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 to score 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 charge against Council Tax for the expenditure.

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 policies.

## **22. 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.

## **23. 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.

## **24. COMPARATIVE FIGURES**

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

## **25. CASH FLOW STATEMENT**

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

## **26. 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) shall normally be 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).

## **27. 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 introductory phase which

will last until 31 March 2014. The Authority is required to purchase and surrender allowances, currently retrospectively, 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 surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. 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. For 2011/12 the Council has accrued a sum of £142k for CRC allowances.

<b>Movement in Reserves Statement for the year ended 31 March 2011</b>	<b>Note</b>	<b>Council Fund Balance</b>	<b>HRA Balance</b>	<b>Earmarked Revenue Reserves</b>	<b>Earmarked Capital Reserves</b>	<b>Capital Receipts Reserve</b>	<b>Capital Grants Unapplied</b>	<b>Total Usable Reserves</b>	<b>Unusable Reserves</b>	<b>Total Authority Reserves</b>
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2010</b>		2,856	189	27,613	3,256	3,627	1,165	38,706	(13,603)	25,103
<b>Movement in Reserves during 2010/11</b>										
Surplus or (Deficit) on the Provision of Services		45,245	-	-	-	-	-	45,245	-	45,245
Other Comprehensive Income & Expenditure		-	-	-	-	-	-	-	90,510	90,510
<b>Total Comprehensive Income &amp; Expenditure</b>		<b>45,245</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>45,245</b>	<b>90,510</b>	<b>135,755</b>
Adjustments between accounting basis & funding basis under regulations	6	(43,464)	-	-	(1,391)	18	368	(44,469)	44,469	-
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>		<b>1,781</b>	<b>-</b>	<b>-</b>	<b>(1,391)</b>	<b>18</b>	<b>368</b>	<b>776</b>	<b>134,979</b>	<b>135,755</b>
Transfers to/(from) Earmarked Reserves		(1,632)	(189)	(230)	2,051	-	-	-	-	-
<b>Increase/(Decrease) in 2010/11</b>	<b>7</b>	<b>149</b>	<b>(189)</b>	<b>(230)</b>	<b>660</b>	<b>18</b>	<b>368</b>	<b>776</b>	<b>134,979</b>	<b>135,755</b>
<b>Balance as at 31 March 2011</b>	<b>7,24</b>	<b>3,005</b>	<b>-</b>	<b>27,383</b>	<b>3,916</b>	<b>3,645</b>	<b>1,533</b>	<b>39,482</b>	<b>121,376</b>	<b>160,858</b>

<b><u>Movement in Reserves Statement for the year ended 31 March 2012</u></b>										
	<b>Note</b>	<b>Council Fund Balance</b>	<b>HRA Balance</b>	<b>Earmarked Revenue Reserves</b>	<b>Earmarked Capital Reserves</b>	<b>Capital Receipts Reserve</b>	<b>Capital Grants Unapplied</b>	<b>Total Usable Reserves</b>	<b>Unusable Reserves</b>	<b>Total Authority Reserves</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Balance at 31 March 2011</b>	7,24	3,005	-	27,383	3,916	3,645	1,533	39,482	121,376	160,858
<b>Movement in reserves during 2011/12</b>										
Surplus or (deficit) on the provision of services		5,544	-	-	-	-	-	5,544	-	5,544
Other Comprehensive Income & Expenditure		-	-	-	-	-	-	-	(27,261)	(27,261)
<b>Total Comprehensive Income &amp; Expenditure</b>		<b>5,544</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,544</b>	<b>(27,261)</b>	<b>(21,717)</b>
Adjustments between accounting basis & funding basis under regulations	6	(7,274)	-	-	(574)	420	(830)	(8,258)	8,258	-
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>		<b>(1,730)</b>	<b>-</b>	<b>-</b>	<b>(574)</b>	<b>420</b>	<b>(830)</b>	<b>(2,714)</b>	<b>(19,003)</b>	<b>(21,717)</b>
Transfers to/(from) Earmarked Reserves		1,730	-	(1,285)	(445)	-	-	-	-	-
<b>Increase/(Decrease) in 2011/12</b>	7	<b>-</b>	<b>-</b>	<b>(1,285)</b>	<b>(1,019)</b>	<b>420</b>	<b>(830)</b>	<b>(2,714)</b>	<b>(19,003)</b>	<b>(21,717)</b>
<b>Balance as at 31 March 2012</b>	7,24	<b>3,005</b>	<b>-</b>	<b>26,098</b>	<b>2,897</b>	<b>4,065</b>	<b>703</b>	<b>36,768</b>	<b>102,373</b>	<b>139,141</b>

## Comprehensive Income and Expenditure Statement

2010/11				2011/12			
Gross Expenditure	Income	Net Expenditure		Note	Gross Expenditure	Income	Net Expenditure
£'000	£'000	£'000			£'000	£'000	£'000
13,458	(11,457)	2,001	Central Services to the Public		12,376	(9,948)	2,428
13,054	(4,014)	9,040	Cultural Services		14,336	(5,060)	9,276
25,566	(9,087)	16,479	Environmental & Regulatory Services		26,145	(8,761)	17,384
6,779	(3,169)	3,610	Planning Services		7,516	(3,591)	3,925
115,989	(23,821)	92,168	Education & Children's Services		119,715	(25,496)	94,219
21,529	(10,861)	10,668	Highways & Transport Services		25,222	(15,437)	9,785
43,814	(40,047)	3,767	Other Housing Services		43,640	(40,919)	2,721
55,680	(15,043)	40,637	Social Services		56,454	(15,082)	41,372
2,945	(178)	2,767	Corporate & Democratic Core		5,826	(137)	5,689
755	(40,046)	(39,291)	Non Distributed Costs		881	(2,003)	(1,122)
<b>299,569</b>	<b>(157,723)</b>	<b>141,846</b>	<b>Cost of Services</b>		<b>312,111</b>	<b>(126,434)</b>	<b>185,677</b>
16,914	-	16,914	Other Operating Expenditure	<b>8</b>	17,033	-	17,033
39,794	(30,371)	9,423	Financing & Investment Income & Expenditure	<b>9</b>	34,886	(27,958)	6,928
-	(213,428)	(213,428)	Local Taxation & Non-Specific Grant Income	<b>10</b>	-	(215,182)	(215,182)
		<b>(45,245)</b>	<b>(Surplus) or Deficit on Provision of Services</b>				<b>(5,544)</b>
		1,745	(Surplus) or Deficit on Revaluation of Property, Plant & Equipment Assets	<b>24</b>			(3,803)
		(30)	(Surplus) or Deficit on Revaluation of Available for sale Financial Assets	<b>24</b>			(8)
		(92,225)	Actuarial (Gains)/Losses on Pension Assets/Liabilities	<b>24</b>			31,072
		<b>(90,510)</b>	<b>Other Comprehensive Income &amp; Expenditure</b>				<b>27,261</b>
		<b>(135,755)</b>	<b>Total Comprehensive Income &amp; Expenditure</b>				<b>21,717</b>

## Balance Sheet

31 March 2011		Notes	31 March 2012
£'000			£'000
325,015	Property, Plant & Equipment	11	336,530
155	Heritage Assets	12	194
16,016	Investment Property	13	18,385
948	Intangible Assets	14	785
1,389	Available for Sale Financial Assets	15	1,396
1	Long Term Investments	15	1,001
809	Long Term Debtors	15	825
<b>344,333</b>	<b>Long Term Assets</b>		<b>359,116</b>
3,529	Short Term Investments	15	6,721
910	Inventories	16	1,135
29,476	Short Term Debtors	18	30,422
10,207	Cash & Cash Equivalents	19	12,076
2,222	Assets Held for Sale	20	1,432
<b>46,344</b>	<b>Current Assets</b>		<b>51,786</b>
12,834	Short Term Borrowing	15	27,502
17,656	Short Term Creditors	21	19,506
3,375	Provisions	22	3,267
<b>33,865</b>	<b>Current Liabilities</b>		<b>50,275</b>
68,268	Pension Liability	45	96,209
1,016	Provisions	22	-
96,421	Long term Borrowing	15	95,993
29,555	Other Long term Liabilities	15	28,353
694	Capital Grants Receipts in Advance	36	931
<b>195,954</b>	<b>Long Term Liabilities</b>		<b>221,486</b>
<b>160,858</b>	<b>Net Assets</b>		<b>139,141</b>
39,482	Usable Reserves	23	36,768
121,376	Unusable Reserves	24	102,373
<b>160,858</b>	<b>Total Reserves</b>		<b>139,141</b>

## Cash Flow Statement

2010/11		Note	2011/12
£'000			£'000
(45,245)	Net (Surplus)/Deficit on the Provision of Services		(5,544)
39,709	Adjustments to Net (Surplus) or Deficit on the Provision of Services for Non-Cash Movements	25	905
(1,151)	Adjustments for Items Included in the net (Surplus) or Deficit on the Provision of Services that are Investing and Financing Activities		(1,658)
(6,687)	Net Cash Flows From Operating Activities		(6,297)
6,674	Investing Activities	26	16,301
(2,008)	Financing Activities	27	(11,873)
(2,021)	Net (Increase) or Decrease in Cash and Cash Equivalents		(1,869)
8,186	<b>Cash and Cash Equivalents at the beginning of the reporting period</b>	19	<b>10,207</b>
10,207	<b>Cash and Cash Equivalents at the End of the Reporting Period</b>	19	<b>12,076</b>

## **Notes to the Accounts**

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

The Code requires the Council to disclose information relating to the impact of an accounting change that will be required by a new accounting standard that has been issued but not yet adopted by the Code. The adoption of amendments to IFRS 7 Financial Instruments: Disclosures (issued October 2010) by the Code will result in a change of accounting policy that will need to be implemented from 1 April 2012. However, it is likely that this standard will not have a material impact on the Council's financial statements.

### **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:

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.

### 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 2012 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 asset is reduced, depreciation increases and the carrying amount of the asset falls. The annual depreciation charge for property, plant & equipment would increase for every year that useful lives had to be reduced
PROVISIONS	The Council has made a provision of £2m for the settlement of claims for back pay arising from the Equal Pay initiative, based on the number of claims received and an average settlement amount. It is not certain that all valid claims have yet been received by the Council or that precedents set by other authorities in the settlement of claims will be applicable	An increase over the forthcoming year of 10% in either the total number of claims or the estimated average settlement would each have the effect of adding £200k to the provision needed.
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 actuaries expect the introduction of CPI to reduce future pension payments, however current estimates of the level of CPI as compared with RPI could prove to be incorrect.
ARREARS	At March 2012, the Council had a balance for sundry debtors of £5.7m. A review of significant balances suggested that an impairment of doubtful debts of £431k was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If sundry debts became more difficult to collect the Bad Debt provision would need to be increased.
FINANCIAL INSTRUMENTS	The uncertainty in the Eurozone is causing turbulence in the currency markets.	Borrowing costs could increase. Investments could be impaired if Financial Institutions were subject to default. Costs could rise generally.

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

#### **4. Material Items of Income and Expense**

There were no material items of income or expense in the financial year 2011/12.

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

The Statement of Accounts was authorised for issue by the Chief Finance Officer on 29 June 2012. 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 2012, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

## 6. Adjustments between Accounting Basis and Funding Basis under Regulation

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

	Usable Reserves				Total Usable Reserves	Unusable Reserves
	Council Fund Balance	Earmarked Capital Reserves	Capital Receipts Reserve	Capital Grants Unapplied		
2011/12	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<b>Reversal of items debited or credited to the Comprehensive Income &amp; Expenditure Statement:</b>						
Charges for depreciation and impairment of non-current assets	12,144	-	-	-	12,144	(12,144)
Revaluation losses on Property, Plant and Equipment	3,626	-	-	-	3,626	(3,626)
Revaluation losses on Assets Held for Sale	252	-	-	-	252	(252)
Movement in the market value of Investment Properties	(2,658)	-	-	-	(2,658)	2658
Amortisation of Intangible assets	164	-	-	-	164	(164)
Capital grants and contributions applied	(12,029)	-	-	-	(12,029)	12,029
Revenue expenditure funded from capital under statute	1,794	-	-	-	1,794	(1,794)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,352	-	-	-	1,352	(1,352)
Administration costs of asset disposal in advance of receipt	74	-	-	-	74	(74)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Statutory provision for the financing of capital investment	(7,781)	-	-	-	(7,781)	7,781
Capital expenditure charged against the Council Fund balance	-	(574)	-	-	(574)	574
<b>Adjustments 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	-	-	-	(830)	(830)	830

2011/12	Usable Reserves				Total Usable Reserves	Unusable Reserves
	Council Fund Balance	Earmarked Capital Reserves	Capital Receipts Reserve	Capital Grants Unapplied		Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'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	(1,658)	-	1,658	-	-	-
Use of Capital Receipts Reserve to finance new capital expenditure	-	-	(1,133)	-	(1,133)	1,133
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	65	-	(65)	-	-	-
Use of Capital Receipts Reserve to repay debt	-	-	(44)	-	(44)	44
Amelioration of Finance Lease Rentals	7	-	-	-	7	(7)
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>						
Mortgage Principal transfer from deferred capital receipts to capital receipts reserve	-	-	4	-	4	(4)
<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	(162)	-	-	-	(162)	162
<b>Adjustment 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 45)	10,917	-	-	-	10,917	(10,917)
Employer's pensions contributions and direct payments to pensioners payable in the year	(14,048)	-	-	-	(14,048)	14,048
<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	667	-	-	-	667	(667)
<b>Total Adjustments</b>	<b>(7,274)</b>	<b>(574)</b>	<b>420</b>	<b>(830)</b>	<b>(8,258)</b>	<b>8,258</b>

2010/11 Comparative Figures	Usable Reserves				Total Usable Reserves	Unusable Reserves
	Council Fund Balance	Earmarked Capital Reserves	Capital Receipts Reserve	Capital Grants Unapplied		
	£'000	£'000	£'000	£'000	£'000	£'000
<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	13,109	-	-	-	13,109	(13,109)
Revaluation losses on Property Plant and Equipment	2,782	-	-	-	2,782	(2,782)
Movements in the market value of Investment Properties	(644)	-	-	-	(644)	644
Amortisation of intangible assets	164	-	-	-	164	(164)
Capital grants and contributions applied	(10,323)	-	-	-	(10,323)	10,323
Revenue expenditure funded from capital under statute	2,218	-	-	-	2,218	(2,218)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,127	-	-	-	1,127	(1,127)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Statutory provision for the financing of capital investment	(7,653)	-	-	-	(7,653)	7,653
Capital expenditure charged against the Council Fund balance	(165)	(1,391)	-	-	(1,556)	1,556
<b>Adjustment primarily involving the Capital Grants Unapplied Account:</b>						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(368)	-	-	368	-	-

2010/11 Comparative Figures	Usable Reserves				Total Usable Reserves	Unusable Reserves
	Council Fund Balance	Earmarked Capital Reserves	Capital Receipts Reserve	Capital Grants Unapplied		Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'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	(1,151)	-	1,151	-	-	-
Use of Capital Receipts Reserve to finance new capital expenditure	-	-	(1,111)	-	(1,111)	1,111
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	26	-	(26)	-	-	-
Amelioration of finance lease rental income	102	-	-	-	102	(102)
<b>Adjustments primarily involving the Deferred Capital receipts Reserve:</b>						
Mortgage Principal transfer from Deferred Capital Receipts to Capital Receipts Reserve	-	-	4	-	4	(4)
<b>Adjustments 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	(23)	-	-	-	(23)	23
<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 45)	(21,131)	-	-	-	(21,131)	21,131
Employer's pensions contributions and direct payments to pensioners payable in the year	(13,679)	-	-	-	(13,679)	13,679
<b>Adjustments primarily involving the Unequal Pay Back Pay Adjustment Account:</b>						
Reduction in Equal Pay Provision	(3,800)	-	-	-	(3,800)	3,800
<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	(55)	-	-	-	(55)	55
<b>Total Adjustments</b>	<b>(39,464)</b>	<b>(1,391)</b>	<b>18</b>	<b>368</b>	<b>(40,469)</b>	<b>40,469</b>

## 7. 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 2010	Transfers Out 2010/11	Transfers In 2010/11	Balance at 31 March 2011	Transfers Out 2011/12	Transfers In 2011/12	Balance at 31 March 2012
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Council Fund:</b>							
Balances held by schools under a scheme of delegation	4,541	(758)	610	4,393	(836)	698	4,255
<b>Service Reserves:</b>							
Community Development	325	(106)	328	547	(226)	320	641
Infrastructure	117	(64)	80	133	-	15	148
Tramway - Maintenance Programme	286	(63)	37	260	-	65	325
IT - Disaster Recovery, General IT Investment	179	-	81	260	-	337	597
Human Resources	67	(8)	43	102	(39)	25	88
Revenues & Benefits	186	(74)	29	141	(43)	44	142
Internal Audit - Software, IT systems etc	189	(40)	50	199	(20)	21	200
Other Services	411	(159)	84	336	(83)	200	453
Theatres - Repairs & Renewals	233	(38)	115	310	(151)	63	222
Housing Strategy & Private Sector Housing	288	(39)	102	351	(138)	-	213
Social Services Reserves	1,262	(55)	-	1,207	(1,066)	2,337	2,478
Education Services Reserves	1,079	(63)	215	1,231	(291)	56	996

	Balance at 1 April 2010	Transfers Out 2010/11	Transfers In 2010/11	Balance at 31 March 2011	Transfers Out 2011/12	Transfers In 2011/12	Balance at 31 March 2012
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<i>Corporate Reserves:</i>							
Demand Led Risk Reserve	265	-	-	265	(371)	311	205
Single Status Job Evaluation	4,516	(2,415)	300	2,401	(2,673)	532	260
Insurance Reserves	980	(55)	374	1,299	(320)	227	1,206
Revenue Budget Support 2011/12	190	(56)	356	490	(490)	-	-
Revenue Budget Support 2012/13	-	-	-	-	-	423	423
Redundancy & Retirement	187	-	547	734	(255)	77	556
Spend to Save Reserve	634	(110)	-	524	(117)	-	407
PFI Unitary Charge	9,155	(16)	781	9,920	-	511	10,431
Regional Transformation Fund	-	-	510	510	(437)	-	73
Community Projects	301	-	50	351	(119)	62	294
Other	888	(464)	220	644	(186)	66	524
Earmarked Grants Reserves	1,334	(1,334)	775	775	(764)	950	961
<b>Total Earmarked Reserves</b>	<b>27,613</b>	<b>(5,917)</b>	<b>5,687</b>	<b>27,383</b>	<b>(8,625)</b>	<b>7,340</b>	<b>26,098</b>
<b>Total Capital Reserves</b>	<b>3,256</b>	<b>(1,863)</b>	<b>2,523</b>	<b>3,916</b>	<b>(3,129)</b>	<b>2,110</b>	<b>2,897</b>

## 8. Other Operating Expenditure

2010/11 £000		2011/12 £000
9,911	Police Precept	10,331
1,386	Community Council Precepts	1,416
5,281	Fire Authority Levy	5,241
360	Other Levies	351
(24)	Gains/losses on the disposal of non-current assets	(306)
<b>16,914</b>	<b>Total</b>	<b>17,033</b>

## 9. Financing and Investment Income and Expenditure

2010/11 £000		2011/12 £000
8,262	Interest payable & similar charges	8,103
23,904	Pensions interest cost	18,622
(19,397)	Expected return on pensions assets	(18,790)
(306)	Interest receivable & similar income	(293)
(5,017)	Income & expenditure in relation to investment properties & changes in their fair value	(3,096)
1,977	Trading Operations	2,382
<b>9,423</b>	<b>Total</b>	<b>6,928</b>

## 10. Local Taxation and Non Specific Grant Income

2010/11 £000		2011/12 £000
(51,670)	Council Tax income	(53,820)
(31,985)	Non domestic rates	(26,671)
(119,082)	Non-ring fenced government grants	(122,661)
(10,691)	Capital grants & contributions	(12,030)
<b>(213,428)</b>	<b>Total</b>	<b>(215,182)</b>

## 11. Property, Plant and Equipment

### Movements on Balances

<b>Movements in 2011/12:</b>	<b>Council Dwellings</b>	<b>Other Land &amp; Buildings</b>	<b>Vehicles, Plant, Furniture &amp; Equipment</b>	<b>Infra-structure Assets</b>	<b>Community Assets</b>	<b>Surplus Assets</b>	<b>Assets Under Construction</b>	<b>Total Property, Plant &amp; Equipment</b>	<b>PFI Assets included in Property, Plant &amp; Equipment</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost or Valuation</b>									
At 1 April 2011	-	260,073	33,932	85,022	5,416	-	8,907	393,350	51,567
Additions	-	8,239	5,493	8,349	235	-	1,705	24,021	194
Revaluation Increases/(Decreases) recognised in the Revaluation Reserve	-	3,754	-	-	-	40	-	3,794	(65)
Revaluation Increases/(Decreases) recognised in the Surplus/Deficit on the Provision of Services	-	(3,580)	-	-	-	-	-	(3,580)	(129)
Derecognition - Disposals	-	(100)	(1,094)	-	-	-	-	(1,194)	-
Transfers from Assets under Construction	-	3,679	79	3,912	-	-	(7,670)	-	-
Assets Reclassified (to)/from Held for Sale	-	(450)	-	-	-	-	-	(450)	-
Other Movements in Cost or Valuation, etc	-	-	27	-	-	-	-	27	-
<b>At 31 March 2012</b>	<b>-</b>	<b>271,615</b>	<b>38,437</b>	<b>97,283</b>	<b>5,651</b>	<b>40</b>	<b>2,942</b>	<b>415,968</b>	<b>51,567</b>
<b>Accumulated Depreciation &amp; Impairment</b>									
At 1 April 2011	-	(9,480)	(23,323)	(33,759)	(1,773)	-	-	(68,335)	(6,585)
Depreciation Charge	-	(5,086)	(2,534)	(4,149)	(376)	-	-	(12,145)	(974)
Depreciation Written Out to the Revaluation Reserve	-	-	-	-	-	-	-	-	-
Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-	-	-
Derecognition - disposals	-	-	1,042	-	-	-	-	1,042	-
<b>At 31 March 2012</b>	<b>-</b>	<b>(14,566)</b>	<b>(24,815)</b>	<b>(37,908)</b>	<b>(2,149)</b>	<b>-</b>	<b>-</b>	<b>(79,438)</b>	<b>(7,559)</b>
<b>Net Book Value</b>									
at 31 March 2012	-	257,049	13,622	59,375	3,502	40	2,942	336,530	44,008
at 31 March 2011	-	250,593	10,609	51,263	3,643	-	8,907	325,015	44,982

<b>Comparative Movements in 2010/11:</b>	<b>Council Dwellings</b>	<b>Other Land &amp; Buildings</b>	<b>Vehicles, Plant, Furniture &amp; Equipment</b>	<b>Infra-structure Assets</b>	<b>Community Assets</b>	<b>Surplus Assets</b>	<b>Assets Under Construction</b>	<b>Total Property, Plant &amp; Equipment</b>	<b>PFI Assets included in Property, Plant &amp; Equipment</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost or Valuation</b>									
At 1 April 2010	-	263,046	31,860	77,508	5,170	320	3,294	381,198	51,567
Additions	-	2,178	2,072	5,966	401	-	7,268	17,885	165
Revaluation Increases/(Decreases) recognised in the Revaluation Reserve	-	(598)	-	-	-	(15)	-	(613)	(55)
Revaluation Increases/(Decreases) recognised in the Surplus/Deficit on the Provision of Services	-	(1,314)	-	-	-	(5)	-	(1,319)	(110)
Derecognition - Disposals	-	-	-	-	-	-	-	-	-
Transfers from Assets under Construction	-	557	-	1,548	-	-	(2,105)	-	-
Assets Reclassified (to)/from Held for Sale	-	(3,796)	-	-	-	-	150	(3,646)	-
Other Movements in Cost or Valuation	-	-	-	-	-	(300)	300	-	-
<b>At 31 March 2011</b>	<b>-</b>	<b>260,073</b>	<b>33,932</b>	<b>85,022</b>	<b>5,571</b>	<b>-</b>	<b>8,907</b>	<b>393,505</b>	<b>51,567</b>
<b>Accumulated Depreciation &amp; Impairment</b>									
At 1 April 2010	-	(4,332)	(20,505)	(28,963)	(1,426)	-	-	(55,226)	(5,610)
Depreciation Charge	-	(4,270)	(2,818)	(4,796)	(347)	-	-	(12,231)	(975)
Depreciation Written Out to the Revaluation Reserve	-	(845)	-	-	-	-	-	(845)	-
Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services	-	(33)	-	-	-	-	-	(33)	-
<b>At 31 March 2011</b>	<b>-</b>	<b>(9,480)</b>	<b>(23,323)</b>	<b>(33,759)</b>	<b>(1,773)</b>	<b>-</b>	<b>-</b>	<b>(68,335)</b>	<b>(6,585)</b>
<b>Net Book Value</b>									
at 31 March 2011	-	250,593	10,609	51,263	3,798	-	8,907	325,170	44,982
at 31 March 2010	-	258,714	11,355	48,545	3,744	320	3,294	325,972	45,957
at 1 April 2009	-	231,011	9,766	48,364	3,328	631	9,797	302,897	46,926

## Capital Commitments

At 31 March 2012, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2012/13 and future years budgeted to cost £5.6m. Similar commitments at 31 March 2011 were £9.7m. The major commitments are:

<b>Council Fund Capital Programme Scheme</b>	<b>Contracted Future Cost</b>
	<b>£'000</b>
Conwy Morfa Cycle Track	890
Bron y Nant Crematorium - New Cremators & Mercury Abatement Equipment	459
Civic Annex Alterations	57
Erskine Road Group Repair Scheme	359
Colwyn Bay Waterfront Project – Porth Eirias Building Works	3,503
Upgrade of Public Conveniences	379
<b>Total</b>	<b>5,647</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 Bleddyn Evans B.Sc(Hons),DipSurv,MRICS, 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. Vehicles, plant, furniture and equipment are carried at historic cost. Assets Held for Sale and Investment Properties are revalued annually.

## Disclosure Note regarding Schools

All schools funded by Conwy County Borough Council as Local Education Authority are included within the Statement of Accounts 2011/12. The status of Voluntary Aided, Voluntary Controlled and Foundation Schools will be reviewed in 2012/13 if guidance is given in the Code 2012/13.

## 12. Heritage Assets

The date of the valuation of the heritage assets was 18 May 2012 and the valuation was undertaken by Simon Bower of Morgan Evans & Co Ltd MRICS & MNAVA. The valuation method was open market value based upon comparable evidence, and there were no significant limitations on the valuation.

Reconciliation of the carrying value of Heritage Assets held by the Authority:

	Sculptures	Art Collection	Brass, Copper, Silver, etc	Other	Total Assets
	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>					
1 April 2011	-	72	18	65	155
Revaluations	30	(9)	54	(36)	39
<b>31 March 2012</b>	<b>30</b>	<b>63</b>	<b>72</b>	<b>29</b>	<b>194</b>

### Sculptures

The Authority's sculptures are reported in the Balance Sheet at market value and were valued by external valuers commissioned by the Council for the 2011/12 financial year end. The sculptures consist of two marble busts on marble pillars and a group of marble Alice in Wonderland figures.

### Art Collection

The art collection is reported in the Balance Sheet at market value and was valued by external valuers commissioned by the Council for the 2011/12 financial year end. The art collection consists of several watercolour and oil paintings including portraits of local and other figures, together with local and other scenes.

### Brass, Copper, Silver, etc

The collection is reported in the Balance Sheet at market value and was valued by external valuers commissioned by the Council for the 2011/12 financial year end. The collection consists of several items including a round copper wall plaque, two brass locomotive plates and a silver mace and stand, together with other silver trophies and bowls.

### Other

The other items are reported in the Balance Sheet at market value and were valued by external valuers commissioned by the Council for the 2011/12 financial year end. The other items consist of civic regalia, photographs, tapestries, cut glass, seals, furniture, a ceramic vessel, printed plans, etc.

### Additions and Disposals in 2011/12

There were no significant additions or disposals during 2011/12.

### 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>2011/12 £000</b>	<b>2010/11 £000</b>
Rental income from Investment Property	438	359
<b>Net gain/(loss)</b>	<b>438</b>	<b>359</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>2011/12 £'000</b>	<b>2010/11 £'000</b>
<b>Balance at start of year</b>	<b>16,016</b>	<b>6,395</b>
Additions:		
▪ Purchases	-	-
▪ Construction	-	-
▪ Subsequent Expenditure	-	-
Disposals	(163)	(131)
Net gains/(losses) from fair value adjustments	2,582	719
Transfers:		
▪ (to)/from inventories	-	-
▪ (to)/from Property, Plant and Equipment	-	5,033
Other changes	(50)	4,000
<b>Balance at year end</b>	<b>18,385</b>	<b>16,016</b>

#### 14. 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:

<b>Original Life</b>	<b>Remaining Life</b>	<b>Other Assets</b>
10 Years	2 Years	E-Mail System
10 Years	4 Years	Integrated HR/Payroll Software
10 Years	7 Years	Social Care System
10 Years	8 Years	Environmental Information Management System

The carrying amount of intangible assets is amortised on a straight-line basis. Of the amortisation of £163k (£164k 2010/11) charged to revenue in 2011/12, £54k (£54k 2010/11) was charged to Social Services, £22k (£23k 2010/11) was charged to Cultural, Environmental, Regulatory and Planning Services, £9k (£9k 2010/11) was charged to Education and Children's Services and £3k (£3k 2010/11) was charged to Central Services to the Public. The remaining £75k (£75k 2010/11) of the amortisation was charged to Central Support cost centres and then absorbed as an overhead across all the service headings in the Net Expenditure of Services – it is not possible to quantify exactly how much of this amortisation is attributable to each service heading.

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

	2011/12		2010/11	
	Other Assets	Total	Other Assets	Total
	£'000	£'000	£'000	£'000
<b>Balance at start of year:</b>				
▪ Gross Carrying Amounts	1,457	1,457	1,457	1,457
▪ Accumulated Amortisation	(509)	(509)	(345)	(345)
Net carrying amount at start of year	948	948	1,112	1,112
Additions:				
▪ Purchases	-	-	-	-
Amortisation for the period	(163)	(163)	(164)	(164)
<b>Net carrying amount at end of year</b>	<b>785</b>	<b>785</b>	<b>948</b>	<b>948</b>

Comprising:				
▪ Gross carrying amounts	1,457	1,457	1,457	1,457
▪ Accumulated amortisation	(672)	(672)	(509)	(509)
	785	785	948	948

There are no internally generated intangible assets.

There is one item of capitalised software that is individually material to the financial statements:

	Carrying Amount		Remaining Amortisation Period
	31 March 2012 £'000	31 March 2011 £'000	
Social Care System	381	436	7 years

## 15. Financial Instruments

### Categories of Financial Instruments

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

	Long-term		Current	
	31 March 2012	31 March 2011	31 March 2012	31 March 2011
	£'000	£'000	£'000	£'000
<b>Investments</b>				
Loans and receivables	1,001	1	6,721	3,529
Available-for-sale financial assets	1,396	1,389	-	-
<b>Total Investments</b>	<b>2,397</b>	<b>1,390</b>	<b>6,721</b>	<b>3,529</b>
<b>Debtors</b>				
Loans and receivables	1,126	1,111	-	-
Financial assets carried at contract amounts	-	-	30,122	29,174
<b>Total Debtors</b>	<b>1,126</b>	<b>1,111</b>	<b>30,122</b>	<b>29,174</b>
<b>Borrowings</b>				
Financial liabilities at amortised cost	95,993	96,421	27,502	12,834
<b>Total Borrowings</b>	<b>95,993</b>	<b>96,421</b>	<b>27,502</b>	<b>12,834</b>
<b>Other Long Term Liabilities</b>				
PFI and finance lease liabilities	28,353	29,555	204	333
<b>Total Other Long Term Liabilities</b>	<b>28,353</b>	<b>29,555</b>	<b>204</b>	<b>333</b>
<b>Creditors</b>				
Financial liabilities carried at contract amount	-	-	19,302	17,323
<b>Total Creditors</b>	<b>-</b>	<b>-</b>	<b>19,302</b>	<b>17,323</b>

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

Reconciliation of short term Investments with the Balance Sheet

	31 March 2012	31 March 2011
	£'000	£'000
Financial Assets - Investments	6,721	3,529
Cash Equivalents - Investments	17,620	12,540
Cash Equivalents - Foundation Schools Investments	561	667
Accruals	(49)	(27)
<b>Investments</b>	<b>24,853</b>	<b>16,709</b>

Reconciliation of long and short term balances with actual debt outstanding:

	31 March 2012 £'000	31 March 2011 £'000
Financial Liabilities: Long Term Borrowing	95,993	96,421
Financial Liabilities: Short Term Borrowing	27,502	12,834
	123,495	109,255
Less PWLB Interest Accruals	(1,666)	(664)
Market Loans Interest Accruals	(189)	(170)
Stepped Loan Effective Interest Rate adjustment	(155)	(156)
Discount adjustment to Modified Loan	-	-
Premium adjustment to Modified Loan	707	708
<b>Debt Outstanding</b>	<b>122,192</b>	<b>108,973</b>

### Income, Expense, Gains & Losses

	2011/12				2010/11			
	Financial Liabilities measured at Amortised Cost	Financial Assets: Loans and Receivables	Financial Assets: Available for Sale	Total	Financial Liabilities measured at Amortised Cost	Financial Assets: Loans and Receivables	Financial Assets: Available for Sale	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Interest expense	5,535	-	-	5,535	5,469	-	-	5,469
Losses on derecognition	-	-	-	-	-	-	-	-
Reductions in fair value	-	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-	-	-
Fee expense	20	-	-	20	10	-	-	10
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>5,555</b>	<b>-</b>	<b>-</b>	<b>5,555</b>	<b>5,479</b>	<b>-</b>	<b>-</b>	<b>5,479</b>
Interest income	-	(277)	-	(277)	-	(256)	-	(256)
Interest income accrued on impaired financial assets	-	-	-	-	-	-	-	-
Increases in fair value	-	(142)	(7)	(149)	-	(3)	(30)	(33)
Gains on derecognition	-	-	-	-	-	-	-	-
Fee income	-	-	-	-	-	-	-	-
<b>Total Income in Surplus or Deficit on the Provision of Services</b>	<b>-</b>	<b>(419)</b>	<b>(7)</b>	<b>(426)</b>	<b>-</b>	<b>(259)</b>	<b>(30)</b>	<b>(289)</b>
<b>Net Gain (Loss) for the year</b>	<b>5,555</b>	<b>(419)</b>	<b>(7)</b>	<b>5,129</b>	<b>5,479</b>	<b>(259)</b>	<b>(30)</b>	<b>5,190</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 2012 of 2.60% to 3.27% for loans from the PWLB and 0.35% to 1.3% 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.

The fair values calculated are as follows:

	31 March 2012		31 March 2011	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Financial Liabilities	141,698	184,535	126,629	149,819
Long-Term Creditors	-	-	-	-
<b>Total</b>	<b>141,698</b>	<b>184,535</b>	<b>126,629</b>	<b>149,819</b>

	31 March 2012		31 March 2011	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Loans & Receivables	58,260	58,359	47,297	47,291
Long-Term Debtors	-	-	-	-
<b>Total</b>	<b>58,260</b>	<b>58,359</b>	<b>47,297</b>	<b>47,291</b>

## 16. Inventories

	Consumable Stores		Maintenance Materials		Finished Goods		Work in Progress		Total	
	2011/12 £'000	2010/11 £'000	2011/12 £'000	2010/11 £'000	2011/12 £'000	2010/11 £'000	2011/12 £'000	2010/11 £'000	2011/12 £'000	2010/11 £'000
Balance Outstanding at Start of Year	26	33	533	385	213	222	138	116	910	756
Movement in Year	4	(7)	245	148	59	(9)	(83)	22	225	154
<b>Balance Outstanding at Year End</b>	<b>30</b>	<b>26</b>	<b>778</b>	<b>533</b>	<b>272</b>	<b>213</b>	<b>55</b>	<b>138</b>	<b>1,135</b>	<b>910</b>

## 17. Construction Contracts

The Authority was not the contractor in any construction contracts in 2011/12 or 2010/11.

## 18. Debtors

	31 March 2012 £'000	31 March 2011 £'000
Central Government Bodies	13,268	11,881
Other Local Authorities	4,464	6,010
NHS Bodies	797	1,422
Public Corporations and Trading Funds	1	2
Other Entities and Individuals	13,050	11,202
<b>Total</b>	<b>31,580</b>	<b>30,517</b>
Less Bad Debt Provision	(1,158)	(1,041)
<b>Net Debtors</b>	<b>30,422</b>	<b>29,476</b>

## 19. Cash and Cash Equivalents

	31 March 2012 £'000	31 March 2011 £'000
Cash Held by the Authority (Foundation Schools)	530	581
Bank Current Accounts	(6,635)	(3,581)
Short-term Deposits	17,620	12,540
Short-term Deposits -Foundation Schools	561	667
<b>Total Cash and Cash Equivalents</b>	<b>12,076</b>	<b>10,207</b>

## 20. Assets Held for Sale

	Current	
	2011/12	2010/11
	£'000	£'000
<b>Balance outstanding at start of year</b>	<b>2,222</b>	<b>7,273</b>
Assets newly classified as held for sale:		
▪ Property, Plant & Equipment	450	3,818
▪ Intangible Assets	-	-
▪ Investment Properties	-	117
Other Assets/Liabilities in Disposal Groups	-	-
Revaluation Losses	(252)	(2,815)
Revaluation Gains	-	144
Impairment Losses	-	-
Assets declassified as held for sale:		
▪ Property, Plant & Equipment	-	(22)
▪ Intangible Assets	-	-
▪ Investment Properties	-	(5,300)
Other Assets/Liabilities in Disposal Groups	-	-
Assets Sold	(1,488)	(993)
Transfers from Non-Current to Current	-	-
Other Movements	500	-
<b>Balance outstanding at year end</b>	<b>1,432</b>	<b>2,222</b>

## 21. Creditors

	31 March 2012 £'000	31 March 2011 £'000
Central Government Bodies	675	379
Other Local Authorities	2,673	1,924
NHS Bodies	383	495
Public Corporations & Trading funds	65	40
Other Entities & Individuals	15,710	14,818
<b>Total</b>	<b>19,506</b>	<b>17,656</b>

## 22. Provisions

	Insurance Provisions £'000	Equal Pay, EVR and Job Evaluation £'000	Other Provisions £'000	Total £'000
<b>Balance at 1 April 2010</b>	<b>1,628</b>	<b>9,928</b>	<b>332</b>	<b>11,888</b>
Additional Provisions made in 2010/11	152	180	129	461
Amounts used in 2010/11	(847)	(2,979)	(332)	(4,158)
Unused Amounts reversed in 2010/11	-	(3,800)	-	(3,800)
<b>Balance at 31 March 2011</b>	<b>933</b>	<b>3,329</b>	<b>129</b>	<b>4,391</b>
Long Term	808	208	-	1,016
Short Term	125	3,121	129	3,375

<b>Balance at 1 April 2011</b>	<b>933</b>	<b>3,329</b>	<b>129</b>	<b>4,391</b>
Additional Provisions made in 2011/12	685	388	-	1,073
Amounts used in 2011/12	(831)	(1,329)	(37)	(2,197)
Unused Amounts reversed in 2011/12	-	-	-	-
<b>Balance at 31 March 2012</b>	<b>787</b>	<b>2,388</b>	<b>92</b>	<b>3,267</b>
Long Term	-	-	-	-
Short Term	787	2,388	92	3,267

## **Insurance Provisions - Injury and Damage Compensation Claims**

The vast majority of compensation claims are individually insignificant. They relate to personal injury and damage to property sustained where the Authority is alleged to be at fault (e.g. through a failure to repair a road or pavement properly). Provision is made for those claims where it is deemed probable that the Authority's insurers will have to make a settlement, based on past experience of court decisions about liability and the amount of damages payable.

Claims are paid by the Authority's insurers and the Authority reimburses its insurers in respect of all sums that fall below the policy excess of £10,000 per claim.

It is expected that of the total value of claims outstanding of £787k that are likely to be settled the Authority will bear £199k of that sum by way of policy excesses and its insurers will bear the balance of £588k. It is anticipated that all these claims will be settled in 2012/13.

## **Equal Pay Provision**

A provision for possible future settlement of Equal Pay claims arising as a result of the implementation of the Single Status agreement. The provision is in the sum of £2m at 31/3/2012 (£2m at 31/3/2011). The timing of the settlement of Equal Pay claims is uncertain but may be in 2012/13.

This provision is not cash backed, it is offset by a negative unusable reserve – the Unequal Pay Back Pay Account.

## **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 31/3/2012 is £388k (£528k 2010/11) which it is estimated will be settled in 2012/13.

## **Job Evaluation Costs Provision**

The provision for the costs of back pay due as a result of the implementation of the new staff terms and conditions under the single status agreement that amounted to £801k at 31 March 2011 was fully utilised in the course of 2011/12.

All other Provisions are not material.

### 23. Usable Reserves

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement and Note 7.

### 24. Unusable Reserves

	31 March 2012 £'000	31 March 2011 £'000
Revaluation Reserve	52,858	50,018
Available for Sale Financial Assets Reserve	1,396	1,389
Capital Adjustment Account	149,765	143,157
Financial Instruments Adjustment account	(809)	(970)
Pensions Reserve	(96,209)	(68,268)
Deferred Capital Receipts Reserve	94	106
Unequal Pay Back Pay Account	(2,000)	(2,000)
Accumulated Absences Account	(2,722)	(2,056)
<b>Total Unusable Reserves</b>	<b>102,373</b>	<b>121,376</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.

2010/11 £'000	Revaluation Reserve	2011/12 £'000
<b>52,670</b>	<b>Balance at 1 April</b>	<b>50,018</b>
315	Upward revaluation of assets	4,374
(2,059)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(571)
(845)	Difference between fair value depreciation and historical cost depreciation	(835)
-	Accumulated gains on assets sold or scrapped	-
(63)	Amount written off to the Capital Adjustment Account	(128)
<b>50,018</b>	<b>Balance at 31 March</b>	<b>52,858</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.

2010/11 £'000	Available for Sale Financial Assets Reserve	2011/12 £'000
1,359	<b>Balance at 1 April</b>	1,389
-	- Upward revaluation of investments	-
30	Upward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	7
-	- Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income	-
<b>1,389</b>	<b>Balance at 31 March</b>	<b>1,396</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 6 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2010/11	Capital Adjustment Account	2011/12
£'000		£'000
136,362	<b>Balance at 1 April</b>	143,157
	<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>	
(13,109)	▪ Charges for depreciation & impairment of non-current assets	(12,144)
(2,782)	▪ Revaluation losses on Property, Plant & Equipment	(3,626)
-	▪ Revaluation losses on Assets Held for Sale	(252)
(164)	▪ Amortisation of Intangible Assets	(163)
(2,218)	▪ Revenue expenditure funded from capital under statute	(1,794)
(1,127)	▪ 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	(1,352)
-	▪ Administration costs of asset disposal in advance of sale	(74)
(19,400)		(19,405)
908	▪ Adjusting amounts written out of the Revaluation Reserve	964
(18,492)	Net written out amount of the cost of non-current assets consumed in the year	(18,441)
	<b>Capital financing applied in the year:</b>	
1,111	▪ Use of the Capital Receipts Reserve to finance new capital expenditure	1,133
-	▪ Use of the Capital Receipts Reserve to repay debt	44
10,323	▪ Capital grants & contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	12,029
-	▪ Application of grants to capital financing from the Capital Grants Unapplied Account	830
7,653	▪ Statutory provision for the financing of capital investment charged against the Council Fund	7,781
1,556	▪ Capital expenditure charged against the Council Fund	574
2,151		3,950
4,644	▪ Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement	2,658
<b>143,157</b>	<b>Balance at 31 March</b>	<b>149,765</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.

2010/11 £'000	Financial Instruments Adjustment Account	2011/12 £'000
(993)	<b>Balance at 1 April</b>	(970)
-	Premiums incurred/discounts earned in the year & charged/credited to the Comprehensive Income & Expenditure Statement	-
19	Proportion of premiums/discounts incurred/earned in previous financial years to be charged against the Council Fund Balance in accordance with statutory requirements	18
4	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	143
(970)	<b>Balance at 31 March</b>	(809)

## 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>2010/11 £'000</b>	<b>Pensions Reserve</b>	<b>2011/12 £'000</b>
<b>(195,303)</b>	<b>Balance at 1 April</b>	<b>(68,268)</b>
92,225	Actuarial gains or losses on pensions assets & liabilities	(31,072)
21,131	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	(10,917)
13,679	Employer's pension contributions payable in the year	14,048
<b>(68,268)</b>	<b>Balance at 31 March</b>	<b>(96,209)</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>2010/11 £'000</b>	<b>Deferred Capital Receipts Reserve</b>	<b>2011/12 £'000</b>
<b>213</b>	<b>Balance at 1 April</b>	<b>106</b>
(102)	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	(7)
(5)	Transfer to the Capital Receipts Reserve upon receipt of cash	(5)
<b>106</b>	<b>Balance at 31 March</b>	<b>94</b>

### Unequal Pay Back Pay Account

The Unequal Pay Back Pay Account compensates for the differences between the rate at which the Authority provides for the potential costs of back pay settlements in relation to Equal Pay cases and the ability under statutory provisions to defer the impact on the Council Fund Balance until such time as cash might be paid out to claimants. This is an accounting entry and is not represented by cash.

2010/11 £'000	Unequal Pay Back Pay Account	2011/12 £'000
(5,800)	<b>Balance at 1 April</b>	(2,000)
3,800	Decrease in provision for back pay in relation to Equal Pay cases	-
-	Cash settlements paid in year	-
-	Amount by which amounts charged for Equal Pay claims to the Comprehensive Income & Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	-
<b>(2,000)</b>	<b>Balance at 31 March</b>	<b>(2,000)</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.

2010/11 £'000	Accumulated Absences Account	2011/12 £'000
(2,111)	<b>Balance at 1 April</b>	(2,056)
2,111	Settlement or cancellation of accrual made at the end of the preceding year	2,056
(2,056)	Amounts accrued at the end of the current year	(2,722)
-	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	-
<b>(2,056)</b>	<b>Balance at 31 March</b>	<b>(2,722)</b>

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

<b>2010/11 £'000</b>		<b>2011/12 £'000</b>
(13,076)	Depreciation of Non Current Assets	(12,145)
(33)	Impairment of Non Current Assets	-
(164)	Amortisation of Intangible Fixed Assets	(164)
34,810	Pension Fund adjustments	3,131
23	Other non cash Financial Instrument adjustments	162
3,800	Provision for equal pay	-
(64)	Increase/decrease in impairment for provision for bad debts	(117)
7,497	Contributions to Provisions	1,124
(1,180)	Carrying amount of PP&E, investment property and intangible assets sold	(1,352)
6,886	Other non-cash movement	11,938
154	Increase/(Decrease) in Inventories	225
478	Increase/(Decrease) in Debtors	492
578	(Increase)/Decrease in Creditors	(2,389)
<b>39,709</b>	<b>Net non cash movements</b>	<b>905</b>

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

<b>2010/11 £'000</b>		<b>2011/12 £'000</b>
22,991	Purchase of property, plant and equipment, investment property and intangible assets	27,721
244,757	Purchase of short –term and long-term investments	261,868
(1,151)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,620)
(247,228)	Proceeds from short-term and long-term investments	(257,676)
(12,695)	Other receipts from investing activities	(13,992)
<b>6,674</b>	<b>Net cash flow from investing activities</b>	<b>16,301</b>

## 27. Cash Flow Statement – Financing Activities

2010/11 £'000		2011/12 £'000
(41,600)	Cash receipts of short-term and long-term borrowing	(69,247)
-	Other receipts from financing activities	-
1,287	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	1,210
36,600	Repayments of short –term and long-term borrowing	55,600
1,705	Other payments for financing activities	564
<b>(2,008)</b>	<b>Net cash flow from financing activities</b>	<b>(11,873)</b>

## 28. Amounts Reported for Resource Allocation Decisions

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

- no charges are made in relation to capital expenditure, whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- expenditure on some support services is budgeted for centrally and not charged to services

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

<b>Service Income and Expenditure 2011/12</b>	<b>Education Services</b>	<b>Social Services</b>	<b>Highways &amp; Transport</b>	<b>Environmental Services</b>	<b>Community Development Services</b>	<b>Regulatory Services</b>	<b>Financial Services</b>	<b>Property Management &amp; Asset Services</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Fees, charges & other service income	(16,163)	(9,163)	(7,051)	(7,419)	(5,278)	(3,173)	(3,252)	(2,932)	(54,431)
Government grants	(18,376)	(9,062)	(518)	(2,100)	(4,713)	(1,949)	(44,115)	-	(80,833)
<b>Total Income</b>	<b>(34,539)</b>	<b>(18,225)</b>	<b>(7,569)</b>	<b>(9,519)</b>	<b>(9,991)</b>	<b>(5,122)</b>	<b>(47,367)</b>	<b>(2,932)</b>	<b>(135,264)</b>
Employee Expenses	73,356	23,727	6,045	6,376	8,415	5,511	5,242	2,131	130,803
Other Service Expenses	37,890	43,170	8,689	16,216	9,213	4,610	45,939	2,948	168,675
<b>Total Expenditure</b>	<b>111,246</b>	<b>66,897</b>	<b>14,734</b>	<b>22,592</b>	<b>17,628</b>	<b>10,121</b>	<b>51,181</b>	<b>5,079</b>	<b>299,478</b>
<b>Net Expenditure</b>	<b>76,707</b>	<b>48,672</b>	<b>7,165</b>	<b>13,073</b>	<b>7,637</b>	<b>4,999</b>	<b>3,814</b>	<b>2,147</b>	<b>164,214</b>

<b>Service Income and Expenditure 2010/11 Comparative Figures</b>	<b>Education Services</b>	<b>Social Services</b>	<b>Highways &amp; Transport</b>	<b>Environmental Services</b>	<b>Community Development Services</b>	<b>Regulatory Services</b>	<b>Financial Services</b>	<b>Property Management &amp; Asset Services</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Fees, charges & other service income	(12,741)	(9,204)	(7,407)	(7,142)	(4,894)	(3,291)	(2,761)	(2,476)	(49,916)
Government grants	(17,174)	(10,209)	(1,251)	(2,296)	(4,194)	(2,127)	(42,157)	-	(79,408)
<b>Total Income</b>	<b>(29,915)</b>	<b>(19,413)</b>	<b>(8,658)</b>	<b>(9,438)</b>	<b>(9,088)</b>	<b>(5,418)</b>	<b>(44,918)</b>	<b>(2,476)</b>	<b>(129,324)</b>
Employee Expenses	72,486	24,646	6,498	5,620	7,977	5,155	4,971	2,062	129,415
Other Service Expenses	32,730	41,843	9,916	16,670	8,597	4,727	43,511	2,554	160,548
<b>Total Expenditure</b>	<b>105,216</b>	<b>66,489</b>	<b>16,414</b>	<b>22,290</b>	<b>16,574</b>	<b>9,882</b>	<b>48,482</b>	<b>4,616</b>	<b>289,963</b>
<b>Net Expenditure</b>	<b>75,301</b>	<b>47,076</b>	<b>7,756</b>	<b>12,852</b>	<b>7,486</b>	<b>4,464</b>	<b>3,564</b>	<b>2,140</b>	<b>160,639</b>

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

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

	<b>2011/12 £'000</b>	<b>2010/11 £'000</b>
Net expenditure in the Service Analysis	164,214	160,639
Net expenditure of services & support services not included in the Analysis	22,379	26,085
Amounts in the Comprehensive Income & Expenditure Statement not reported to management in the Analysis	15,669	(24,779)
Amounts included in the Analysis not included in the Comprehensive Income & Expenditure Statement	(16,585)	(20,099)
<b>Cost of Services in the Comprehensive Income &amp; Expenditure Statement</b>	<b>185,677</b>	<b>141,846</b>

The large difference in the cost of services in the Comprehensive Income and Expenditure Statement is due to the change in treatment of past service pension costs from an RPI to a CPI basis having a marked effect in the surplus for 2010/11, but embedded for 2011/12.

## Reconciliation to Subjective Analysis

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

2011/12	Service Analysis	Services & Support services not in Analysis	Amounts in the Comprehensive I&E Statement but not reported to management in the Analysis	Amounts not included in I&E	Allocation of Recharges	Net Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service Income	(54,431)	(9,685)	(2,566)	5,700	16,147	(44,835)	-	(44,835)
Interest & Investment Income	-	-	-	-	-	-	(293)	(293)
Income from Council Tax	-	-	-	-	-	-	(53,820)	(53,820)
Government grants & contributions	(80,833)	(3,571)	(2,428)	4,795	-	(82,037)	(161,362)	(243,399)
<b>Total Income</b>	<b>(135,264)</b>	<b>(13,256)</b>	<b>(4,994)</b>	<b>10,495</b>	<b>16,147</b>	<b>(126,872)</b>	<b>(215,475)</b>	<b>(342,347)</b>
Employee Expenses	130,803	10,444	(301)	(2,424)	(566)	137,956	(168)	137,788
Other Service Expenses	168,675	25,191	556	(25,094)	(15,581)	153,747	-	153,747
Depreciation, amortisation & impairment	-	-	16,186	-	-	16,186	-	16,186
Investment Property Income & Change in Fair Value	-	-	-	438	-	438	(3,096)	(2,658)
REFCUS	-	-	4,222	-	-	4,222	-	4,222
Equal Pay Provision	-	-	-	-	-	-	-	-
Interest payments	-	-	-	-	-	-	8,103	8,103
Precepts & Levies	-	-	-	-	-	-	17,339	17,339
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	-	-	(306)	(306)
Trading Operations	-	-	-	-	-	-	2,382	2,382
<b>Total Expenditure</b>	<b>299,478</b>	<b>35,635</b>	<b>20,663</b>	<b>(27,080)</b>	<b>(16,147)</b>	<b>312,549</b>	<b>24,254</b>	<b>336,803</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>164,214</b>	<b>22,379</b>	<b>15,669</b>	<b>(16,585)</b>	<b>-</b>	<b>185,677</b>	<b>(191,221)</b>	<b>(5,544)</b>

2010/11 Comparative Figures	Service Analysis	Services & Support services not in Analysis	Amounts in the Comprehensive I&E Statement but not reported to management in the Analysis	Amounts not included in I&E	Allocation of Recharges	Net Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service Income	(49,916)	(8,691)	(40,563)	5,551	17,253	(76,366)	-	(76,366)
Interest & Investment Income	-	-	-	-	-	-	(306)	(306)
Income from Council Tax	-	-	-	-	-	-	(51,670)	(51,670)
Government grants & contributions	(79,408)	(4,012)	(3,112)	4,816	-	(81,716)	(161,758)	(243,474)
<b>Total Income</b>	<b>(129,324)</b>	<b>(12,703)</b>	<b>(43,675)</b>	<b>10,367</b>	<b>17,253</b>	<b>(158,082)</b>	<b>(213,734)</b>	<b>(371,816)</b>
Employee Expenses	129,415	10,233	654	(2,255)	(839)	137,208	4,507	141,715
Other Service Expenses	160,548	28,555	643	(28,570)	(16,414)	144,762	-	144,762
Depreciation, amortisation & impairment	-	-	16,135	-	-	16,135	-	16,135
Investment Property Income & Change in Fair Value	-	-	(66)	359	-	293	(5,017)	(4,724)
REFCUS	-	-	5,330	-	-	5,330	-	5,330
Equal Pay Provision	-	-	(3,800)	-	-	(3,800)	-	(3,800)
Interest payments	-	-	-	-	-	-	8,262	8,262
Precepts & Levies	-	-	-	-	-	-	16,938	16,938
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	-	-	(24)	(24)
Trading Operations	-	-	-	-	-	-	1,977	1,977
<b>Total Expenditure</b>	<b>289,963</b>	<b>38,788</b>	<b>18,896</b>	<b>(30,466)</b>	<b>(17,253)</b>	<b>299,928</b>	<b>26,643</b>	<b>326,571</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>160,639</b>	<b>26,085</b>	<b>(24,779)</b>	<b>(20,099)</b>	<b>-</b>	<b>141,846</b>	<b>(187,091)</b>	<b>(45,245)</b>

## 29. Acquired and Discontinued Operations

There were no acquired or discontinued operations in the year.

### 30. Trading Operations

The Council operated three major trading operations, details are shown below:

		2011/12 £'000	2010/11 £'000
The Council owns and operates the Great Orme Tramway generating income from ticket sales. The objective is to maximise the operating surplus to provide an ongoing maintenance programme. The reserve for ongoing maintenance at 31 March 2012 amounted to £325k.	Turnover	(819)	(779)
	Expenditure	896	843
	<b>Deficit</b>	<b>77</b>	<b>64</b>
	<b>Deficit (after IAS19 adjustment)</b>	<b>73</b>	<b>67</b>
The Council owns and operates a major theatre/conference centre/arena complex and a second theatre, generating income from lettings and ticket sales. The Arena was opened in 2006/07. The trading objective is to more than break even on the costs of performances and conferences and to make a contribution towards the maintenance of the fabric of the building. This objective was achieved in 2011/12 in the case of Venue Cymru. Theatr Colwyn was refurbished in the course of 2010/11 & 2011/12 and was re-opened in September 2011. The reserve for Theatres' repairs and renewals amounted to £222k at 31 March 2012. The summary below shows all associated expenditure and income.			
Venue Cymru - Theatre - Conference Centre - Arena	Turnover	(4,900)	(4,792)
	Expenditure	6,672	6,598
	<b>Deficit</b>	<b>1,772</b>	<b>1,806</b>
	<b>Deficit (after IAS19 adjustment)</b>	<b>1,753</b>	<b>1,821</b>
Theatr Colwyn	Turnover	(164)	(80)
	Expenditure	748	201
	<b>Deficit</b>	<b>584</b>	<b>121</b>
	<b>Deficit (after IAS19 adjustment)</b>	<b>583</b>	<b>122</b>
<b>Total</b>	<b>Deficit</b>	<b>2,433</b>	<b>1,991</b>
	<b>Deficit (after IAS19 adjustment)</b>	<b>2,409</b>	<b>2,010</b>
	Revenue Provision	(27)	(33)
	<b>Deficit per Income &amp; Expenditure Account</b>	<b>2,382</b>	<b>1,977</b>

### 31. 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, and a second agreement relates to payments to Homes for Nursing Care on behalf of Local Health Boards.

Expenditure on these activities was as follows:

	2011/12 £'000	2010/11 £'000
Trunk Roads	5,161	4,777
Nursing Care	1,397	1,326
<b>Total</b>	<b>6,558</b>	<b>6,103</b>

### 32. Pooled Budgets

In 2009/10, Conwy CBC entered into a pooled budget arrangement with Betsi Cadwaladr University Health Board for the provision of community equipment for physically disabled and elderly service users in the Conwy CBC local authority area. The Authority is the host of this pool.

From 2013/14, a new local authority/health joint equipment loans store will be in operation, covering the Conwy, Gwynedd and Anglesey local authority areas. It will be managed by Betsi Cadwaladr UHB, with the pool budget hosted by Gwynedd Council. In 2013/14, it is estimated that Conwy CBC will contribute £195k towards running costs and equipment purchases (out of an estimated total pool budget for running costs and equipment purchases of £1.264m).

	2011/12 £'000	2010/11 £'000
Funding provided to the pooled budget:		
▪ Conwy CBC	300	304
▪ Betsi Cadwaladr UHB	45	45
	345	349
Expenditure met from the pooled budget:		
▪ Conwy CBC	296	297
▪ Betsi Cadwaladr UHB	47	62
	343	359
<b>Net deficit/(surplus) arising on the pooled budget during the year</b>	<b>(2)</b>	<b>10</b>

### 33. Members' Allowances

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

	2011/12 £000	2010/11 £000
Basic Allowance	812	805
Special Responsibility Allowance	238	238
Expenses	32	34
<b>Total</b>	<b>1,082</b>	<b>1,077</b>

### 34. 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
		£	£	£	£	£
2011/12	Chief Executive - Salary	24,476	265	24,741	5,042	29,783
2011/12	Chief Executive - Termination Benefit/Annual Leave adjustment	79,210	-	79,210	-	79,210
2010/11	Chief Executive	114,435	1,596	116,031	23,001	139,032
2011/12	Acting Chief Executive/Strategic Director (Democratic, Regulation & Support)	100,140	3,807	103,947	20,629	124,576
2010/11	Acting Chief Executive	107,283	4,472	111,755	21,564	133,319
2011/12	Acting Corporate Director/Strategic Director (Finance & Efficiencies)	84,393	1,585	85,978	17,385	103,363
2010/11	Acting Corporate Director/ Head of Finance	82,446	2,439	84,885	16,572	101,457
2011/12	Acting Corporate Director/Chief Executive	93,692	1,868	95,560	19,301	114,861
2010/11	Acting Corporate Director/ Head of Legal & Democratic Services	82,446	2,125	84,571	16,572	101,143
2011/12	Statutory Head of Social Services	64,568	3,101	67,669	13,301	80,970
2010/11	Statutory Head of Social Services	71,677	2,653	74,330	14,407	88,737
2011/12	Statutory Head of Education Services	71,703	4,142	75,845	14,771	90,616
2010/11	Statutory Head of Education Services	70,233	3,785	74,018	14,117	88,135
2011/12	Head of Corporate Human Resources	62,884	2,013	64,897	12,954	77,851
2010/11	Head of Corporate Human Resources	65,766	1,800	67,566	13,219	80,785
2011/12	Head of School Improvement	62,575	1,410	63,985	5,542	69,527
2010/11	Head of School Improvement	62,884	3,278	66,162	12,640	78,802
2011/12	Head of IT Services	62,884	2,472	65,356	12,954	78,310
2010/11	Head of IT Services	61,452	4,109	65,561	12,352	77,913
2011/12	Head of Service-Provider Services	62,884	2,139	65,023	12,954	77,977
2010/11	Head of Service-Provider Services	62,884	2,118	65,002	12,640	77,642
2011/12	Head of Service-Environmental Services	62,884	1,773	64,657	12,954	77,611
2010/11	Head of Service-Environmental Services	62,884	1,904	64,788	12,640	77,428
2011/12	Head of Audit & Procurement Services	66,999	2,565	69,564	13,801	83,365
2010/11	Head of Audit & Procurement Services	62,586	1,751	64,337	12,580	76,917
2011/12	Head of Regulatory Services	63,619	1,494	65,113	8,439	73,552
2010/11	Head of Regulatory Services	60,021	3,115	63,136	12,064	75,200
2011/12	Head of Community Development Services	61,452	1,721	63,173	12,659	75,832
2010/11	Head of Community Development Services	60,021	2,526	62,547	12,064	74,611
2011/12	Head of Revenue & Benefits Assessment Services	61,233	2,478	63,711	12,614	76,325
2010/11	Head of Revenue & Benefits Assessment Services	59,589	2,216	61,805	11,977	73,782
2011/12	Head of Service-Children & Family	-	-	-	-	-
2010/11	Head of Service-Children & Family (Apr-Jul)	22,431	1,089	23,520	4,509	28,029
2011/12	Head of Property Management & Asset Services	60,021	1,104	61,125	12,364	73,489

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 and redundancy payments), expense allowances chargeable to tax and the money value of benefits, but excludes payments in relation to election duties.

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	2011/12 Number		2010/11 Number	
	Non-Schools	Schools	Non-Schools	Schools
£60,000 - £64,999	3	7	3	5
£65,000 - £69,999	0	5	0	5
£70,000 - £74,999	0	3	1	1
£75,000 - £79,999	0	0	0	0
£80,000 - £84,999	0	1	0	3
£85,000 - £89,999	0	2	0	1
£90,000 - £94,999	0	2	0	1
£95,000 - £99,999	0	0	0	0
£100,000 - £104,999	0	0	0	1
£105,000 - £109,999	0	1	0	0

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	
	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12
							£	£
£0 - £20,000	16	37	24	37	40	74	228,523	306,783
£20,001 - £40,000	-	3	2	9	2	12	66,193	345,565
£40,001 - £100,000	-	-	2	4	2	4	119,081	282,678
£100,001 - £150,000	-	-	-	-	-	-	-	-
<b>Total</b>	<b>16</b>	<b>40</b>	<b>28</b>	<b>50</b>	<b>44</b>	<b>90</b>	<b>413,797</b>	<b>935,026</b>

### 35. 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 and KPMG

	<b>2011/12</b>	<b>2010/11</b>
	<b>£'000</b>	<b>£'000</b>
Fees payable to WAO and KPMG with regard to external audit services carried out by the appointed auditor for the year.	199	211
Fees payable to WAO in respect of statutory inspections	150	143
Fees payable to KPMG for the certification of grant claims and returns for the year.	95	111
Fees payable in respect of other services provided by KPMG during the year.	51	21
	<b>495</b>	<b>486</b>

The estimated fee for certification of grant claims and returns related to 2011/12 is £100k and is not included above.

### 36. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2011/12

	2011/12	2010/11
	£'000	£'000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Revenue Support Grant	117,945	114,366
Improvement Agreement Grant	1,165	1,166
PFI - Capital Element	3,551	3,550
<i>Sub Total</i>	<i>122,661</i>	<i>119,082</i>
Capital Grants:		
<i>Welsh Government:</i>		
General Capital Grant (Non REFCUS)	954	855
School Buildings Improvement Grant	328	821
Specific Capital Grant (Non REFCUS)	28	25
Conwy Package (Transport Schemes)	884	501
Local Road Maintenance Grant	15	465
Flying Start	120	244
21st Century Schools Grant	743	-
Flood Alleviation Schemes	49	166
Composting Scheme	76	159
Sustainable Waste Management Grant	926	744
Streetscape Enhancements	25	476
Strategic Regeneration Area	1,155	625
Countryside Council for Wales	81	129
Cymal	-	300
Colwyn Bay Waterfront Coastal Defence	695	1,844
Emergency Storm Damage Work	7	261
Learning Networks Grant	-	104
Convergence (Colwyn Bay Waterfront Coastal Defence)	3,151	2,614
Convergence (Other)	2,703	-
Other WG Grants	-	23
Various	-	335
Lottery Funds	66	-
Cadw	24	-
<i>Sub Total</i>	<i>12,030</i>	<i>10,691</i>
<b>Grand Total</b>	<b>134,691</b>	<b>129,773</b>

	2011/12	2010/11
	£'000	£'000
<b>Credited to Services</b>		
<i>Welsh Government:</i>		
Concessionary Fares	2,577	2,489
Cymorth - the Children and Youth Support Fund	1,161	1,374
Flying Start Revenue Grant	1,186	1,159
Mental Handicap Strategy Grant	1,842	1,723
PFI	1,663	1,822
Post-16 Provision in Schools	4,438	4,393
Supporting People	6,845	7,054
Sustainable Waste Management Grant	1,925	2,048
Foundation Phase Grant	3,031	2,574
Post 16 Special Schools and SEN	1,267	1,150
School Effectiveness Grant	982	571
Substance Misuse Action Fund	652	716
Revenue Expenditure Funded from Capital Grants under Statute	2,390	3,151
European Social Fund	1,015	339
DWP - Housing Benefits Grant	42,566	41,679
Other Grants	8,497	9,474
<b>Total</b>	<b>82,037</b>	<b>81,716</b>

The Authority has received a number of contributions that have yet to be recognised as 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 are as follows:

	31 March 2012	31 March 2011
	£'000	£'000
<b>Capital Grants Receipts in Advance</b>		
Section 106 Agreements	931	694
<b>Total</b>	<b>931</b>	<b>694</b>

### **37. 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 who levy on the Council's budget. Details of these levies are given in Note 8 to the Income and Expenditure Account.

The Strategic Director (Democratic, Regulation and Support) acts as the Treasurer to the North Wales Fire Authority; the levy to the North Wales Fire Authority paid during the year was £5,240,568 (2010/11: £5,280,536), and is also acting Chief Executive Officer for the North Wales Police Authority; the precept paid to the North Wales Police Authority for the year was £10,331,011 (2010/11: £9,910,848).

#### **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 2011/12 a total of £467,500 (including year end creditors of £31,283) (2010/11: £494,942 (including year end creditors of £18,135)) was paid to these bodies by way of grants and the purchasing of services. In 2011/12 the Council received income of £804,913 (including year end debtors of £101,824) (£606,901 in 2010/11 (including year end debtors of £94,263)) from these bodies.

#### **Local Government Association (LGA)/Welsh Local Government Association (WLGA)**

The Council is a member of the LGA/WLGA, to which subscriptions of £106,682 (no year end creditor) were paid in 2011/12 (£114,462 in 2010/11 (no year end creditor)), and from which the Council received income of £1,370 (no year end debtor) (£297,199 in 2010/11 (including a year end debtor of £5,043)).

#### **Strategic Directors and Heads of Service**

Heads of Service and Strategic Directors were sent a declaration of interest with related parties return for the year 2011/12.

The Strategic Director (Democratic, Regulation and Support) is the treasurer of Craig y Don Playschool, to which the Authority paid £9,901 (no year end creditor) (£12,248 in 2010/11 (including a year end creditor of £98)).

## Members

Members were sent a declaration of interest with related parties return for the year 2011/12.

A total of £315,762 (including year end creditors of £13,027) was paid by the Council in 2011/12 under such dealings (2010/11: £461,952 (including year end creditors of £28,098)), and a total of £6,236 (no year end debtor) was received by the Council (£3,977 in 2010/11 (including year end debtors of £700)).

Five Conwy Members sat on the Board of Management of Cartrefi Conwy.

## Other

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.

### 38. 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 CFR is analysed in the second part of this note.

	2011/12	2010/11
	£'000	£'000
Opening Capital Financing Requirement	151,186	151,727
<b>Capital Investment</b>		
Property, Plant & Equipment	24,020	17,783
Investment Properties	-	-
Intangible Assets	-	-
Revenue Expenditure funded from Capital under Statute	4,183	5,369
Value of Leased Assets	27	101
<b>Sources of Finance</b>		
Capital Receipts	(1,103)	(1,111)
Government Grants & Other Contributions	(15,251)	(13,474)
Sums set aside from revenue:		
Direct Revenue Contributions	(574)	(1,556)
MRP	(7,781)	(7,653)
<b>Closing Capital Financing Requirement</b>	<b>154,707</b>	<b>151,186</b>
<b>Explanation of movements in year</b>		
Increase in underlying need to borrow	4,853	645
Finance Leases	(310)	(252)
PFI contracts	(1,022)	(934)
<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>3,521</b>	<b>(541)</b>

### 39. 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	
	2011/12 £'000	2010/11 £'000	2011/12 £'000	2010/11 £'000	2011/12 £'000	2010/11 £'000
Balance at 31 March	-	-	-	-	-	-
Transfer from Debtors	-	-	-	-	-	-
Expenditure in year	1,349	2,009	2,834	3,360	4,183	5,369
Grants	(1,349)	(1,760)	(1,040)	(1,391)	(2,389)	(3,151)
Written Off to Revenue	-	(249)	(1,794)	(1,969)	(1,794)	(2,218)
<b>Balance at 31 March</b>	-	-	-	-	-	-

'Other' revenue expenditure funded from capital under statute includes Local Investment Fund grants, Llandudno Junction & Colwyn Bay commercial property grants, Rural Development Plan projects, Housing retained contracts, Conwy physical regeneration initiative - Listed Buildings, North Wales CCTV Project, support for numerous community projects and contribution to North Wales Regional Waste Project.

#### 40. 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 2012 £'000	31 March 2011 £'000
Other Land & Buildings	210	226
Vehicles, Plant, furniture & Equipment	583	884
<b>Total</b>	<b>793</b>	<b>1,110</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 2012 £'000	31 March 2011 £'000
Finance lease liabilities (NPV of minimum lease payments)		
▪ Current	204	333
▪ Non-Current	373	554
Finance costs payable in future years	1,020	1,068
<b>Minimum Lease Payments</b>	<b>1,597</b>	<b>1,955</b>

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2012 £'000	31 March 2011 £'000	31 March 2012 £'000	31 March 2011 £'000
No later than one year	231	384	204	333
Later than one year and not later than 5 years	239	437	187	349
Later than 5 years	1,127	1,134	186	205
<b>Total</b>	<b>1,597</b>	<b>1,955</b>	<b>577</b>	<b>887</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 2012 £'000</b>	<b>31 March 2011 £'000</b>
No later than 1 year	1,077	1,082
Later than 1 year and not later than 5 years	714	881
Later than 5 years	1,447	1,433
<b>Total</b>	<b>3,238</b>	<b>3,396</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 charged to the Comprehensive Income and Expenditure Statement during the year in relation to all operating leases was:

	<b>2011/2012 £'000</b>	<b>2010/2011 £'000</b>
Minimum lease payments	1,082	1,033
Payments receivable in respect of properties occupied by homeless families	(858)	(846)
<b>Total</b>	<b>224</b>	<b>187</b>

## Authority as Lessor

### Finance Leases

The Authority has leased out several properties on finance leases with remaining terms of up to 8 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 2012 £'000</b>	<b>31 March 2011 £'000</b>
Finance lease debtor (NPV of minimum lease payments)		
▪ Current	8	8
▪ Non-Current	72	80
Unearned finance income	22	27
Unguaranteed residual value of property	(18)	(18)
<b>Gross Investment in the lease</b>	<b>84</b>	<b>97</b>

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 2012 £'000</b>	<b>31 March 2011 £'000</b>	<b>31 March 2012 £'000</b>	<b>31 March 2011 £'000</b>
No later than one year	13	13	13	13
Later than one year and not later than 5 years	50	50	50	50
Later than 5 years	21	34	21	34
<b>Total</b>	<b>84</b>	<b>97</b>	<b>84</b>	<b>97</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 2012 £'000</b>	<b>31 March 2011 £'000</b>
No later than 1 year	824	702
Later than 1 year and not later than 5 years	1,266	1,083
Later than 5 years	9,768	7,829
<b>Total</b>	<b>11,858</b>	<b>9,614</b>

The minimum lease payments receivable do not include rent that is contingent on turnover. In 2011/12 contingent rents received amounted to £286,635. In 2010/11 this figure was £237,444.

## **41. 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 2011/12 was £6.6m (net of minimal availability and performance deductions) for the period April 2011 to March 2012 inclusive. (Unitary Charge in the financial year 2010/11 was £6.4m net of minimal availability and performance deductions). The full year charge in 2012/13 is estimated to be approximately £6.7m at a price base of 1 April 2012 (assuming RPI of 2.5%).

The outstanding undischarged obligation arising from the PFI transaction is approximately £130.4m (£134.8m in 2010/11), 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 2010	45,957
Movement 2010/11	(975)
31 March 2011	44,982
Movement 2011/12	(974)
31 March 2012	44,008

### **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 2010	(29,545)	(391)	(29,936)
Movement 2010/11	935	-	935
31 March 2011	(28,610)	(391)	(29,001)
Movement 2011/12	1,022	-	1,022
31 March 2012	(27,588)	(391)	(27,979)

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

	<b>Service Charges £'000</b>	<b>Repayments of Liability £'000</b>	<b>Interest £'000</b>	<b>Total £'000</b>
Within 1 Year	3,101	1,155	2,432	6,688
Within 2 to 5 Years	14,105	4,896	8,709	27,710
Within 6 to 10 Years	21,097	7,522	8,286	36,905
Within 11 to 15 Years	26,545	8,711	4,355	39,611
Within 16 to 20 Years	13,431	5,304	751	19,486

#### **42. Impairment Losses**

During 2011/12, the Authority did not recognise any impairment losses (in 2010/11 an impairment loss of £33k was recognised).

#### **43. Termination Benefits**

The Authority terminated the contracts of a number of employees in 2011/12 incurring liabilities of £935k (£414k in 2010/11) – see Note 34 for the number of exit packages and total cost per band.

The former Chief Executive Officer left the Authority in June 2011 and the costs of terminating his contract amounted to £65k, including his entitlement to Pay in Lieu of Notice of £29k.

Of the total, £336k is payable to 33 employees whose contracts were terminated/amended as a result of Residential Home Closures as part of the Social Services Modernisation Programme.

In addition regional collaboration for the electronic monitoring service for the welfare of vulnerable clients has resulted in the termination of the contracts of 6 staff incurring a cost of £59k.

There were a number of service re-structures to achieve efficiency savings which resulted in 20 staff being made redundant at a cost of £316k.

In addition 2 contracts were terminated at a cost of £53k, as a result of collaboration initiatives.

#### **44. 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 2011/12, the Council paid £4.175m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.12% of pensionable pay. The figures for 2010/11 were £4.221m and 14.14%. There were no contributions remaining payable at the year end (31 March 2011 – 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.

#### **45. 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 schemes administered locally by Gwynedd Council and Flintshire County Council – these are

funded defined benefit final salary schemes, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

- 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 pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.
- The employers contribution rate for the Gwynedd scheme in 2011/12 was 20.6% (2010/11 20.1%). The rate will be 21.1% in 2012/13. The total amount paid to the Gwynedd scheme in 2011/12 was £13.459m (£13.679m in 2010/11).

### 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.

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2011/12	2010/11	2011/12	2010/11
	£'000	£'000	£'000	£'000
<b>Comprehensive Income &amp; Expenditure Statement</b>				
<b>Cost of services:</b>				
▪ Current service cost	(10,941)	(12,560)	-	-
▪ Past service (cost)/credit	(78)	36,744	-	1,525
▪ Settlements & Curtailments	(66)	(71)	-	-
<b>Financing &amp; Investment Income &amp; Expenditure</b>				
▪ Interest cost	(17,579)	(22,693)	1,043	(1,211)
▪ Expected return on scheme assets	18,790	19,397	-	-
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>(9,874)</b>	<b>20,817</b>	<b>1,043</b>	<b>314</b>
<b>Other Post Employment Benefit Charged to the Comprehensive Income &amp; Expenditure Statement</b>				
▪ Actuarial gains and losses	(29,926)	90,227	(1,146)	1,998
<b>Total Post Employment Benefit Charged to the Comprehensive Income &amp; Expenditure Statement</b>	<b>(39,800)</b>	<b>111,044</b>	<b>(103)</b>	<b>2,312</b>
<b>Movement in Reserves Statement</b>				
▪ Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the code	10,917	21,131	-	-
<b>Actual amount charged against the Council Fund Balance for pensions in the year:</b>				
▪ Employers' contributions payable to scheme	14,048	13,679	-	-
<b>Retirement benefits payable to pensioners</b>	<b>11,245</b>	<b>10,301</b>	<b>1,524</b>	<b>1,489</b>

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2012 is a loss of £82.960m.

### 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 2012 £'000	31 March 2011 £'000	31 March 2012 £'000	31 March 2011 £'000
Opening balance	318,190	438,346	19,487	23,288
Current service cost	10,941	12,560	-	-
Interest cost	17,579	22,693	1,043	1,211
Contributions by plan participants	3,792	3,847	-	-
Actuarial gains and losses	10,945	(112,282)	1,148	(1,998)
Benefits paid	(11,245)	(10,301)	(1,524)	(1,489)
Past service costs/(credit)	76	(36,744)	2	(1,525)
Curtailments	66	71	-	-
Liabilities Discharged	-	-	-	-
<b>Closing Balance</b>	<b>350,344</b>	<b>318,190</b>	<b>20,156</b>	<b>19,487</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

Assets	Local Government Pension Scheme	
	31 March 2012 £'000	31 March 2011 £'000
Opening balance at 1 April	269,409	266,331
Expected rate of return	18,790	19,397
Actuarial gains and losses	(18,981)	(22,053)
Employer contributions	12,332	12,188
Contributions by scheme participants	3,792	3,847
Benefits paid	(11,051)	(10,301)
Unfunded Benefits Paid	(934)	(1,489)
Unfunded Benefits Contributions	934	1,489
<b>Closing balance</b>	<b>274,291</b>	<b>269,409</b>

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £0.161m (2010/11: £21.837m).

## Scheme History

	2007/08 £'000	2008/09 £'000	2009/10 £'000	2010/11 £'000	2011/12 £'000
<b>Present value of liabilities:</b>					
Local Government Pension Scheme	267,453	259,586	438,345	318,190	350,344
Discretionary Benefits	20,785	19,266	23,289	19,487	20,156
<b>Fair value of assets in the Local Government Scheme</b>	233,052	185,702	266,331	269,409	274,291
<b>Surplus/(Deficit) in the scheme:</b>	(55,186)	(93,150)	(195,303)	(68,268)	(96,209)
Local Government Pension Scheme	(34,401)	(73,884)	(172,014)	(48,781)	(76,053)
Discretionary Benefits	(20,785)	(19,266)	(23,289)	(19,487)	(20,156)

The liabilities show the underlying commitments that the Authority has in the long run to pay post employment (retirement) benefits. The total net liability of £96.209m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (ie before payments fall due), as assessed by the scheme actuary.
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2013 is £12.534m. Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2013 are £2.14m.

## 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 2012.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Discretionary Benefits	
	31 March 2012	31 March 2011	31 March 2012	31 March 2011
<b>Long-term expected rate of return on assets in the scheme:</b>				
Equity Investments	6.2%	7.5%	-	-
Bonds	3.3%	4.9%	-	-
Property	4.4%	5.5%	-	-
Cash	3.5%	4.6%	-	-
<b>Mortality Assumptions:</b>				
<b>Longevity at 65 for current pensioners</b>				
▪ Men	20.5	20.5	20.5	20.5
▪ Women	23	23	23	23
<b>Longevity at 65 for future pensioners</b>				
▪ Men	23.3	23.3	23.3	23.3
▪ Women	25.6	25.6	25.6	25.6
Rate of Inflation	2.5%	2.8%	2.5%	2.8%
Rate of Increase in salaries	4.8%	5.1%	4.8%	5.1%
Rate of Increase in pensions	2.5%	2.8%	2.5%	2.8%
Rate for discounting scheme liabilities	4.8%	5.5%	4.8%	5.5%
Take-up of option to convert annual pension into retirement lump sum	50%	50%	-	-

The Discretionary benefits arrangements have no assets to cover its liabilities. The Local Government pension scheme's assets consist of the following categories, by proportion of the total assets held:

	31 March 2012 £'000	31 March 2011 £'000
Equity Investments	213,875	205,146
Bonds	35,700	35,091
Property	21,969	24,293
Cash	2,747	4,879
<b>Total</b>	<b>274,291</b>	<b>269,409</b>

## History of Experience Gains and Losses

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

	2007/08 %	2008/09 %	2009/10 %	2010/11 %	2011/12 %
Differences between the expected and actual return on assets	5.85	(36.08)	23.22	(8.14)	(6.91)
Experience gains and losses on liabilities	(5.91)	(0.01)	0.03	19.22	(1.11)

### 46. Contingent Liabilities

#### Municipal Mutual Insurance (MMI)

MMI ceased writing insurance business on 30 September 1992. In order to ensure an orderly run-off, a scheme arrangement was put in place that became effective on 21 January 1994. In the event of it becoming clear that a solvent run-off is unlikely to be achieved then the scheme will be triggered.

The gross liability of the Authority is estimated at approximately £103,863 and the net figure, after a recovery from the Financial Services Compensation Scheme, is estimated to be approximately £86,318.

#### Victoria Pier, Colwyn Bay

The Council acquired the Victoria Pier, Colwyn Bay and has taken on an obligation to repair the structure. Following a risk assessment in accordance with guidance from the Health and Safety Executive entitled "Protecting the Public", the Authority is in the process of evaluating the required repairs and remedial works.

### 47. Contingent Assets

There is an outstanding claim on a construction contract which may result in the Authority being paid £500k.

### 48. 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 Head of Financial Services will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit 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 – limit £10m
2. Local Authorities (except rate capped) – limit £5m
3. All UK and Irish banks and their subsidiaries that have good ratings (Fitch or equivalent). This is currently defined as:

Short Term	F1
Long Term	A
Individual/Financial strength	a-
Support	3

Limit - £5m

Banks whose ratings fall below those in the table 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.

## 5. Money Market Funds (MMF)

The Council has previously given approval to lending via these funds with a limit of £1m per fund. Currently £1m is invested in a money market fund. The position is reviewed regularly to monitor the return on the investment. The Council can now use up to five funds, including a sterling denominated MMF. This is a fund where the assets are either government securities or are investments backed by government securities. This action has increased the number of counterparties available to the Council, and may help maintain income levels in funds, which are both secure and liquid.

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 2012 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 2012</b>	<b>Historical Experience of Default</b>	<b>Historical experience adjusted for market conditions at 31 March 2012</b>	<b>Estimated Maximum Exposure to Default &amp; Uncollectability at 31 March 2012</b>	<b>Estimated Maximum Exposure at 31 March 2012</b>
	<b>£'000</b>	<b>%</b>	<b>%</b>	<b>£'000</b>	<b>£'000</b>
Customers	8,318	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 2012</b>	<b>31 March 2011</b>
	<b>£000</b>	<b>£000</b>
< 3 Months	4,640	4,981
3-6 Months	289	729
6-12 Months	807	693
> 12 Months	2,582	1,949
<b>Total</b>	<b>8,318</b>	<b>8,352</b>

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

## 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 2012</b> <b>£'000</b>	<b>31 March 2011</b> <b>£'000</b>
< 1 Year	25,500	12,000
1 – 2 Years	-	-
2 – 5 Years	-	-
5 – 10 Years	-	-
10 – 25 Years	5,213	5,213
> 25 Years	90,655	90,655
<b>Total</b>	<b>121,368</b>	<b>107,868</b>

## 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 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 2012, 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	344
Impact on Surplus or Deficit on the Provision of Services	344
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)	41,074

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.

#### **49. 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 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 2012 amounted to £107,566 and the income for the year was £5,041. (Fund Balances at 31 March 2011 amounted to £102,525 and income for the year 2010/11 was £4,909.)

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 108.
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 112.

#### **50. Forward Commitments**

The Authority has no forward commitments for investments or planned contracts.

## 51. 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 North Wales Police Authority 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 2011/12 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*	8	5/9	4.44
A	4,076	6/9	2,717.00
B	6,778	7/9	5,271.58
C	13,025	8/9	11,577.78
D	10,405	1	10,404.50
E	7,810	11/9	9,545.56
F	4,440	13/9	6,413.69
G	1,718	15/9	2,863.33
H	375	18/9	750.00
I	129	21/9	301.00
			<b>49,848.88</b>
<b>Council Tax Base after allowing for losses on collection</b>			<b>49,350.39</b>

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

	<b>2011/12</b>	<b>2010/11</b>
	<b>£'000</b>	<b>£'000</b>
Council Tax raised	53,820	51,670

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

The National Non-Domestic Rate is set by the Welsh Government but collected locally 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 2011/12 the rate set by the Welsh Government was 0.428p per £1 of rateable value of the non-domestic properties (2010/11: 0.409p). At 31 March 2012 there were 4,959 properties on the local valuation list in Conwy, representing a rateable value of £79,151,328 (2010/11: £80,182,853). The net income accruing to the Council from the NNDR is as follows:-

	<b>2011/12</b>	<b>2010/11</b>
	<b>£'000</b>	<b>£'000</b>
National Non-Domestic Rate raised	25,723	25,680
Less Cost of Collection Allowance	(263)	(262)
Less sum paid to the National Pool	(25,460)	(25,418)
	-	-
Receipts from the National Pool	26,671	31,985
<b>Net Income from the National Non-Domestic Rates</b>	<b>26,671</b>	<b>31,985</b>

## **WELSH CHURCH ACT FUND**

### **STATEMENT OF ACCOUNTS 2011/12**

#### **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 and a parcel of land disaggregated from the Clwyd fund at reorganisation in 1996. It also has a share of the Gwynedd fund, which is expected to be disaggregated in the future.

Currently Gwynedd acts as lead authority for the Welsh Church Act and prepares accounts for submission to the Charities Commission. When the Gwynedd Fund is disaggregated, Conwy will be required to register its Fund as a charity and prepare accounts in accordance with the Charity Commission Statement of Recommended Practice.

#### **Accounting Policies**

The Accounting policies followed are those outlined on pages 17 to 36, 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.

The land owned by the Conwy part of the Fund is valued at the lower of net current replacement cost and realisable value.

## INCOME AND EXPENDITURE ACCOUNT

	Notes	2011/12	2010/11
		£	£
<b>Resources Arising</b>			
Rent of Land	1	890	809
Investment Interest	2	7,423	6,189
Less Fund Manager's Fees		(141)	(103)
		8,172	6,895
<b>Use of Resources</b>			
Allocations	3	(9,995)	(3,541)
Change in Resources Before Investment Gains or Losses		(1,823)	3,354
Realised gains (Losses) on Investment Disposals		124	53
Unrealised Gains (Losses) on Investment Values		(1,912)	(309)
<b>Resources Retained (Shortfall) for Future Use</b>		<b>(3,611)</b>	<b>3,098</b>
Resources Brought Forward		288,741	285,643
Resources Carried Forward		285,130	288,741
<b>Movement in Year</b>		<b>(3,611)</b>	<b>3,098</b>

## BALANCE SHEET AT 31 MARCH

	Notes	2012	2011
		£	£
<b>Fixed Assets</b>			
Land	1	15,333	15,333
Investments	2	74,933	76,963
		90,266	92,296
<b>Current Assets</b>			
Debtors (distribution due from Gwynedd Council)	3	6,811	5,680
Cash	2	74,863	72,723
Current Assets (held by Gwynedd Council)	2	127,249	126,222
		208,923	204,625
<b>Current Liabilities</b>			
Creditors	3	(14,059)	(8,180)
Net Assets		285,130	288,741
<b>Fund Balance</b>		<b>285,130</b>	<b>288,741</b>

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

### **Income and Expenditure Account**

#### **Note 1**

Rent from land administered by Conwy amounted to £890 (£809 in 2010/11). Conwy is entitled to 17.810244% of the rent from the land administered by Gwynedd Council, for 2011/12 this amounted to £250 (£250 for 2010/11).

#### **Note 2**

The main source of income is investment income from assets administered by Gwynedd on behalf of the fund; this amounted to £6,811 (£5,680 in 2010/11). 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 £470 (£406 in 2010/11), the interest rate used in the calculation is the average of the 7 day LIBOR rate for the months April to March.

Investment income has increased slightly this year due to prudent investments made by Gwynedd on behalf of the fund, resulting in higher returns.

#### **Note 3**

Under the provisions of the Welsh Church Act, Conwy allocates grants to various organisations. The amount available for distribution in 2011/12 was estimated at £16,751 (£16,385 in 2010/11) and the actual amount distributed was £9,995 (£3,541 in 2010/11). The balance of the funds available for distribution in 2011/12 has been carried forward for distribution in 2012/13.

## **Balance Sheet**

### **Note 1**

The land held on behalf of the fund by Conwy is valued at £10,676 (£10,676 in 2010/11) and Conwy's share of the land held by the main fund is £4,657 (£4,657 in 2010/11).

### **Note 2**

The investments held by the main fund are mainly in UK Equities, £420,727 (£432,127 in 2010/11), of which Conwy is allocated 17.810244%. The balance of the main fund is held as cash deposits on which interest accrues. In 2011/12 this amounted to £704,686 (£700,150 in 2010/11) which is included in the current assets figure along with Debtors which amounted to £9,785 (£8,554 in 2010/11). Conwy is allocated 17.810244% of the total. The cash amount held by Conwy in 2011/12 amounted to £74,863 (£72,723 in 2010/11), of this amount £57,542 (£57,542 2010/11) is held as non distributable cash and is invested in order to generate income for distribution.

### **Note 3**

The amount to be distributed by Gwynedd for 2011/12 is shown as a debtor on the balance sheet. The creditor amount shown on the balance sheet is made up of Conwy's share of the creditors to the main fund, and funds that have been allocated to an applicant forming part of the distributed cash, but as at the end of the financial year had not yet been paid.

## **YMDDIRIEDOLAETH ADDYSG LLANRWST**

### **Statement of Accounts 2011/12**

#### **Explanatory Foreword**

In 2011/12 the Council was the Custodian Trustee for this fund.

#### **Accounting Policies**

The accounting policies followed are those outlined on pages 17 to 36, 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.

**INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2012**

	<b>2011/12</b>		<b>2010/11</b>	
	<b>£</b>		<b>£</b>	
<b>RESOURCES ARISING</b>				
Donations	0		0	
Investment Interest	5,371		4,908	
Less Expenditure	(25,000)		(15,000)	
		(19,629)		(10,092)
Resources Brought Forward	899,184		909,276	
Resources Carried Forward	879,555		899,184	
<b>Movement in Year</b>		<b>(19,629)</b>		<b>(10,092)</b>

**BALANCE SHEET AT 31 MARCH**

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Current Assets		
Investments	879,555	899,184
Current Liabilities	-	-
<b>Fund Balance</b>	<b>879,555</b>	<b>899,184</b>

**Note**

The Cash Fund is invested by Conwy County Borough Council and earns interest, the rate used is the average of the 7 day LIBOR rate 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. The Code of Practice for 2010/11 is the first to be based on International Financial Reporting Standards (IFRS)

**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 Central 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.