

*Annual Finance
and
Governance
Report
2014/2015*

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Strategic Director – Finance & Efficiencies

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INTRODUCTION

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

The County Borough of Conwy has a population of around 115,500. 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 is:-

- 19 Independents
- 13 Conservative
- 12 Plaid Cymru
- 11 Labour
- 4 Welsh 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.

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

<http://www.conwy.gov.uk/sectionextra.asp?cat=5032&Language=1>

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 2014/15 (The Code 2014/15), 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 2014/15 constitutes 'proper accounting practice' under the terms of section 21 (2) of the Local Government Act 2003. The Code 2014/15 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 2014/15 (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 (the general unallocated contingency sum) 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 £30.373m at the year end 31 March 2015 (31 March 2014 £34.538m), including the Council Fund balance of £2.466m (31 March 2014 £4.466m).

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 deficit in the year of £10.205m (2013/14 surplus £2.115m restated).

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 2015 amounted to £74.765m, a decrease of £31.313m over the position at 31 March 2014, 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.

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 2014/15 was originally set at £205.633m (£204.349m in 2013/14) and took account of known and estimated pay awards, price increases, pressures, risks and the change to the Council Tax Reduction Scheme under Welfare Reform.

The budget was set against a backdrop of a poor financial settlement of grant support 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.

Home to School Transport declared savings during the course of the year of £100k (minutes 504 and 680 refer), the final outturn delivered a further underspend on the budget of £59k.

A saving on the Council Tax Reduction Scheme (CTRS) of £200k was identified half way through the financial year (minute 570 refers). The actual cost of the scheme for the year was a further £158k less than the budget. This sum has been set aside in a specific reserve to make provision for variations in requirements of the CTRS scheme in the future should entitlement increase across Conwy.

Other budgets declared savings and additional income through the course of the year, being Treasury Management savings of £300k (minute 205 refers) and £200k offset by a reduction in the income from the Sponsorship and Advertising project in the sum of £150k (minute 504 refers), and a VAT refund of £96k (minute 680 refers).

Other Services achieved savings on their budgets by effective management of resources and generating additional income. The Coroners recharge saw a net saving on the budget of £48k as a result of a new combined Coroner's District.

Several of the main service areas of the Authority went through major transformational changes during the course of the financial year, some of which are still in progress. It is anticipated that these changes will result in more streamlined, efficient services achieving significant revenue savings.

As a result of an additional surplus on Council Tax collection in the sum of £307k and other net Service savings as above, a contribution to the Revenue Budget

2016/17 reserve was able to be made in the sum of £481k. This, together with transfers from other reserves has resulted in a reserve of £788k being available to assist in funding the Revenue Budget 2016/17. The target is, however, £2.717m.

Following an approved contribution from the Council Fund Balance to the Revenue Budget 2015/16 reserve in the sum of £2m, the resulting Council Fund balance at 31 March 2015 stands at £2.466m.

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. Other usable reserves are shown in Note 8 to the accounts.

Equal Pay claims were settled in the sum of £1.718m during the course of the year. There remains a provision for further Equal Pay claims within the accounts in the sum of £282k. 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.

Actual net expenditure totalled £205.940m, 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 2014/15 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	
SUMMARY	ORIGINAL ESTIMATE	APPROVED POSITION AT JAN. 2015	FINAL OUTTURN	VARIANCE (Col 4 - Col 3)	NOTES
	2014/15 £'000	2014/15 £'000	2014/15 £'000	2014/15 £'000	
Resource Base					
Revenue Support Grant	(120,751)	(120,751)	(120,751)	-	
NNDR Grant	(37,104)	(37,104)	(37,104)	-	
Council Tax	(47,778)	(47,778)	(48,085)	(307)	1
Sub-Total	(205,633)	(205,633)	(205,940)	(307)	
Net Expenditure					
Education Service	75,520	75,613	75,596	(17)	
Home to School Transport	4,801	4,704	4,645	(59)	2
Social Services	52,639	52,767	52,759	(8)	
Environment Roads & Facilities	20,922	20,068	20,068	-	
Community Development Services	7,508	7,559	7,559	-	
Regulatory & Housing Services	4,991	5,036	5,005	(31)	3
Theatres & Conference Centre	1,185	1,209	1,209	-	
Chief Executive & Strategic Directors' Services	1,859	1,870	1,851	(19)	
Support Services including Council Tax Reduction Scheme	17,919	17,915	17,912	(3)	
Levies	5,837	5,837	5,789	(48)	4
Treasury Management Activities & Other Corporate Costs & Services	16,723	16,529	16,525	(4)	
Contribution to Risk Reserve	-	600	600	-	
Contribution to Revenue Budget 2015/16 Reserve	-	2,197	2,197	-	
Contribution to Revenue Budget 2016/17 Reserve	-	-	481	481	5
Total Net Expenditure	209,904	211,904	212,196	292	
Contribution from Reserves	(4,044)	(4,044)	(4,029)	15	
Contribution from Council Fund Balance	-	(2,000)	(2,000)	-	
Contribution from Council Tax Income	(227)	(227)	(227)	-	
Total Contributions	(4,271)	(6,271)	(6,256)	15	
Net Revenue Budget	205,633	205,633	205,940	307	

Notes

1. Improvement in collection of Council Tax and increase in debit raised used to contribute to the Revenue Budget 2016/2017 reserve
2. Home to School Transport achieved an underspend of £59k for 2014/2015 over and above declared savings
3. Additional income raised and efficiencies have resulted in a net underspend on Regulatory and Housing Service of £31k
4. The charge for the Coroner's Service was lower than anticipated following establishment of a new combined Coroner District
5. Net underspends on Services plus Council Tax Surplus contributing to the Revenue Budget 2016/17 reserve

The Balance Sheet of the Authority contains a number of movements in respect of earmarked reserves. During 2014/15 a number of reserves were established and increased, and a number of reserves were used. Revenue reserves result from events that have allowed monies to be set aside for various reasons, e.g. surpluses, or circumstances causing expenditure to have been postponed. The movement in the reserves during 2014/15 reflects Council Resolutions, prudent accounting entries, service developments, money set aside for commitments, and resources to assist services in the delivery of future efficiency savings.

The Demand Led Risk reserve is a contingency to finance unforeseen events. There was a balance of £92k on the reserve at the start of the year, with a closing balance on the reserve of £522k following approved contributions to the reserve net of a release of the reserve to support the Revenue Budget 2015/16. In addition reserves are held for Adverse Weather Events with a balance of £152k at the year end.

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 2014/15 was £28.353m. The following is a summary of the service areas which incurred capital investment in 2014/15 and how it was financed compared to a budget of £30.440m:-

Capital Expenditure	2014/15 Actual £'000
Capital Expenditure by Service:	
Education	4,851
Environment, Roads & Facilities	12,412
Community Development Services	2,267
Social Services	1,952
Theatres & Conference Centre	30
Information Technology	433
Regulatory & Housing Services	5,589
Financial Services	87
Other Services	732
Total Capital Expenditure	28,353

Capital Financing	2014/15 Actual £'000
Financed By:	
Supported Borrowing	5,202
Prudential Borrowing	5,887
Capital Receipts	1,443
Capital Grants	14,743
Capital Reserves	1,078
Total Capital Expenditure	28,353

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

Major projects undertaken during 2014/15 were as follows:-

- Colwyn Bay Waterfront Redevelopment & Coastal Defences
- Colwyn Bay Renewal Area Vibrant & Viable Places Scheme
- Colwyn Bay Townscape Heritage Initiative Scheme
- Llandudno Junction Renewal Area Scheme
- School Kitchen Refurbishments
- Rural Development Plan Projects
- Play Area & Open Spaces / Nature Area Projects
- Llandudno North Shore Slipway
- Private Sector Housing Improvements & Grants
- Replacement of Deteriorating Street lighting
- Surface Dressing & Improvement of County Road Network
- Recycling Initiatives
- Coastal Defence & Flood Alleviation Schemes
- Extra Care Housing & Intermediate Care Fund Projects
- Carbon Management Plan Installations

The Council's debt outstanding at 31 March 2015 was £142.004m (£140.131m at 31 March 2014) being an increase of £1.873m in borrowing.

The Limits to Borrowing Activity in 2014/15, set in accordance with the Prudential Framework for local authority capital investment introduced through the Local Government Act 2003 (the Prudential Code) were as follows:-

	£'000
Authorised Limit for External Debt:	
Borrowing	179,714
Other Long term Liabilities	25,118
	204,832
Operational Boundary for External Debt:	
Borrowing	169,714
Other Long Term Liabilities	25,118
	194,832

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 2015 and the reserve needed to fund that liability.

The Pension Fund liability disclosed within the Balance Sheet of £191.131m (£134.681m in 2013/14) is the total projected deficit that exists over the expected life of the fund. This deficit will change on an annual basis dependent on the performance of investments and the actuarial assumptions that are made in terms of current pensioners, deferred pensioners and current employees.

The fund is subject to a triennial (3 yearly) valuation which assesses the then state of the pension fund and makes recommendations to the various admitted bodies as to the appropriate rate of employer's contributions that need to be made in order to restore the fund to a balanced position over a period of time.

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

<http://www.lgps.org.uk/lge/core/page.do?pagelid=97977>

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

7. Revaluation of Assets

The Authority carries out a revaluation exercise every 5 years of all Property, Plant and Equipment required to be measured at fair value. The assets were revalued as at 31 March 2015. This has resulted in an increase in value of certain assets and a reduction of others. Revaluation losses are charged to the service in the Comprehensive Income and Expenditure Statement, whilst increases in value are credited to the service in the same Statement (subject to Revaluation Reserve balances). Note 12 shows the changes in asset values including net revaluation increases recognised in the revaluation reserve of £26.426m (£65k in 2013/14), and net revaluation increases recognised in the Comprehensive Income and Expenditure Statement of £2.450m (net decreases of £4.625m in 2013/14).

8. Accounting for Schools

Most schools funded by Conwy County Borough Council as Local Education Authority are included within the Statement of Accounts 2014/15, except for certain voluntary aided and voluntary controlled schools, as required by the Code 2014/15.

The exclusion of certain voluntary aided and voluntary controlled schools included in the Balance Sheet at a total value in the region of £7m at 1 April 2013, is as a result of a change in accounting policy. As such, the change is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. This is shown in the prior period adjustments note 6. Where necessary prior year balances are noted as being restated.

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 2015.

SIGNED:

Councillor Sam Rowlands
Chair of Audit Committee

DATED: 28/09/2015

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 2014/15"), 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 2015.

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;
- 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 2015 and its income and expenditure for the year then ended.

SIGNED:

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

DATED: 28/09/2015

AUDITOR GENERAL FOR WALES' 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 2015 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 2014/15 based on International Financial Reporting Standards (IFRSs).

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

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on pages 14 & 15, the responsible financial officer is responsible for the preparation of the statement of accounts, which give a true and fair view.

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

Scope of the audit of the accounting statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements and related notes sufficient to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

Opinion on the accounting statements of 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 2015 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 2014/15.

Opinion on other matters

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

Matters on which I report by exception

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

- adequate accounting records have not been kept;
- the accounting statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit;
- the Annual Governance Statement contains material misstatements of fact or is inconsistent with the 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.

For and on behalf of
Huw Vaughan Thomas
Auditor General for Wales
24 Cathedral Road
Cardiff CF11 9LJ

Date: 30th September 2015

THE STATEMENT OF ACCOUNTS 2014/15

STATEMENT OF ACCOUNTING PRINCIPLES AND POLICIES

1. GENERAL PRINCIPLES

The Statement of Accounts summarises the Authority's transactions for the 2014/15 financial year and its position at the year-end of 31 March 2015. 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 2014/15 (the Code) and the Service Reporting Code of Practice 2014/15 (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.

A prior period adjustment has been effected due to the exclusion of certain voluntary aided and voluntary controlled schools following the issue of new accounting guidance.

6. CHARGES TO REVENUE FOR NON-CURRENT ASSETS

Services, support services and trading accounts are charged with the following amounts to record the cost of holding fixed assets during the year:-

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- Amortisation of intangible fixed assets attributable to the service.

The Authority is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual

contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are, therefore, replaced by the contribution in the Council Fund Balance – Minimum Revenue Provision (MRP) - by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

7. **EMPLOYEE BENEFITS**

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. flexi time,) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. They are charged on an accruals basis when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

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

Post Employment Benefits

Employees of the Authority are members of three separate pension schemes:-

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

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

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Authority. The scheme is, therefore, accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Education and Children's 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 3.2% (4.3% in 2013/14) (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
 - unlisted 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.
 - Interest on Pension assets – this is the interest on assets held at the start of the year and cash flows occurring during the year, calculated using the discount rate at the start of the year.
 - Gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the

Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

- Re-measurements (assets) – this is the return on plan assets net of administrative expenses and interest income. It replaces actuarial gains and losses on assets. A charge as a result of reviewing all employers' allocation of assets at a valuation is also included.
- Re-measurements (liabilities) - this is a combination of changes in demographic and financial assumptions and experience gains and losses on liabilities.
- Contributions paid to the Gwynedd and Flintshire Pension Funds – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the Council Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the Council Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees, and in effect measures the adverse impact of pensions expected to be payable in the future.

Discretionary Benefits

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

8. EVENTS AFTER THE BALANCE SHEET DATE

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

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

Events taking place after the date of authorisation for issue (28/9/2015 for 2014/15) are not reflected in the Statement of Accounts.

9. FINANCIAL INSTRUMENTS

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

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

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

Financial Assets

Financial assets are classified into two types:-

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

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Authority

has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in interest rate.

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

Available-for-Sale Assets

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

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

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

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

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

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

10. FOREIGN CURRENCY TRANSLATION

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

11. GOVERNMENT GRANTS AND CONTRIBUTIONS

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

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

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

12. INTANGIBLE ASSETS

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

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

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

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

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the Council Fund Balance. The gains and losses are, therefore, reversed out of the Council Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

13. INVENTORIES AND LONG TERM CONTRACTS

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

14. INVESTMENT PROPERTY

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the Council Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the Council Fund Balance. The gains and losses are, therefore, reversed out of the Council Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

15. JOINTLY CONTROLLED OPERATIONS AND JOINTLY CONTROLLED ASSETS

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

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

16. LEASES

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

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

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

The Authority as Lessee

Finance Leases

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

Lease payments are apportioned between:-

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

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

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

Operating Leases

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

The Authority as Lessor

Finance Leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss

on disposal (ie netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

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

17. 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 2014/15 (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, in the sum of £7.6m, vary according to the nature of the charge being made:-

Support Services	Basis of Recharge
Finance - Accountancy - Payroll - Creditor Payments - Audit - Debtors - Cashiers - Administration	Assessed Time Payslips produced Number of invoices paid Audit Days Number of invoices raised Number of transactions receipted Assessed Time
Legal	Assessed Time
Human Resources	Assessed Time and staff employed
Information Technology	Allocation, Assessed Time and equipment in use
ERF – Facilities Management	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 within the following ranges:

- 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 1-15 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 support 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. Equal pay claims were settled in the sum of £1.718m during the course of the year. The balance on the provision now stands at £282k for any further claims.

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 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 notes.

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

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

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 second phase which started on 1 April 2014. The Authority is required to purchase and apply allowances, which was done in the forecast sale in 2014/15, on the basis of emissions ie carbon dioxide produced as energy is used. As carbon dioxide is emitted (ie as energy is used), a liability and an expense are recognised. The liability will be discharged by applying allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Authority is recognised and reported in the costs of the Authority's services and is apportioned to services on the basis of energy consumption. For 2014/15 the Council has paid a sum of £248k (£165k in 2013/14) for CRC allowances.

Core Statements

Movement in Reserves Statement for the year ended 31 March 2014

	Note	Council Fund Balance £'000	Farmarked Revenue Reserves £'000	Farmarked Capital Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31 March 2013 as originally stated		2,979	24,788	1,524	4,257	828	34,376	81,373	115,749
Prior Period Adjustment - Change in Accounting Policy for VA & VC Schools	8,24	-	-	-	-	-	-	(7,041)	(7,041)
Restated Balance at 1 April 2013		2,979	24,788	1,524	4,257	828	34,376	74,332	108,708
Movement in Reserves during 2013/14									
Surplus or (Deficit) on the Provision of Services		2,115	-	-	-	-	2,115	-	2,115
Other Comprehensive Income & Expenditure		-	-	-	-	-	-	(4,746)	(4,746)
Total Comprehensive Income & Expenditure		2,115	-	-	-	-	2,115	(4,746)	(2,631)
Adjustments between Accounting basis & Funding basis under Regulations	7	750	-	(1,577)	(1,260)	136	(1,951)	1,951	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves		2,865	-	(1,577)	(1,260)	136	164	(2,795)	(2,631)
Transfers to/(from) Earmarked Reserves		(1,378)	(49)	1,425	-	-	(2)	3	1
Increase/(Decrease) in 2013/14	8	1,487	(49)	(152)	(1,260)	136	162	(2,792)	(2,630)
Restated Balance as at 31 March 2014	8,24	4,466	24,739	1,372	2,997	964	34,538	71,540	106,078
Balance at 31 March 2014 as originally stated		4,466	24,739	1,372	2,997	964	34,538	78,438	112,976

Movement in Reserves Statement for the year ended 31 March 2015

	Note	Council Fund Balance £'000	Earmarked Revenue Reserves £'000	Earmarked Capital Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31 March 2014	8,24	4,466	24,739	1,372	2,997	964	34,538	71,540	106,078
Movement in Reserves during 2014/15									
Surplus or (Deficit) on the Provision of Services		(7,235)	-	-	-	-	(7,235)	-	(7,235)
Other Comprehensive Income & Expenditure		-	-	-	-	-	-	(24,078)	(24,078)
Total Comprehensive Income & Expenditure		(7,235)	-	-	-	-	(7,235)	(24,078)	(31,313)
Adjustments between Accounting basis & Funding basis under Regulations	7	5,072	-	(822)	(845)	(326)	3,079	(3,079)	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves		(2,163)	-	(822)	(845)	(326)	(4,156)	(27,157)	(31,313)
Transfers to/(from) Earmarked Reserves	8	163	107	(279)	-	-	(9)	9	-
Increase/(Decrease) in 2014/15	8	(2,000)	107	(1,101)	(845)	(326)	(4,165)	(27,148)	(31,313)
Balance as at 31 March 2015	8,24	2,466	24,846	271	2,152	638	30,373	44,392	74,765

Comprehensive Income and Expenditure Statement

2013/14		2013/14		2014/15			
Gross Expenditure £'000	Income £'000	Net Expenditure £'000	Restated Net Expenditure £'000	Note	Gross Expenditure £'000	Income £'000	Net Expenditure £'000
15,119	(3,657)	11,462	11,462		16,446	(3,722)	12,724
14,581	(5,141)	9,440	9,440		15,131	(5,003)	10,128
27,852	(9,313)	18,539	18,539		27,774	(8,459)	19,315
8,296	(3,365)	4,931	4,931		10,696	(5,633)	5,063
124,865	(25,245)	99,620	99,477		119,007	(26,351)	92,656
16,788	(7,950)	8,838	8,838		14,639	(7,175)	7,464
45,988	(43,495)	2,493	2,493		47,157	(44,147)	3,010
57,255	(12,644)	44,611	44,611		59,445	(13,623)	45,822
5,420	(327)	5,093	5,093		7,126	(2,042)	5,084
746	(1,160)	(414)	(414)		763	(1,404)	(641)
316,910	(112,297)	204,613	204,470		318,184	(117,559)	200,625
19,148		19,148	19,148	9	18,421		18,421
37,462	(19,899)	17,563	17,563	10	36,504	(21,353)	15,151
	(243,296)	(243,296)	(243,296)	11		(226,962)	(226,962)
		(1,972)	(2,115)				7,235
		(65)	(65)	24			(26,425)
		(75)	(75)	24			83
		(140)	(140)	24			(26,342)
		4,885	4,885	24			50,420
		4,745	4,745				24,078
		2,773	2,630				31,313

Balance Sheet

	Notes	31 March 2015	31 March 2014 Restated	1 April 2013 Restated
		£'000	£'000	£'000
Property, Plant & Equipment	12	382,502	349,075	336,185
Heritage Assets		194	194	194
Investment Property	13	15,896	16,428	17,808
Intangible Assets	14	1,089	938	918
Available for Sale Financial Assets	15	1,423	1,506	1,431
Long Term Investments	15	1,010	1,011	1,011
Long Term Debtors	15	2,616	1,839	1,765
Long Term Assets		404,730	370,991	359,312
Short Term Investments	15	6,160	5,177	9,298
Inventories	16	963	1,073	1,119
Short Term Debtors	18	34,735	49,989	39,061
Cash & Cash Equivalents	19	11,182	7,042	12,930
Assets Held for Sale	20	452	568	1,041
Current Assets		53,492	63,849	63,449
Short Term Borrowing	15	37,025	35,017	31,612
Short Term Creditors	21	20,736	21,189	21,635
Provisions	22	2,807	4,646	4,067
Current Liabilities		60,568	60,852	57,314
Pension Liability	44	191,131	134,681	123,928
Provisions	22	650	492	600
Long term Borrowing	15	104,979	105,114	102,950
Other Long term Liabilities	15	25,008	26,360	28,145
Capital Grants Receipts in Advance	36	1,121	1,262	1,116
Long Term Liabilities		322,889	267,909	256,739
Net Assets		74,765	106,079	108,708
Usable Reserves	23	30,373	34,538	34,377
Unusable Reserves	24	44,392	71,541	74,331
Total Reserves		74,765	106,079	108,708

Cash Flow Statement

Restated 2013/14		Note	2014/15
£'000			£'000
(2,115)	Net (Surplus)/Deficit on the Provision of Services		7,235
(6,030)	Adjustments to Net (Surplus) or Deficit on the Provision of Services for Non-Cash Movements	25	(24,080)
1,040	Adjustments for Items Included in the net (Surplus) or Deficit on the Provision of Services that are Investing and Financing Activities		629
(7,105)	Net Cash Flows From Operating Activities		(16,216)
15,083	Investing Activities	26	11,517
(2,091)	Financing Activities	27	558
5,887	Net (Increase) or Decrease in Cash and Cash Equivalents		(4,141)
12,929	Cash and Cash Equivalents at the beginning of the reporting period	19	7,042
7,042	Cash and Cash Equivalents at the End of the Reporting Period	19	11,183

The 2013/14 Cash Flow Statement has been restated to reflect the change in treatment of voluntary aided and voluntary controlled schools.

Notes to the Accounts

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

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2015/16 Code.

IFRS 13 Fair Value Measurement. This standard provides a consistent definition of fair value and enhanced disclosure requirements. It is designed to apply to assets and liabilities covered by those IFRS standards that currently permit or require measurement at fair value (with some exceptions). The adoption of this standard will require surplus assets (assets that are not being used to deliver services, but which do not meet the criteria to be classified as either investment properties or non-current assets held for sale) to be revalued to market value rather than value in existing use as at present. Operational property, plant and equipment assets are outside the scope of IFRS 13. Overall this standard is not expected to have a material impact on the Statement of Accounts

IFRIC 21 Levies. This standard provides guidance on levies imposed by government in the financial statements of entities paying the levy. The IFRIC specifies the obligating event as the activity that triggers the timing of the payment of the levy. The amount payable may be based on information relating to a period before the obligation to pay arises or the levy is payable only if a threshold is reached, or both. This standard will not have a material impact on the Statement of Accounts.

Annual improvements to IFRSs (2011-2013 Cycle). These improvements are minor, principally providing clarification and will not have a material impact on the Statement of Accounts.

The Code requires implementation from 1 April 2015 and there is therefore no impact on the 2014/15 Statement of Accounts.

2. Critical Judgements in Applying Accounting Policies

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

(i) Local Government Funding

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

(ii) Accounting for Schools

The Authority recognises the land and buildings used by schools in line with the provisions of the Code. It states that property used by local authority maintained schools should be recognised in accordance with the asset recognition tests

relevant to the arrangements that prevail for the property. The Authority recognises the schools' land and buildings on its Balance Sheet where it directly owns the assets, the school or school Governing Body own the assets or rights to use the assets have been transferred from another entity.

Where the land and building assets used by the school are owned by an entity other than the Authority, school or school Governing Body then they are not included on the Authority's Balance Sheet. This relates to certain voluntary aided and voluntary controlled schools that have been excluded from the Council's Balance Sheet.

(iii) Pension Liability

The Authority is provided with the actuary's assessment of the Authority's share of the pension fund liability and the reserve needed to fund that liability.

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 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:-

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
PROPERTY, PLANT & EQUIPMENT	Assets are depreciated over useful lives that are dependent on assumptions about the future level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to the assets.	If the useful life of an asset is reduced, depreciation increases and the carrying amount of the asset falls. The annual depreciation charge for property, plant & equipment would increase for every year that useful lives had to be reduced
PROVISIONS	Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, but where the timing or amount of the transfer is uncertain.	If the provision is found to be inadequate the additional amount will need to be provided from the Authority's revenue.
PENSIONS LIABILITY	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The returns on Pension Fund Assets continue to fall which increases the liability.
ARREARS	At March 2015, the Council had a balance for sundry debtors of £3.6m. A review of significant balances suggested that an impairment of doubtful debts of £338k 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 are increasing. 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

Education and Children's Services

Three Schools PFI Project

In 2013/14 the Welsh Government paid the Council a specific grant of £4.9m as a contribution towards the Three Schools PFI Project. In 2014/15 the grant was transferred into the Revenue Support Grant and as a result no specific grant was received in 2014/15.

5. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Chief Finance Officer on 28 September 2015. 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 2015, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

6. Prior Year Adjustments of Balance Sheet

Balance Sheet as at 1.4.2013

	Balance 31.3.2013	Schools Adjustments	Restated 1.4.2013
	£'000	£'000	£'000
Property, Plant & Equipment	343,227	(7,042)	336,185
Heritage Assets	194		194
Investment Property	17,808		17,808
Intangible Assets	918		918
Available for Sale Financial Assets	1,431		1,431
Long Term Investments	1,011		1,011
Long Term Debtors	1,765		1,765
Long Term Assets	366,354	(7,042)	359,312
Short Term Investments	9,298		9,298
Inventories	1,120		1,120
Short Term Debtors	39,061		39,061
Cash & Cash Equivalents	12,929		12,929
Assets Held for Sale	1,041		1,041
Current Assets	63,449	-	63,449
Short Term Borrowing	31,612		31,612
Short Term Creditors	21,635		21,635
Provisions	4,067		4,067
Current Liabilities	57,314	-	57,314
Pension Liability	123,928		123,928
Provisions	600		600
Long term Borrowing	103,578		103,578
Other Long term Liabilities	27,517		27,517
Capital Grants Receipts in Advance	1,116		1,116
Long Term Liabilities	256,739	-	256,739
Net Assets	115,750	(7,042)	108,708
Usable Reserves	34,377		34,377
Unusable Reserves	81,373	(7,042)	74,331
Total Reserves	115,750	(7,042)	108,708

Prior Year Adjustments of Balance Sheet

Balance Sheet as at 31.3.2014

	Balance 31.3.2014	Schools Adjustments	Restated 31.3.2014
	£'000	£'000	£'000
Property, Plant & Equipment	355,973	(6,898)	349,075
Heritage Assets	194		194
Investment Property	16,428		16,428
Intangible Assets	938		938
Available for Sale Financial Assets	1,506		1,506
Long Term Investments	1,011		1,011
Long Term Debtors	1,839		1,839
Long Term Assets	377,889	(6,898)	370,991
Short Term Investments	5,177		5,177
Inventories	1,073		1,073
Short Term Debtors	49,989		49,989
Cash & Cash Equivalents	7,042		7,042
Assets Held for Sale	568		568
Current Assets	63,849	-	63,849
Short Term Borrowing	35,017		35,017
Short Term Creditors	21,189		21,189
Provisions	4,646		4,646
Current Liabilities	60,852	-	60,852
Pension Liability	134,681		134,681
Provisions	492		492
Long term Borrowing	105,114		105,114
Other Long term Liabilities	26,360		26,360
Capital Grants Receipts in Advance	1,262		1,262
Long Term Liabilities	267,909	-	267,909
Net Assets	112,977	(6,898)	106,079
Usable Reserves	34,538		34,538
Unusable Reserves	78,439	(6,898)	71,541
Total Reserves	112,977	(6,898)	106,079

Prior year adjustments of the core financial statements are required due to the changes in accounting treatment relating to schools' assets as described in the Foreword and Statement of Accounting Principles and Policies.

The required re-statements are shown in the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement. The tables on pages 48 and 49 show the prior year adjustments of the Balance Sheet relating to the schools' assets changes.

7. 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					Unusable Reserves	
	Council Fund Balance £'000	Farmarked Capital Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Usable Reserves £'000	Movement in Unusable Reserves £'000	
2014/15							
Adjustments primarily involving the Capital Adjustment Account:							
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement:							
Charges for depreciation and impairment of non-current assets	14,502	-	-	-	14,502	(14,502)	
Revaluation losses on Property, Plant and Equipment	(2,399)	-	-	-	(2,399)	2,399	
Revaluation losses on Assets Held for Sale	172	-	-	-	172	(172)	
Movement in the market value of Investment Properties	37	-	-	-	37	(37)	
Amortisation of Intangible assets	167	-	-	-	167	(167)	
Capital grants and contributions applied	(6,675)	-	-	-	(6,675)	6,675	
Revenue expenditure funded from capital under statute	1,803	-	-	-	1,803	(1,803)	
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	1,448	-	-	-	1,448	(1,448)	
Administration costs of asset disposal in advance of receipt	76	-	-	-	76	(76)	
Difference between asset value & Lease liability	(8)	-	-	-	(8)	8	
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:							
Statutory provision for the financing of capital investment	(7,188)	-	-	-	(7,188)	7,188	
Capital expenditure charged against the Council Fund balance	-	-	-	-	-	-	
Adjustments primarily involving the Capital Grants Unapplied Account:							
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	326	-	-	-	-	-	
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	-	-	

2014/15

	Usable Reserves					Unusable Reserves	
	Council Fund Balance £'000	Farmarked Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Usable Reserves Movement in £'000	Unusable Reserves Movement in £'000	
Adjustments primarily involving the Capital Receipts Reserve:							
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(629)	-	629	-	-	-	-
Mortgage Principal transfer from deferred capital receipts to capital receipts reserve	-	-	2	-	2	(2)	
Finance Lease Rental Principal	-	-	3	-	3	(3)	
Use of Capital Receipts Reserve to finance new capital expenditure	-	-	(1,443)	-	(1,443)	1,443	
Use of Capital Receipts Reserve to repay Unsupported Borrowing	-	-	-	-	-	-	
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	24	-	(36)	-	(12)	12	
Amelioration of Finance Lease Rentals	266	-	-	-	266	(266)	
Additional Finance Lease Asset	(1,069)	-	-	-	(1,069)	1,069	
Adjustments primarily involving the Capital Reserves:							
Use of Capital Reserve to finance new capital expenditure	-	(822)	-	-	(822)	822	
Adjustment primarily involving the Financial Instruments Adjustment Account:							
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	(51)	-	-	-	(51)	51	
Adjustments primarily involving the Pensions Reserve							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 44)	20,344	-	-	-	20,344	(20,344)	
Employer's pensions contributions and direct payments to pensioners payable in the year	(14,314)	-	-	-	(14,314)	14,314	
Adjustments involving the Unequal Pay Back Pay Adjustment Account							
Amount by which amounts charged for Equal Pay claims to Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	(1,718)	-	-	-	(1,718)	1,718	
Adjustment primarily involving the Accumulated Absences Account:							
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	(42)	-	-	-	(42)	42	
Total Adjustments	5,072	(822)	(845)	(326)	3,079	(3,079)	

Restated 2013/14 Comparative Figures

	Usable Reserves					Unusable Reserves
	Council Fund Balance	Earmarked Capital Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Usable Reserves	
	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	13,649	-	-	-	13,649	(13,649)
Revaluation losses on Property Plant and Equipment	4,625	-	-	-	4,625	(4,625)
Revaluation losses on Assets Held for Sale	10	-	-	-	10	(10)
Movements in the market value of Investment Properties	2,227	-	-	-	2,227	(2,227)
Amortisation of intangible assets	183	-	-	-	183	(183)
Capital grants and contributions applied	(21,805)	-	-	-	(21,805)	21,805
Revenue expenditure funded from capital under statute	1,586	-	-	-	1,586	(1,586)
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	2,389	-	-	-	2,389	(2,389)
Administration costs of asset disposal in advance of receipt	22	-	-	-	22	(22)
Difference between asset value & lease liability	(67)	-	-	-	(67)	67
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	(6,884)	-	-	-	(6,884)	6,884
Capital expenditure charged against the Council Fund balance	-	-	-	-	-	-
Adjustment primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(135)	-	-	135	-	-

	Usable Reserves					Unusable Reserves	
	Council Fund Balance £'000	Farmarked Capital Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Usable Reserves £'000	Movement in Unusable Reserves £'000	
Restated 2013/14 Comparative Figures							
Adjustments primarily involving the Capital Receipts Reserve:							
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,040)	-	1,040	-	-	-	
Mortgage Principal transfer from deferred capital receipts to capital receipts reserve	-	-	3	-	3	(3)	
Finance Lease Rental Principal	-	-	2	-	2	(2)	
Use of Capital Receipts Reserve to finance new capital expenditure	-	-	(785)	-	(785)	785	
Use of Capital Receipts Reserve to repay Unsupported Borrowing	-	-	(1,481)	-	(1,481)	1,481	
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	17	-	(39)	-	(22)	22	
Amelioration of Finance Lease Rentals	82	-	-	-	82	(82)	
Additional Finance Lease Asset	(407)	-	-	-	(407)	407	
Adjustments primarily involving the Capital Reserves:							
Use of Capital Reserve to finance new capital expenditure	-	(1,577)	-	-	(1,577)	1,577	
Adjustment primarily involving the Financial Instruments Adjustment Account:							
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	66	-	-	-	66	(66)	
Adjustments primarily involving the Pensions Reserve							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 44)	19,959	-	-	-	19,959	(19,959)	
Employer's pensions contributions and direct payments to pensioners payable in the year	(14,092)	-	-	-	(14,092)	14,092	
Adjustment primarily involving the Accumulated Absences Account:							
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	365	-	-	-	365	(365)	
Total Adjustments	750	(1,577)	(1,260)	135	(1,952)	1,952	

8. 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 2013 £'000	Transfers Out 2013/14 £'000	Transfers In 2013/14 £'000	Balance at 31 March 2014 £'000	Transfers Out 2014/15 £'000	Transfers In 2014/15 £'000	Balance at 31 March 2015 £'000
Council Fund:							
Balances held by schools under a scheme of delegation	3,775	(903)	566	3,438	(633)	928	3,733
Service Reserves:							
Community Development	796	(339)	151	608	(222)	224	610
Tramway - Maintenance Programme	325	-	30	355	(14)	-	341
Environment, Roads & Facilities	600	(126)	214	688	(274)	-	414
IT / E-Government	647	(477)	68	238	(46)	92	284
Human Resources	88	(4)	22	106	(74)	60	92
Revenues & Benefits	441	-	18	459	(184)	13	288
Internal Audit	164	(35)	3	132	(73)	-	59
Other Services	539	(264)	125	400	(183)	74	291
Theatres - Repairs & Renewals	-	-	-	-	-	20	20
Regulatory & Housing Services	592	(115)	120	597	(341)	213	469
Social Services	1,625	(1,185)	511	951	(15)	16	952
Education Services	868	(67)	65	866	(261)	180	785

	Balance at 1 April 2013	Transfers Out 2013/14	Transfers In 2013/14	Balance at 31 March 2014	Transfers Out 2014/15	Transfers In 2014/15	Balance at 31 March 2015
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<i>Corporate Reserves:</i>							
Apprenticeships Reserve	100		52	152	-	14	166
Community Projects	235	(122)	6	119	(119)	-	-
Council Tax Reduction Scheme	-	-	-	-	(170)	328	158
Demand Led Risk Reserve	-	(429)	521	92	(170)	752	674
Insurance Reserves	891	(226)	462	1,127	(569)	711	1,269
PFI Unitary Charge	10,572	(2,123)	120	8,569	(329)	51	8,291
Redundancy & Retirement	542	(365)	127	304	(62)	11	253
Regional Transformation Fund	24	(4)	-	20	(12)	-	8
Revenue Budget Support 2013/14	125	(125)	-	-	-	-	-
Revenue Budget Support 2014/15	-	-	4,029	4,029	(4,029)	-	-
Revenue Budget Support 2015/16	-	-	-	-	-	3,472	3,472
Revenue Budget Support 2016/17	-	-	-	-	-	788	788
Single Status Job Evaluation	-	(848)	848	-	-	-	-
Spend to Save Reserve	338	(246)	-	92	(50)	-	42
Other	557	(308)	465	714	(300)	414	828
Earmarked Grants Reserves	944	(564)	303	683	(401)	277	559
Total Earmarked Reserves	24,788	(8,875)	8,826	24,739	(8,531)	8,638	24,846
Total Capital Reserves	1,524	(4,151)	3,999	1,372	(2,758)	1,657	271

9. Other Operating Expenditure

2013/14 £000		2014/15 £000
11,020	North Wales Police and Crime Commissioner Precept	11,271
1,690	Community Council Precepts	1,790
5,199	North Wales Fire and Rescue Authority Levy	5,284
364	Other Levies	334
1,349	Gains/Losses on the disposal of non-current assets	819
(474)	Additional In Year Finance Lease Deferred Capital Receipt	(1,077)
19,148	Total	18,421

10. Financing and Investment Income and Expenditure

2013/14 £000		2014/15 £000
8,432	Interest payable & similar charges	8,302
19,735	Pensions interest cost	20,674
(14,246)	Expected return on pensions assets	(14,919)
(268)	Interest receivable & similar income	(244)
1,726	Income & expenditure in relation to investment properties & changes in their fair value	(515)
2,184	Trading Operations	1,853
17,563	Total	15,151

11. Local Taxation and Non Specific Grant Income

2013/14 £000		2014/15 £000
(58,615)	Council Tax income	(61,573)
(36,466)	Non domestic rates	(37,104)
(126,275)	Non-ring fenced government grants	(121,936)
(21,940)	Capital grants & contributions	(6,349)
(243,296)	Total	(226,962)

12. Property, Plant and Equipment

Movements on Balances

Movements in 2014/15:	Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infra-structure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant & Equipment £'000	PFI Assets included in Property, Plant & Equipment £'000
Cost or Valuation								
At 1 April 2014	281,706	43,243	121,753	5,944	-	897	453,543	51,567
Additions	5,788	2,866	9,311	192	-	1,949	20,106	388
Revaluation Increases/(Decreases) recognised in the Revaluation Reserve	26,426	-	-	-	-	-	26,426	7,858
Revaluation Increases/(Decreases) recognised in the Surplus/Deficit on the Provision of Services	2,450	-	-	-	-	-	2,450	125
Derecognition - Disposals	(343)	(823)	-	-	-	-	(1,166)	-
Transfers from Assets under Construction	28	-	-	-	-	(28)	-	-
Accumulated Depreciation and Impairment Written Out on Revaluation	(29,993)	-	-	-	-	-	(29,993)	(10,482)
Assets Reclassified (to)/from Held for Sale	-	-	-	-	-	-	-	-
Other Movements in Cost or Valuation, etc	(739)	36	-	-	-	-	(703)	-
At 31 March 2015	285,323	45,322	131,064	6,136	-	2,818	470,663	49,456
Accumulated Depreciation & Impairment								
At 1 April 2014	(24,956)	(29,350)	(47,257)	(2,905)	-	-	(104,468)	(9,508)
Depreciation Charge	(5,490)	(3,401)	(5,260)	(352)	-	-	(14,503)	(974)
Depreciation Written Out to the Revaluation Reserve	-	-	-	-	-	-	-	-
Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services	(52)	-	-	-	-	-	(52)	-
Accumulated Depreciation and Impairment Written Out on Revaluation	29,993	-	-	-	-	-	29,993	10,482
Derecognition - disposals	90	779	-	-	-	-	869	-
At 31 March 2015	(415)	(31,972)	(52,517)	(3,257)	-	-	(88,161)	-
Net Book Value								
at 31 March 2015	284,908	13,350	78,547	2,879	-	2,818	382,502	49,456
at 31 March 2014	256,750	13,893	74,496	3,039	-	897	349,075	42,059

Restated Comparative Movements in 2013/14:	Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infra-structure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment	PFI Assets included in Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
At 1 April 2013	264,970	40,137	106,108	5,826	-	10,542	427,583	51,567
Additions	13,288	3,404	14,489	96	-	467	31,744	356
Revaluation Increases/(Decreases) recognised in the Revaluation Reserve	65	-	-	-	-	-	65	(119)
Revaluation Increases/(Decreases) recognised in the Surplus/Deficit on the Provision of Services	(4,625)	-	-	-	-	-	(4,625)	(237)
Derecognition - Disposals	(362)	(561)	-	-	-	-	(923)	-
Transfers from Assets under Construction	8,907	27	1,156	22	-	(10,112)	-	-
Assets Reclassified (to)/from Held for Sale	(237)	-	-	-	-	-	(237)	-
Other Movements in Cost or Valuation	(300)	236	-	-	-	-	(64)	-
At 31 March 2014	281,706	43,243	121,753	5,944	-	897	453,543	51,567
Accumulated Depreciation & Impairment								
At 1 April 2013	(19,716)	(26,571)	(42,579)	(2,531)	-	-	(91,397)	(8,533)
Depreciation Charge	(5,260)	(3,338)	(4,678)	(374)	-	-	(13,650)	(975)
Depreciation Written Out to the Revaluation Reserve	3	-	-	-	-	-	3	-
Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-	-
Derecognition - disposals	17	559	-	-	-	-	576	-
At 31 March 2014	(24,956)	(29,350)	(47,257)	(2,905)	-	-	(104,468)	(9,508)
Net Book Value								
at 31 March 2014	256,750	13,893	74,496	3,039	-	897	349,075	42,059
at 31 March 2013	245,254	13,566	63,529	3,295	-	10,542	336,186	43,034

Capital Commitments

At 31 March 2015, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2015/16 and future years budgeted to cost £3.401m. Similar commitments at 31 March 2014 were £5.753m. The major commitments are:

Council Fund Capital Programme Scheme	Contracted Future Cost £'000
Coast Protection Works at Llanddulas	886
Colwyn Bay Renewal Area - VVP Scheme	2,255
Colwyn Bay Waterfront - Porth Eirias	195
Llandudno Junction Renewal Area	65
Total	3,401

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. The assets were revalued as at 31 March 2015. Assets Held for Sale and Investment Properties are re-valued annually, and other assets are valued at historic cost.

Disclosure Note regarding Schools

Most schools funded by Conwy County Borough Council as Local Education Authority are included within the Statement of Accounts 2014/15, except for certain voluntary aided and voluntary controlled schools, as required by the Code 2014/15, and described in the Foreword and Statement of Accounting Principles and Policies.

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:

	2014/15 £000	2013/14 £000
Rental income from Investment Property	552	502
Net gain/(loss)	552	502

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

Fair Value of Investment Properties	2014/15 £'000	2013/14 £'000
Balance at start of year	16,428	17,808
Additions:		
▪ Purchases	-	1,707
▪ Construction	-	-
▪ Subsequent Expenditure	-	184
Disposals	-	(1,300)
Net gains/(losses) from fair value adjustments	(37)	(2,227)
Transfers:		
▪ (to)/from inventories	-	-
▪ (to)/from Property, Plant and Equipment	(185)	300
▪ (to)/from Assets Held For Sale	(310)	
Other changes	-	(44)
Balance at year end	15,896	16,428

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:

Original Life	Remaining Life	Other Assets
10 Years	1 Year	Integrated HR/Payroll Software
10 Years	4 Years	Social Care System
10 Years	5 Years	Environmental Information Management System
10 Years	8 Years	Integrated HR/Payroll Software Upgrade
10 Years	9 Years	Integrated HR/Payroll Software Upgrade
10 Years	9 Years	Purchase to Pay Software
5 Years	4 Years	E-Government - Website
5 Years	5 Years	IT Software Licences

The carrying amount of intangible assets is amortised on a straight-line basis. Of the amortisation of £166k (£183k 2013/14) charged to revenue in 2014/15, £54k (£54k 2013/14) was charged to Social Services, £15k (£22k 2013/14) was charged to Cultural, Environmental, Regulatory and Planning Services, £2k (£2k 2013/14) was charged to Education and Children's Services and £33k (£21k 2013/14) was charged to Central Services to the Public. The remaining £62k (£84k 2013/14) 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:

	2014/15	2013/14
	£'000	£'000
Balance at start of year:		
▪ Gross Carrying Amounts	1,947	1,744
▪ Accumulated Amortisation	(1,009)	(826)
Net carrying amount at start of year	938	918
Additions:		
▪ Purchases	318	203
Amortisation for the period	(167)	(183)
Net carrying amount at end of year	1,089	938

Comprising:		
▪ Gross carrying amounts	2,265	1,947
▪ Accumulated amortisation	(1,176)	(1,009)
	1,089	938

There are no internally generated intangible assets.

There are three items of capitalised software that are individually material to the financial statements:

	Carrying Amount		Remaining Amortisation Period
	31 March 2015 £'000	31 March 2014 £'000	
Social Care System	218	272	4 years
HR/ Payroll System	202	251	1/8/9/10 years
IT Software Licences	221	-	5 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 2015	31 March 2014	31 March 2015	31 March 2014
	£'000	£'000	£'000	£'000
Investments				
Loans and receivables	1,010	1,011	6,160	5,177
Available-for-sale financial assets	1,423	1,506	-	-
Total Investments	2,433	2,517	6,160	5,177
Debtors				
Loans and receivables	2,616	1,839	-	-
Financial assets carried at contract amounts	-	-	33,606	49,989
Total Debtors	2,616	1,839	33,606	49,989
Borrowings				
Financial liabilities at amortised cost	104,979	105,114	37,025	35,017
Total Borrowings	104,979	105,114	37,025	35,017
Other Long Term Liabilities				
PFI and finance lease liabilities	25,008	26,360	185	199
Total Other Long Term Liabilities	25,008	26,360	185	199
Creditors				
Financial liabilities carried at contract amount	-	-	19,422	20,990
Total Creditors	-	-	19,422	20,990

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

Analysis of short term Investments:

	31 March 2015	31 March 2014
	£'000	£'000
Financial Assets - Investments	6,160	5,177
Cash Equivalents - Investments	10,990	6,410
Cash Equivalents - Foundation Schools Investments	403	481
Accruals	(18)	(24)
Investments	17,535	12,044

Analysis of long and short term actual debt outstanding:

	31 March 2015 £'000	31 March 2014 £'000
Financial Liabilities: Long Term Borrowing	104,979	105,114
Financial Liabilities: Short Term Borrowing	37,025	35,017
	142,004	140,131
Less PWLB Interest Accruals	(774)	(778)
Market Loans Interest Accruals	(188)	(186)
Stepped Loan Effective Interest Rate adjustment	(153)	(154)
Premium adjustment to Modified Loan	704	705
Debt Outstanding	141,593	139,718

Income, Expense, Gains & Losses

	2014/15				2013/14			
	Financial Liabilities measured at Amortised Cost £'000	Financial Assets: Loans and Receivables £'000	Financial Assets: Available for Sale £'000	Total £'000	Financial Liabilities measured at Amortised Cost £'000	Financial Assets: Loans and Receivables £'000	Financial Assets: Available for Sale £'000	Total £'000
Interest expense	5,874	-	-	5,874	5,792	-	-	5,792
Losses on derecognition	-	-	-	-	-	-	-	-
Reductions in fair value	-	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-	-	-
Fee expense	18	-	-	18	20	-	-	20
Total expense in Surplus or Deficit on the Provision of Services	5,892	-	-	5,892	5,812	-	-	5,812
Interest income	-	(94)	-	(94)	-	(139)	-	(139)
Interest income accrued on impaired financial assets	-	-	-	-	-	-	-	-
Increase/Decrease in fair value	-	(31)	84	53	-	85	(75)	10
Gains on derecognition	-	-	-	-	-	-	-	-
Fee income	-	-	-	-	-	-	-	-
Total Income in Surplus or Deficit on the Provision of Services	-	(125)	84	(41)	-	(54)	(75)	(129)
Net (Gain) Loss for the year	5,892	(125)	84	5,851	5,812	(54)	(75)	5,683

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 2015 of 1.4% to 2.18% for loans from the PWLB and 0.29% to 2.82% 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 2015		31 March 2014	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Financial Liabilities	161,200	249,100	160,908	209,663
Long-Term Creditors	-	-	-	-
Total	161,200	249,100	160,908	209,663

	31 March 2015		31 March 2014	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Loans & Receivables	56,407	56,610	66,507	66,681
Long-Term Debtors	-	-	-	-
Total	56,407	56,610	66,507	66,681

16. Inventories

	Consumable Stores		Maintenance Materials		Finished Goods		Work in Progress		Total	
	2014/15 £'000	2013/14 £'000	2014/15 £'000	2013/14 £'000	2014/15 £'000	2013/14 £'000	2014/15 £'000	2013/14 £'000	2014/15 £'000	2013/14 £'000
Balance Outstanding at Start of Year	27	42	716	669	258	283	72	126	1,073	1,120
Movement in Year	-	(15)	(89)	47	31	(25)	(51)	(54)	(109)	(47)
Balance Outstanding at Year End	27	27	627	716	289	258	21	72	964	1,073

17. Construction Contracts

The Authority was not the contractor in any construction contracts in 2014/15 or 2013/14.

18. Debtors

	31 March 2015 £'000	31 March 2014 £'000
Central Government Bodies	13,444	19,380
Other Local Authorities	7,497	14,338
NHS Bodies	903	1,480
Public Corporations and Trading Funds	-	20
Other Entities and Individuals	14,322	16,181
Total	35,037	51,399
Less Bad Debt Provision	(1,431)	(1,410)
Net Debtors	34,735	49,989

19. Cash and Cash Equivalents

	31 March 2015 £'000	31 March 2014 £'000
Cash Held by the Authority	1,273	822
Bank Current Accounts	(1,484)	(671)
Short-term Deposits	10,990	6,410
Short-term Deposits - Foundation Schools	403	481
Total Cash and Cash Equivalents	11,182	7,042

20. Assets Held for Sale

	Current	
	2014/15	2013/14
	£'000	£'000
Balance outstanding at start of year	568	1,041
Assets newly classified as held for sale:		
▪ Property, Plant & Equipment	-	237
▪ Intangible Assets	-	-
▪ Investment Properties	310	43
Other Assets/Liabilities in Disposal Groups	-	-
Revaluation Losses	(172)	(10)
Revaluation Gains	-	-
Impairment Losses	-	-
Assets declassified as held for sale:		
▪ Property, Plant & Equipment	-	-
▪ Intangible Assets	-	-
▪ Investment Properties	-	-
Other Assets/Liabilities in Disposal Groups	-	-
Assets Sold	(220)	(743)
Transfers from Non-Current to Current	-	-
Other Movements	(34)	-
Balance outstanding at year end	452	568

21. Creditors

	31 March 2015 £'000	31 March 2014 £'000
Central Government Bodies	441	2,088
Other Local Authorities	2,092	2,986
NHS Bodies	649	348
Public Corporations & Trading Funds	17	103
Other Entities & Individuals	17,537	15,664
Total	20,736	21,189

22. Provisions

	Insurance Provisions £'000	Equal Pay and Early Voluntary Retirement Provision £'000	Other Provisions £'000	Total £'000
Balance at 1 April 2013	1,719	2,237	711	4,667
Additional Provisions made in 2013/14	371	263	500	1,134
Amounts used in 2013/14	(292)	(235)	(136)	(663)
Unused Amounts reversed in 2013/14	-	-	-	-
Balance at 31 March 2014	1,798	2,265	1,075	5,138
Long Term	-	-	492	492
Short Term	1,798	2,265	583	4,646
Balance at 1 April 2014	1,798	2,265	1,075	5,138
Additional Provisions made in 2014/15	439	201	463	1,103
Amounts used in 2014/15	(480)	(1,983)	(321)	(2,784)
Unused Amounts reversed in 2014/15	-	-	-	-
Balance at 31 March 2015	1,757	483	1,217	3,457
Long Term	-	-	650	650
Short Term	1,757	483	567	2,807

Insurance Provisions – Municipal Mutual Insurance (MMI)

Provision was made in the sum of £385k in 2012/13 in respect of the Scheme of Arrangement for the winding up of the Municipal Mutual Insurance Company (MMI). The scheme was triggered on 13 November 2012, with payments being incurred in 2013/14 in the sum of £223k, and £140k in 2014/15. The provision equated to a 15% levy on claims previously paid by MMI at that time in respect of the former constituent authorities. Further provision of £45k has been made in respect of claims arising since the original scheme was triggered. (See also Note 45).

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 £50,000 per claim. Motor claims have a £5,000 own damage excess.

It is expected that of the total value of claims outstanding of £1.691m that are likely to be settled the Authority will bear £494k of that sum by way of policy excesses and its insurers will bear the balance of £1.197m.

The figures quoted above include one catastrophic motor claim reserved at £875k.

Equal Pay Provision

This is the balance of the provision for possible future settlement of the Equal Pay claims arising as a result of the implementation of the Single Status agreement. Settlements of claims in the sum of £1.718m were made in 2014/15, leaving a balance of £282k on the provision. The remaining claims are expected to be settled in 2015/16.

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 31/3/2015 is £201k (£265k 31/3/2014) which it is estimated will be settled in 2015/16.

Victoria Pier, Colwyn Bay

A provision of £650k for the legal or constructive obligation in respect of ensuring the safety and security of the Victoria Pier, Colwyn Bay.

Ysgol Dyffryn Conwy, Llanrwst

A provision of £500k for a contribution to remedial works required to the Vic Hallam buildings on site was made in 2013/14, of which £459k remains at 31/3/2015.

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 8.

24. Unusable Reserves

The restated figures in the following tables reflect the prior period adjustments described in paragraph 8 of the Explanatory Foreword and in paragraph 5 of the Statement of Accounting Principles and Policies.

	31 March 2015 £'000	As Previously Reported 31 March 2014 £'000	Restated 31 March 2014 £'000
Revaluation Reserve	75,560	50,356	49,110
Available for Sale Financial Assets Reserve	1,423	1,506	1,506
Capital Adjustment Account	159,664	164,989	159,337
Financial Instruments Adjustment account	(821)	(872)	(872)
Pensions Reserve	(191,131)	(134,681)	(134,681)
Deferred Capital Receipts Reserve	2,326	1,528	1,528
Unequal Pay Back Pay Account	(282)	(2,000)	(2,000)
Accumulated Absences Account	(2,347)	(2,388)	(2,388)
Total Unusable Reserves	44,392	78,438	71,540

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.

Restated 2013/14 £'000	As Previously Reported 2013/14 £'000	Revaluation Reserve	2014/15 £'000
49,903	51,183	Balance at 1 April	49,110
318	318	Upward revaluation of assets	33,758
(253)	(253)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(6,331)
65	65	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the provision of services	27,427
(787)	(821)	Difference between fair value depreciation and historical cost depreciation	(787)
(71)	(71)	Accumulated gains on assets sold or scrapped	(190)
(858)	(892)	Amount written off to the Capital Adjustment Account	(977)
49,110	50,356	Balance at 31 March	75,560

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.

2013/14 £'000	Available for Sale Financial Assets Reserve	2014/15 £'000
1,432	Balance at 1 April	1,506
-	Downward revaluation of investments	(83)
74	Upward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	-
-	Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income	-
1,506	Balance at 31 March	1,423

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 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

Restated 2013/14	As Previously Reported 2013/14	Capital Adjustment Account	2014/15
£'000	£'000		£'000
150,546	156,308	Balance at 1 April	159,337
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(13,649)	(13,792)	▪ Charges for depreciation & impairment of non-current assets	(14,502)
(4,625)	(4,625)	▪ Revaluation gain / (losses) on Property, Plant & Equipment	1,396
(10)	(10)	▪ Revaluation losses on Assets Held for Sale	(172)
(183)	(183)	▪ Amortisation of Intangible Assets	(166)
(1,586)	(1,586)	▪ Revenue expenditure funded from capital under statute	(1,803)
(2,389)	(2,389)	▪ 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	(1,447)
3	3	▪ Administration costs of asset disposal in advance of sale	(54)
67	67	▪ Difference between asset value and lease liability on new finance leases	8
(22,372)	(22,515)		(16,740)
858	891	▪ Adjusting amounts written out of the Revaluation Reserve	977
(21,514)	(21,624)	Net written out amount of the cost of non-current assets consumed in the year	(15,763)
		Capital financing applied in the year:	
785	785	▪ Use of the Capital Receipts Reserve to finance new capital expenditure	1,442
1,481	1,481	▪ Use of the Capital Receipts Reserve to repay debt	-
21,805	21,805	▪ Capital grants & contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	6,675
-	-	▪ Application of grants to capital financing from the Capital Grants Unapplied Account	-
6,884	6,884	▪ Statutory provision for the financing of capital investment charged against the Council Fund	7,188
1,577	1,577	▪ Capital expenditure charged against the Council Fund	822
11,018	10,908		364
(2,227)	(2,227)	▪ Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement	(37)
159,337	164,989	Balance at 31 March	159,664

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.

2013/14 £'000	Financial Instruments Adjustment Account	2014/15 £'000
(806)	Balance at 1 April	(872)
-	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	19
(85)	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	32
(872)	Balance at 31 March	(821)

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.

2013/14 £'000	Pensions Reserve	2014/15 £'000
(123,928)	Balance at 1 April	(134,681)
(4,885)	Actuarial gains or (losses) on pensions assets & liabilities	(50,420)
(19,959)	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	(20,344)
14,091	Employer's pension contributions payable in the year	14,314
(134,681)	Balance at 31 March	(191,131)

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.

2013/14 £'000	Deferred Capital Receipts Reserve	2014/15 £'000
1,208	Balance at 1 April	1,528
407	Finance Lease Assets	1,069
(82)	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	(266)
(5)	Transfer to the Capital Receipts Reserve upon receipt of cash	(5)
1,528	Balance at 31 March	2,326

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.

2013/14 £'000	Unequal Pay Back Pay Account	2014/15 £'000
(2,000)	Balance at 1 April	(2,000)
-	- Decrease in provision for back pay in relation to Equal Pay cases	-
-	- Cash settlements paid in year	1,718
-	- 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	1,718
(2,000)	Balance at 31 March	(282)

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the Council Fund balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31st March. Statutory arrangements require that the impact on the Council Fund Balance is neutralised by transfers to or from the Account.

2013/14 £'000	Accumulated Absences Account	2014/15 £'000
(2,024)	Balance at 1 April	(2,388)
2,024	Settlement or cancellation of accrual made at the end of the preceding year	2,388
(2,388)	Amounts accrued at the end of the current year	(2,347)
(364)	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	41
(2,388)	Balance at 31 March	(2,347)

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

Restated 2013/14 £'000		2014/15 £'000
(13,650)	Depreciation of Non Current Assets	(14,502)
-	Impairment of Non Current Assets	(52)
(183)	Amortisation of Intangible Fixed Assets	(166)
(5,867)	Pension Fund adjustments	(6,030)
(65)	Other non cash Financial Instrument adjustments	51
-	Use of provision for equal pay	1,718
(110)	Increase/decrease in impairment for provision for bad debts	(21)
(471)	Contributions to Provisions	1,680
(2,389)	Carrying amount of PP&E, investment property and intangible assets sold	(1,448)
10,898	Other non-cash movement	4,135
(47)	Increase/(Decrease) in Inventories	(109)
8,106	Increase/(Decrease) in Debtors	(9,840)
(2,252)	(Increase)/Decrease in Creditors	504
(6,030)	Net non cash movements	(24,080)

26. Cash Flow Statement – Investing Activities

Restated 2013/14 £'000		2014/15 £'000
42,491	Purchase of property, plant and equipment, investment property and intangible assets	28,296
336,897	Purchase of short –term and long-term investments	280,745
(1,027)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(619)
(341,018)	Proceeds from short-term and long-term investments	(279,762)
(22,260)	Other receipts from investing activities	(17,143)
15,083	Net cash flow from investing activities	11,517

27. Cash Flow Statement – Financing Activities

Restated 2013/14 £'000		2014/15 £'000
(50,658)	Cash receipts of short-term and long-term borrowing	(63,000)
-	Other receipts from financing activities	-
1,157	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	1,367
44,995	Repayments of short- term and long- term borrowing	61,299
2,415	Other payments for financing activities	892
(2,091)	Net cash flow from financing activities	558

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 Council in accordance with the Constitution 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 following tables shown on pages 81 to 84 provide the detail of the reconciliation from the analysis by service to the amounts included in the Comprehensive Income and Expenditure Statement.

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

Service Income and Expenditure 2014/15	Education Services	Social Services	Environment, Roads & Facilities	Community Development Services	Regulatory & Housing Services	Financial Services	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, Charges & Other Service Income	(19,132)	(8,981)	(15,518)	(4,946)	(2,720)	(2,124)	(53,421)
Government Grants	(13,650)	(9,490)	(7,577)	(4,592)	(4,124)	(37,703)	(77,136)
Total Income	(32,782)	(18,471)	(23,095)	(9,538)	(6,844)	(39,827)	(130,557)
Employee Expenses	74,683	22,542	14,124	8,153	5,150	4,742	129,394
Other Service Expenses	38,341	48,688	29,039	8,943	6,699	48,052	179,762
Total Expenditure	113,024	71,230	43,163	17,096	11,849	52,794	309,156
Net Expenditure	80,242	52,759	20,068	7,558	5,005	12,967	178,599

Service Income and Expenditure 2013/14 Comparative Figures	Education Services	Social Services	Environment, Roads & Facilities	Community Development Services	Regulatory & Housing Services	Financial Services	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, Charges & Other Service Income	(17,719)	(8,773)	(17,537)	(5,183)	(3,007)	(3,375)	(55,594)
Government Grants	(18,851)	(6,765)	(7,891)	(5,261)	(4,014)	(37,996)	(80,778)
Total Income	(36,570)	(15,538)	(25,428)	(10,444)	(7,021)	(41,371)	(136,372)
Employee Expenses	75,201	22,414	15,451	8,544	5,275	4,987	131,872
Other Service Expenses	42,155	44,961	31,471	9,736	6,809	48,152	183,284
Total Expenditure	117,356	67,375	46,922	18,280	12,084	53,139	315,156
Net Expenditure	80,786	51,837	21,494	7,836	5,063	11,768	178,784

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 service income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2014/15 £'000	Restated 2013/14 £'000
Net expenditure in the Service Analysis	178,599	178,784
Net expenditure of services & support services not included in the Analysis	27,034	24,774
Amounts in the Comprehensive Income & Expenditure Statement not reported to management in the Analysis	14,784	20,980
Amounts included in the Analysis not included in the Comprehensive Income & Expenditure Statement	(19,792)	(20,068)
Cost of Services in the Comprehensive Income & Expenditure Statement	200,625	204,470

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.

	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
2014/15								
	(53,421)	(10,487)	(3,082)	6,625	21,301	(39,064)	-	(39,064)
Fees, charges & Other Service Income	-	-	-	-	-	-	(244)	(244)
Interest & Investment Income	-	-	-	-	-	-	(61,573)	(61,573)
Income from Council Tax	(77,136)	(1,565)	(6,127)	1,317	5,016	(78,495)	(165,389)	(243,884)
Government Grants & Contributions	(130,557)	(12,052)	(9,209)	7,942	26,317	(117,559)	(227,206)	(344,765)
Total Income								
Employee Expenses	129,394	13,180	1,638	(3,079)	(459)	140,674	5,755	146,429
Other Service Expenses	179,762	25,906	1,983	(23,489)	(25,858)	158,304	-	158,304
Depreciation, Amortisation & Impairment	-	-	12,442	-	-	12,442	-	12,442
Investment Property Income & Change in Fair Value	-	-	-	552	-	552	(515)	37
REFCUS	-	-	7,930	-	-	7,930	-	7,930
Equal Pay Provision	-	-	-	(1,718)	-	(1,718)	-	(1,718)
Interest Payments	-	-	-	-	-	-	8,302	8,302
Precepts & Levies	-	-	-	-	-	-	18,679	18,679
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	-	-	(258)	(258)
Trading Operations	-	-	-	-	-	-	1,853	1,853
Total Expenditure	309,156	39,086	23,993	(27,734)	(26,317)	318,184	33,816	352,000
Surplus or Deficit on the Provision of Services	178,599	27,034	14,784	(19,792)	-	200,625	(193,390)	7,235

Restated 2013/14 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	(55,594)	(8,725)	(1,329)	5,806	24,658	(35,184)	-	(35,184)
Interest & Investment Income	-	-	-	-	-	-	(268)	(268)
Income from Council Tax	-	-	-	-	-	-	(58,615)	(58,615)
Government Grants & Contributions	(80,778)	(2,594)	(3,392)	4,653	4,998	(77,113)	(184,681)	(261,794)
Total Income	(136,372)	(11,319)	(4,721)	10,459	29,656	(112,297)	(243,564)	(355,861)
Employee Expenses	131,872	10,997	1,903	(2,890)	(443)	141,439	5,489	146,928
Other Service Expenses	183,284	25,096	353	(28,139)	(29,213)	151,381	-	151,381
Depreciation, Amortisation & Impairment	-	-	18,467	-	-	18,467	-	18,467
Investment Property Income & Change in Fair Value	-	-	-	502	-	502	1,726	2,228
REFCUS	-	-	4,978	-	-	4,978	-	4,978
Interest Payments	-	-	-	-	-	-	8,432	8,432
Precepts & Levies	-	-	-	-	-	-	18,273	18,273
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	-	-	875	875
Trading Operations	-	-	-	-	-	-	2,184	2,184
Total Expenditure	315,156	36,093	25,701	(30,527)	(29,656)	316,767	36,979	353,746
Surplus or Deficit on the Provision of Services	178,784	24,774	20,980	(20,068)	-	204,470	(206,585)	(2,115)

29. Acquired and Discontinued Operations

There were no acquired or discontinued operations in the year.

30. Trading Operations

The Council operates three major trading operations, details are shown below.

The Council owns and operates the Great Orme Tramway generating income from ticket sales. The objective is to provide an ongoing maintenance programme funded from a reserve built up from surpluses on trading, drawing on the reserve when a deficit on trading is made. The reserve for ongoing maintenance at 31 March 2015 amounted to £355k.

		2014/15 £'000	2013/14 £'000
Great Orme Tramway	Turnover	(923)	(877)
	Expenditure	1,097	1,005
	Deficit	174	128
	Deficit (after IAS19 adjustment)	181	134

The Council owns and operates a major theatre/conference centre/arena complex and a second theatre, generating income from lettings and ticket sales. The trading objective is to make a surplus on the costs of performances and conferences in order to make a contribution towards the staffing, maintenance and other running costs of the building. This trading objective was achieved in 2014/15 in the case of Venue Cymru despite making a deficit overall. The summary below shows all associated expenditure and income

		2014/15 £'000	2013/14 £'000
Venue Cymru Theatre Conference Centre Arena Catering	Turnover	(5,053)	(4,387)
	Expenditure	6,721	6,243
	Deficit	1,668	1,856
	Deficit (after IAS19 adjustment)	1,710	1,891
Theatr Colwyn	Turnover	(305)	(277)
	Expenditure	287	458
	Surplus	(18)	181
	Surplus (after IAS19 adjustment)	(14)	183

		2014/15 £'000	2013/14 £'000
Total	Deficit	1,824	2,165
	Deficit (after IAS19 adjustment)	1,877	2,208
Total Trading Operations	Revenue Provision	(24)	(24)
	Deficit per Income & Expenditure Account	1,853	2,184

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. A second agreement relates to payments to Homes for Nursing Care on behalf of Local Health Boards.

The six North Wales councils act as agents of Welsh Government in providing recyclable loans under the Houses into Homes Scheme, for the repair of properties which have been long term vacant, with the aim of bringing them back into use. Flintshire County Council is the lead/banker authority for the North Wales region and responsible for administering the fund. The Council received £250k in 2014/15 (£353k in 2013/14) from Flintshire County Council.

Expenditure on these activities was as follows:

	2014/15 £'000	2013/14 £'000
Trunk Roads	5,016	4,998
Nursing Care	1,299	1,359
Houses into Homes	275	328
Total	6,590	6,685

During the year the Welsh Government (WG) introduced two new loan schemes for regeneration – Home Improvement Loans and Houses into Homes (Tranche 2). Unlike the scheme above the funding is repayable to WG in 13 to 15 years. The Council received £151k for Home Improvement Loans and £151k for Houses into Homes (Tranche 2). No loans were issued during the year.

32. Members' Allowances

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

	2014/15 £000	2013/14 £000
Basic Allowance	779	772
Special Responsibility Allowance	260	261
Expenses	25	30
Total	1,064	1,063

33. 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
		£	£	£	£	£
2014/15	Chief Executive	111,573	1,266	112,839	21,310	134,149
2013/14	Chief Executive	108,713	1,352	110,065	23,482	133,547
2014/15	Strategic Director (Democracy and Environment)	90,588	2,260	92,848	17,303	110,151
2013/14	Strategic Director (Democratic, Regulation & Support)	90,137	1,811	91,948	19,470	111,418
2014/15	Strategic Director (Finance & Efficiencies)	90,706	301	91,007	17,324	108,331
2013/14	Strategic Director (Finance & Efficiencies)	88,298	650	88,948	19,073	108,021
2014/15	Strategic Director (Economy & Place)	82,346	1,063	83,409	15,728	99,137
2013/14	Strategic Director (Economy & Place)	79,984	1,134	81,118	17,277	98,395
2014/15	Strategic Director of Social Care and Education	75,805	570	76,375	14,479	90,854
2013/14	Statutory Head of Social Services	70,270	556	70,826	15,179	86,005
2014/15	Current Statutory Head of Education Services	65,623	1,080	66,703	12,534	79,237
2013/14	Current Statutory Head of Education Services	-	-	-	-	-
2014/15	Former Statutory Head of Education Services	29,876	865	30,741	5,706	36,447
2013/14	Former Statutory Head of Education Services	71,703	2,286	73,989	15,488	89,477

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 and the money value of benefits, but excludes payments in relation to election duties. Total remuneration includes employer pension contributions payable to the Local Government Pension Scheme, but not directly paid to the employee.

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	2014/15 Number		2013/14 Number	
	Non-Schools	Schools	Non-Schools	Schools
£60,000 - £64,999	5	10	8	8
£65,000 - £69,999	7	4	6	6
£70,000 - £74,999	1	2	1	3
£75,000 - £79,999	0	1	0	0
£80,000 - £84,999	0	0	1	1
£85,000 - £89,999	0	2	0	2
£90,000 - £94,999	1	1	0	1
£95,000 - £99,999	0	0	1	1
£100,000 - £104,999	0	1	0	0
£105,000 - £109,999	0	1	0	1

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

	2014/15	2013/14
	Scale Point £	Scale Point £
Chief Executive	111,573	108,713
Median	17,780	17,565
Ratio	6.28	6.19

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	
	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14
							£	£
£0 - £20,000	44	28	22	13	66	41	410,653	301,957
£20,001 - £100,000	6	6	10	13	16	19	556,734	681,644
£100,001 - £150,000	-	-	-	-	-	-	-	-
Total	50	34	32	26	82	60	967,387	983,601

34. 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

	2014/15	2013/14
	£'000	£'000
Fees payable to WAO with regard to external audit services carried out by the appointed auditor for the year.	183	158
Fees payable to WAO in respect of statutory inspections and National Fraud Initiative	100	137
Fees payable to KPMG for the certification of grant claims and returns for the year.	44	85
Fees payable in respect of other services provided by WAO and KPMG during the year, including elector challenge work	10	102
	337	482

The estimated fee for certification of grant claims and returns related to 2014/15 is £60k and is not included above.

35. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2014/15:

	2014/15	2013/14
	£'000	£'000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	120,751	121,703
Outcome Agreement Grant	1,185	1,165
PFI - Capital Element (Included in RSG in 2014/15)	-	3,407
<i>Sub Total</i>	121,936	126,275
Capital Grants:		
General Capital Grant (Non REFCUS)	938	967
Conwy Package (Transport Schemes)	-	171
Flying Start	6	130
21st Century Schools Grant	428	7,451
Flood Alleviation Schemes	333	369
Sustainable Waste Management Grant	443	306
Strategic Regeneration Area	-	257
Colwyn Bay Waterfront Coastal Defence	2,278	7,827
Restoration of Coastal Defence	1,153	3,231
Other Welsh Government Grants	542	858
Other Various Grants	228	373
<i>Sub Total</i>	6,349	21,940
Grand Total	128,285	148,215
Credited to Services:		
Intermediate Care Fund Grant	1,464	-
Council Tax Reduction Grant	-	791
Concessionary Fares	2,661	2,787
Cymorth - the Children and Youth Support Fund/ Families 1st	797	883
Flying Start Revenue Grant	2,086	1,776
PFI (Included in RSG 2014/15)	-	1,494
Post-16 Provision in Schools	4,762	4,662
Supporting People	7,184	7,578
Sustainable Waste Management Grant	2,238	2,416
Foundation Phase Grant	3,313	3,363
School Effectiveness Grant	900	1,029
Substance Misuse Action Fund	838	702
Revenue Expenditure Funded from Capital under Statute	6,127	3,392
European Social Fund	327	756
DWP - Housing Benefits Grant	36,334	35,640
14-19 Learning Pathways	389	584
Pupil Deprivation Grant	2,224	1,058
Local Transport Services Grant / Bus Services Support Grant	420	1,053
Communities First Grant	543	469
Other Grants	5,888	6,680
Grand Total	78,495	77,113

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

	31 March 2015	31 March 2014
	£'000	£'000
Capital Grants Receipts in Advance		
Section 106 Agreements	1,121	1,262
Total	1,121	1,262

36. Related Parties

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

Central Government

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

Precepts and Levies

Details of precepts collected on behalf of other organisations are provided in the Income and Expenditure Account. The Council appoints Members to certain bodies which levy on the Council's budget. Details of these levies are given in Note 9.

The Strategic Director (Democracy and Environment) acts as the Treasurer to the North Wales Fire & Rescue Authority; the levy to the North Wales Fire & Rescue Authority paid during the year was £5,283,704 (2013/14: £5,198,570).

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 2014/15 a total of £419,265 (including year end creditors of £34,760) (2013/14: £557,906 (including year end creditors of £5,418)) was paid to these bodies by way of grants and the purchasing of services. In 2014/15 the Council received income of £420,721 (including year end debtors of £2,310) (£862,259 in 2013/14 (including year end debtors of £19,301)) 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 £103,404 (no year end creditor) were paid in 2014/15 (£106,343 in 2013/14 (no year end creditor)), and from which the Council received income of £28,550 (no year end debtor) (£5,703 in 2013/14 (no year end debtor)).

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 2014/15, and all responded.

A total of £104,334 (including a year end creditor of £288) was paid by the Council in 2014/15 under such dealings (£4,480 in 2013/14 (no year end creditor)), and income of £1,214 (no year end debtor) was received by the Council (no income in 2013/14 (no year end debtor)).

Members

Members were sent a declaration of interest with related parties return for the year 2014/15, and all responded

A total of £273,710 (including year end creditors of £12,109) was paid by the Council in 2014/15 under such dealings (2013/14: £231,416 (including year end creditors of £9,308)), and a total of £12,873 (including a year end debtor of £1,253) was received by the Council (£7,270 in 2013/14 (including a year end debtor of £75)).

Five Conwy Members sat on the Board of Management of Cartrefi Conwy. Two Conwy Members represented the Council on the Taith Joint Committee, two Conwy Members represented the Council on the North Wales Residual Waste Treatment Project, and one Conwy Member represented the Council on the GwE Joint Committee. Due to the nature of the parties, transactions are incurred in the normal course of activity.

Other

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

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

37. 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.

	2014/15	2013/14
	£'000	£'000
Opening Capital Financing Requirement	158,759	155,701
Capital Investment		
Property, Plant & Equipment	20,106	31,744
Investment Properties	-	1,891
Intangible Assets	318	204
Revenue Expenditure funded from Capital under Statute	7,930	4,978
Leased Assets - effect of acquisitions and disposals on the lease liability	-	169
Sources of Finance		
Capital Receipts	(1,379)	(2,267)
Government Grants & Other Contributions	(12,802)	(25,197)
Sums set aside from revenue:		
Direct Revenue Contributions	(832)	(1,580)
MRP	(7,188)	(6,884)
Closing Capital Financing Requirement	164,912	158,759
Explanation of movements in year		
Increase in underlying need to borrow	7,467	4,181
Finance Leases	(197)	(48)
PFI contracts	(1,170)	(1,072)
Costs of disposal movement in CAA	53	(3)
Increase/(Decrease) in Capital Financing Requirement	6,153	3,058

38. 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	
	2014/15 £'000	2013/14 £'000	2014/15 £'000	2013/14 £'000	2014/15 £'000	2013/14 £'000
Balance at 31 March	-	-	-	-	-	-
Transfer from Debtors	-	-	-	-	-	-
Expenditure in year	1,534	1,314	6,396	3,664	7,930	4,978
Grants	(1,249)	(1,234)	(4,878)	(2,158)	(6,127)	(3,392)
Written Off to Revenue	(285)	(80)	(1,518)	(1,506)	(1,803)	(1,586)
Balance at 31 March	-	-	-	-	-	-

'Other' revenue expenditure funded from capital under statute includes Local Investment Fund & Admin, Rural Development Plan Projects Match Funding, Conwy Workwise – Electronic Document Management Capitalised Running Costs, Empty Homes Grants Scheme, Colwyn Bay Maximising Eco Fund, Vibrant and Viable Places Colwyn Bay Scheme 1, Vibrant and Viable Places Space for Living – Conwy Road, Abergele Road, and Colwyn Bay Townscape Heritage Initiative.

39. 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 2015 £'000	31 March 2014 £'000
Other Land & Buildings	659	427
Vehicles, Plant, Furniture & Equipment	393	549
Total	1,052	976

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 2015 £'000	31 March 2014 £'000
Finance lease liabilities (NPV of minimum lease payments)		
▪ Current	185	200
▪ Non-Current	424	607
Finance costs payable in future years	1,063	1,108
Minimum Lease Payments	1,672	1,915

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2015 £'000	31 March 2014 £'000	31 March 2015 £'000	31 March 2014 £'000
No later than one year	220	245	185	200
Later than one year and not later than 5 years	236	413	147	307
Later than 5 years	1,216	1,257	277	300
Total	1,672	1,915	609	807

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:

	31 March 2015 £'000	31 March 2014 £'000
No later than 1 year	795	971
Later than 1 year and not later than 5 years	433	420
Later than 5 years	1,935	1,791
Total	3,163	3,182

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

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

	2014/2015 £'000	2013/2014 £'000
Minimum lease payments	971	978
Payments receivable in respect of properties occupied by homeless families	(477)	(638)
Total	494	340

Authority as Lessor

Finance Leases

The Authority has leased out several properties on finance leases with remaining terms of up to 125 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:

	31 March 2015 £'000	31 March 2014 £'000
Finance lease debtor (NPV of minimum lease payments)		
▪ Current	266	262
▪ Non-Current	2,055	1,259
Unearned finance income	1,055	404
Unguaranteed residual value of property	(275)	(275)
Gross Investment in the lease	3,101	1,650

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

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

	Gross Investment in the Lease		Minimum Lease Payments	
	31 March 2015 £'000	31 March 2014 £'000	31 March 2015 £'000	31 March 2014 £'000
No later than one year	406	324	406	324
Later than one year and not later than 5 years	758	533	758	533
Later than 5 years	1,937	793	1,937	793
Total	3,101	1,650	3,101	1,650

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:

	31 March 2015 £'000	31 March 2014 £'000
No later than 1 year	762	812
Later than 1 year and not later than 5 years	1,540	1,389
Later than 5 years	9,008	9,202
Total	11,310	11,403

The minimum lease payments receivable do not include rent that is contingent on turnover. In 2014/15 contingent rents received amounted to £256,700. In 2013/14 this figure was £327,190.

40. 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 2014/15 was £6.9m (net of availability and performance deductions of £1k) for the period April 2014 to March 2015 inclusive. (Unitary Charge in the financial year 2013/14 was £6.9m net of availability and performance deductions of £1k). The full year charge in 2015/16 is estimated to be approximately £6.9m at a price base of 1 April 2015.

The outstanding undischarged obligation arising from the PFI transaction is approximately £109.1m (£118.1m in 2013/14), 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.

In addition, a contribution was made from the PFI reserve to the Council Fund Balance in the sum of £1.492m in 2013/14, as a result of the review of the funding mechanism for the PFI unitary charge payable up to 2030.

Value of Assets Held under PFI and Similar Contracts

	£'000
1 April 2013	43,034
Movement 2013/14	(975)
31 March 2014	42,059
Movement 2014/15	7,397
31 March 2015	49,456

Value of Liabilities resulting from PFI and Similar Contracts

	Finance Lease Creditor	Lifecycle Timing Differences	Total
	£'000	£'000	£'000
1 April 2013	(26,433)	(391)	(26,824)
Movement 2013/14	1,071	-	1,071
31 March 2014	(25,362)	(391)	(25,753)
Movement 2014/15	1,170	-	1,170
31 March 2015	(24,192)	(391)	(24,583)

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

	Service Charges £'000	Repayments of Liability £'000	Interest £'000	Total £'000
Within 1 Year	3,506	1,283	2,128	6,917
Within 1 to 5 Years	16,101	5,175	7,378	28,654
Within 5 to 10 Years	22,840	9,344	5,989	38,173
Within 10 to 15 Years	24,944	8,390	2,035	35,369
Within 15 to 20 Years	-	-	-	-

41. Impairment Losses

During 2014/15, the Authority recognised impairment losses of £52k. (In 2013/14 the Authority did not recognise any impairment losses). These related to the demolition of Station Road Public Conveniences in Penmaenmawr and Kiosks 3, 4 and 5 on Colwyn Bay promenade.

42. Termination Benefits

The Authority terminated the contracts of a number of employees in 2014/15 incurring liabilities of £967k (£984k in 2013/14) – see Note 33 for the number of exit packages and total cost per band.

The liability of £967k is further analysed below:

A sum of £648k was payable to 33 employees as a result of service efficiencies and restructures.

A sum of £41k was paid to 15 employees as a result of the end of fixed term contracts.

A sum of £32k was paid to 8 employees as a result of school closures.

A sum of £164k was paid to 12 employees as a result of budget pressures.

A sum of £82k was payable to 14 employees as a result of other reasons.

43. 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 2014/15, the Council paid £4.191m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.10% of pensionable pay. The figures for 2013/14 were £4.198m and 14.10%. There were no contributions remaining payable at the year end (31 March 2014 – 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.

44. 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 pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

- The employer's contribution rate for the Gwynedd scheme in 2014/15 was 19.1% plus a pensions fixed sum of £1.280m (2013/14 21.1%). The rate will be 19.1% plus a pensions fixed sum of £1.294m in 2015/16. The total amount paid to the Gwynedd scheme in 2014/15 was £13.298m in respect of standard pension contributions (£12.262m in 2013/14).

Transactions Relating to Post-Employment Benefits

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

IAS 19 Disclosure Requirements for 2014/15

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

The required restatements are reflected in the notes which follow.

Transactions relating to Retirement benefits recognised in Accounts:

	Funded		Unfunded	
	2014/15	2013/14	2014/15	2013/14
	£'000	£'000	£'000	£'000
Comprehensive Income & Expenditure Statement				
Net Cost of services:				
▪ Current service cost	14,475	14,104	-	-
▪ Past service cost	110	357	4	9
▪ Settlements	-	-	-	-
Financing & Investment Income & Expenditure				
▪ Net Interest	4,843	4,611	912	878
Total Defined Benefit Charged to Provision of Services	19,428	19,072	916	887
Other Pension Costs Charged to the Comprehensive Income & Expenditure Statement				
▪ Return on assets (excluding interest)	(27,831)	(12,562)		
▪ Remeasurements on liabilities	76,993	16,464	1,258	984
Total Pension Costs Charged to the Comprehensive Income & Expenditure Statement	68,590	22,974	2,174	1,871
Movement in Reserves Statement				
▪ Reversal of charges in accordance with the Code	20,344	19,959	-	-
Actual amounts charged to the General Fund in year:				
▪ Employer contributions	14,314	14,092	-	-
▪ Discretionary payments			1,502	1,503

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

	Local Government Pension Scheme		Discretionary Benefits	
	2014/15	2013/14	2014/15	2013/14
	£'000	£'000	£'000	£'000
Present value of defined benefit obligation	(558,885)	(458,050)	(22,140)	(21,468)
Fair value of assets	389,893	344,837	-	-
Sub total	(168,992)	(113,213)	(22,140)	(21,468)
Other movements in liability/assets	-	-	-	-
Net liability	(168,992)	(113,213)	(22,140)	(21,468)

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 2015 £'000	31 March 2014 £'000	31 March 2015 £'000	31 March 2014 £'000
Opening balance	458,050	416,773	21,468	21,100
Current service cost	14,475	14,104	-	-
Interest cost	19,762	18,857	912	878
Contributions by plan participants	3,792	3,702	-	-
Remeasurements	76,993	16,464	1,258	984
Benefits paid	(14,297)	(12,207)	(1,502)	(1,503)
Past service costs/(credit)	110	357	4	9
Curtailments	-	-	-	-
Liabilities Discharged	-	-	-	-
Closing Balance	558,885	458,050	22,140	21,468

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 2015 £'000	31 March 2014 £'000
Opening balance at 1 April	344,837	313,945
Remeasurements	27,831	12,562
Asset Interest	14,919	14,246
Employer contributions	12,811	12,589
Contributions by scheme participants	3,792	3,702
Benefits paid	(14,297)	(12,207)
Unfunded Benefits Paid	(1,502)	(1,503)
Unfunded Benefits Contributions	1,502	1,503
Liabilities Discharged	-	-
Closing balance	389,893	344,837

Local Government Pension Scheme Assets

Asset Category	2014-15				2013-14			
	Quoted Prices in Active Markets	Prices Not Quoted in Active Markets	Total	%	Quoted Prices in Active Markets	Prices Not Quoted in Active Markets	Total	%
	£'000	£'000	£'000		£'000	£'000	£'000	
Equity Securities								
Consumer	10,828	-	10,828	2.8	6,473	-	6,473	1.9
Energy and Utilities	8,052	-	8,052	2.1	8,278	-	8,278	2.4
Financial Institutions	6,097	-	6,097	1.6	2,890	-	2,890	0.8
Health and Care	16,274	-	16,274	4.2	15,324	-	15,324	4.4
Information Technology	11,366	-	11,366	2.9	9,645	-	9,645	2.8
Other	19,815	-	19,815	5.1	15,772	-	15,772	4.6
Private Equity								
All	-	16,534	16,534	4.2	-	16,547	16,547	4.8
Real Estate								
UK Property	-	37,499	37,499	9.6	-	29,759	29,759	8.6
Overseas Property	-	1,132	1,132	0.3	-	883	883	0.3
Investment Funds & Unit Trusts								
Equities	89,238	111,057	200,295	51.2	77,559	101,301	178,860	51.9
Bonds	-	54,136	54,136	13.8	-	51,394	51,394	14.9
Infrastructure	-	1,844	1,844	0.5	-	1,525	1,525	0.4
Derivatives								
Inflation	-	-	-	-	-	-	-	0.0
Cash & Cash Equivalents								
All	7,053	-	7,053	1.8	7,487	-	7,487	2.2
Totals	168,723	222,202	390,925	100.0	143,428	201,409	344,837	100.0

Details regarding the changes in the Local Government Pension Scheme rules, including the change from final salary benefits to career average re-valued benefits for service from 1st April 2015 onwards, can be found on the following link:

<http://www.lgps.org.uk/lge/core/page.do?pagelid=97977>

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 2015.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Discretionary Benefits	
	31 March 2015	31 March 2014	31 March 2015	31 March 2014
Long-term expected rate of return on assets in the scheme:				
Equity Investments	6.5%	7.0%	-	-
Bonds	2.9%	4.3%	-	-
Property	5.9%	6.2%	-	-
Cash	0.5%	0.5%	-	-
Mortality Assumptions:				
Longevity at 65 for current pensioners				
▪ Men	22.0	22.0	22.0	22.0
▪ Women	24.0	24.0	24.0	24.0
Longevity at 65 for future pensioners				
▪ Men	24.4	24.4	24.4	24.4
▪ Women	26.6	26.6	26.6	26.6
Rate of Inflation	2.4%	2.8%	2.4%	2.8%
Rate of Increase in salaries	4.3%	4.6%	4.3%	4.6%
Rate of Increase in pensions	2.4%	2.8%	2.4%	2.8%
Rate for discounting scheme liabilities	3.2%	4.3%	3.2%	4.3%
Take-up of option to convert annual pension into retirement lump sum	50%	50%	-	-

45. Contingent Liabilities

Municipal Mutual Insurance (MMI) Provision

MMI ceased writing insurance business on 30 September 1992. In order to achieve a solvent run-off, a Scheme of Arrangement was entered into by creditors under Section 425 of the Companies Act 1985 (now section 899 of the Companies Act 2006). That Scheme was triggered on 13 November 2012.

Under the Scheme of Arrangement the Authority has inherited liabilities from the former constituent local authorities as follows:

	£
Aberconwy & Colwyn Borough Councils	130,063
Gwynedd County Council	81,378
Clwyd County Council	218,566
Total	430,007

This sum represents a 15% Levy on claims previously paid by MMI in respect of the former constituent authorities, and was provided for in the accounts of the Authority.

Interim payments have been made as follows:

	£
Aberconwy & Colwyn Borough Councils	130,063
Gwynedd County Council	31,422
Clwyd County Council	202,217
Total	363,702

See Note 22 - Provisions.

Municipal Mutual Insurance (MMI) Contingent Liability

The present actuarial opinion is that the Levy could ultimately fall in a range between 26% and 75% but is expected to be at 50% (a total levy of £1.339m less £430k already provided for, giving an additional £909k), however, theoretically the exposure of a Scheme Creditor is 100%.

46. Contingent Assets

There are no outstanding contingent assets.

47. Joint Arrangements & Joint Committees

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

There are two formal joint committees, for which Flintshire County Council prepare separate sets of accounts, as follows:-

- i) North Wales Residual Waste Treatment Partnership (NWRWTP) (with Flintshire (lead Authority), Anglesey, Denbighshire & Gwynedd).
Conwy's contribution to the NWRWTP in 2014/15 was £85k (£116k in 2013/14).
- ii) TAITH (North Wales Regional Transport Consortia) (with Flintshire (lead authority), Anglesey, Denbighshire, Wrexham & Gwynedd).
Conwy's contribution from TAITH in 2014/15 was £13k (£653k in 2013/14).

A third formal Joint Committee, for which Gwynedd Council prepares a separate set of accounts, is GwE, an improvement service for schools on a North Wales basis. Conwy's contribution to the GwE Joint Committee in 2014/15 was £556k (£551k in 2013/14).

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

www.nwrwtp.org

www.taith.gov.uk

<https://www.gwynedd.gov.uk/en/Council/Documents---Council/Performance-and-spending/Statement-of-accounts/GwE-Joint-Committee-Statement-of-Accounts-2013-14-post-Audit.pdf>

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

1. Debt Management Office of the Treasury – 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: Long Term BBB.

Limit - £5m

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

4. Building Societies

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

5. Money Market Funds (MMF)

The Council has previously given approval to lending via these funds with a limit of £1m per fund. The position is reviewed regularly to monitor the return on the investment and due to a recent change, the Council is not currently investing in Money Market funds.

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 2015 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.

	Amount at 31 March 2015	Historical Experience of Default	Historical experience adjusted for market conditions at 31 March 2015	Estimated Maximum Exposure to Default & Uncollectability at 31 March 2015	Estimated Maximum Exposure at 31 March 2015
	£'000	%	%	£'000	£'000
Customers	6,358	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:

	31 March 2015 £000	31 March 2014 £000
< 3 Months	5,106	8,377
3-6 Months	59	89
6-12 Months	234	334
> 12 Months	959	1,204
Total	6,358	10,004

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:

	31 March 2015 £'000	31 March 2014 £'000
< 1 Year	36,309	34,299
1 – 2 Years	318	309
2 – 5 Years	1,015	985
5 – 10 Years	4,889	4,524
10 – 25 Years	7,984	8,697
> 25 Years	90,655	90,656
Total	141,170	139,470

Market Risk

Interest Rate Risk

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

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

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

The Authority has a number of strategies for managing interest rate risk. The Council has the option to keep a maximum of 30% of its borrowings in variable rate loans.

During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses.

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

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable. According to this assessment strategy, at 31 March 2015, if interest rates had been 1% higher with all other variables held constant, the financial effect would be as shown in the following table:-

	£'000
Increase in Interest receivable on variable rate Investments	(186)
Impact on Surplus or Deficit on the Provision of Services	(186)
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)	(25,175)

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 2015 amounted to £125,502 and the income for the year was £8,095. (Fund Balances at 31 March 2014 amounted to £116,812 and income for the year 2013/14 was £4,168.)

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 116.
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 120.

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 Police and Crime Commissioner for North Wales for the forthcoming year and dividing this amount by the Council Tax Base. The Council Tax Base is the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts.

The Council Tax Base for 2014/15 was calculated as follows: -

Band	Equivalent Number of Dwellings after Discount	Band D Adjustment	Band D Equivalent
A*	10	5/9	5.28
A	4,291	6/9	2,860.67
B	6,896	7/9	5,363.75
C	13,203	8/9	11,736.00
D	10,181	1	10,180.75
E	7,935	11/9	9,698.03
F	4,471	13/9	6,457.39
G	1,746	15/9	2,910.42
H	380	18/9	759.50
I	128	21/9	299.25
			50,271.04
Council Tax Base after allowing for losses on collection			49,516.97

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

	2014/15	2013/14
	£'000	£'000
Council Tax raised	61,573	58,615

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 2014/15 the rate set by the Welsh Government was 0.473p per £1 of rateable value of the non-domestic properties (2013/14: 0.464p). At 31 March 2015 there were 5,157 properties on the local valuation list in Conwy, representing a rateable value of £78,313,355 (2013/14: £78,425,970). The net income accruing to the Council from the NNDR is as follows:-

	2014/15	2013/14
	£'000	£'000
National Non-Domestic Rate raised	27,678	26,431
Less Cost of Collection Allowance	(267)	(267)
Less sum paid to the National Pool	(27,411)	(26,164)
	-	-
Receipts from the National Pool	37,104	36,466
Net Income from the National Non-Domestic Rates	37,104	36,466

WELSH CHURCH ACT FUND (UNAUDITED)

STATEMENT OF ACCOUNTS 2014/15

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.

The Council is the corporate trustee of the Welsh Church Act Funds in the area of Conwy County Borough. It holds some funds disaggregated from the Clwyd fund at reorganisation in 1996. It also has a share of the Gwynedd fund. The majority of the funds are held by Gwynedd, and investments are made on behalf of the fund in order to maximise the income available for distribution.

Gwynedd acts as lead authority for the Welsh Church Act and prepares accounts for submission to the Charities Commission on behalf of three Authorities, Gwynedd, Ynys Mon and Conwy. The Gwynedd fund may be disaggregated in the near future and in anticipation of this, all stock held by the fund has been transferred to cash. If the fund is disaggregated, Conwy will be responsible for reporting to the Charity Commission.

Accounting Policies

The Accounting policies followed are those outlined on pages 18 to 37, which are applicable to the items in the Welsh Church Act Accounts. The accounts also follow the Charity Commission Statement of Recommended Practice.

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

These Statements are not audited by WAO.

INCOME AND EXPENDITURE ACCOUNT

	Notes	2014/15	2013/14
		£	£
Resources Arising			
Investment Interest	1	2,649	6,513
Less Fund Manager's Fees		-	(171)
		2,649	6,342
Use of Resources			
Allocations	2	(9,298)	(7,386)
		(9,298)	(7,386)
Change in Resources Before Investment Gains or Losses		(6,649)	(1,044)
Other Realised Gains and Losses:			
Revaluation of Land	3	60,350	-
Realised gains (Losses) on Investment Disposals		-	135,567
Unrealised Gains (Losses) on Investment Values		-	(5,756)
		60,350	129,811
Resources Retained (Shortfall) for Future Use		53,701	128,767
Resources Brought Forward		399,368	270,601
Resources Carried Forward		453,069	399,368
Movement in Year		53,701	128,767

BALANCE SHEET AT 31 MARCH

	Notes	2015	2014
		£	£
Fixed Assets			
Land	1	65,007	4,657
Investments	2	-	-
		65,007	4,657
Current Assets			
Debtors (Gwynedd Council)	3	2,783	1,392
Cash (Conwy)	2	65,293	71,942
Cash (held by Gwynedd Council)	2	326,056	330,879
		394,132	404,213
Current Liabilities			
Creditors	3	(6,070)	(9,502)
Net Assets		453,069	399,368
Fund Balance		453,069	399,368

NOTES TO THE WELSH CHURCH ACT FUND ACCOUNTS

Income and Expenditure Account

Note 1

The main source of income is investment income from assets administered by Gwynedd Council on behalf of the fund; this amounted to £2,320 (£6,171 in 2013/14). 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 £329 (£342 in 2013/14), 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 decreased significantly on previous years due to a change in the investments made by Gwynedd Council. All stocks have been sold and are now held as cash to assist in the disaggregation of the fund.

Note 2

Under the provisions of the Welsh Church Act, Conwy allocates grants to various organisations. The amount available for distribution in 2014/15 was estimated at £20,251 (£21,394 in 2013/14) and the actual amount distributed was £9,298 (£7,386 in 2013/14). The balance of the funds available for distribution in 2014/15 has been carried forward for distribution in 2015/16.

Note 3

The land held by the fund was revalued in anticipation of the disaggregation of the fund. The land value in 1996 was £26,250 and in 2014 £365,000. Conwy's share of the revaluation value of the land is £60,350 (17.810244%).

Balance Sheet

Note 1

Conwy's share of the land held by the main fund is £65,007 (£4,657 in 2013/14). Following a revaluation exercise the value of the land has increased significantly.

Note 2

The fund no longer holds any investments as these have been converted to cash as a result of the possible disaggregation of the fund in the near future.

The main fund is held as cash deposits on which interest accrues. In 2014/15 this amounted to £1,830,719 (£1,857,800 in 2013/14) which is included in the current assets figure along with Debtors which amounted to £2,783 (£1,392 in 2013/14). Conwy is allocated 17.810244% of the total. The cash amount held by Conwy in 2014/15 amounted to £65,293 (£71,942 in 2013/14), of this amount £57,542 (£57,542 2013/14) is held as non distributable cash and is invested in order to generate income for distribution.

Note 3

The debtor amount on the balance sheet is Conwy's share of the amount held by Gwynedd Council. The creditor amount shown on the balance sheet is made up of Conwy's share of the creditors to the main fund.

YMDDIRIEDOLAETH ADDYSG LLANRWST

Statement of Accounts 2014/15

Explanatory Foreword

In 2014/15 the Council was the Custodian Trustee for this fund.

Accounting Policies

The accounting policies followed are those outlined on pages 18 to 37, which are applicable to the items in the Accounts. The Accounts also follow the Charity Commission Statement of Recommended Practice.

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

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2015

	2014/15 £		2013/14 £	
RESOURCES ARISING				
Donations	-		-	
Investment Interest	4,177		4,204	
Less Expenditure	(2,780)		(2,000)	
		1,397		2,204
Resources Brought Forward	877,812		875,608	
Resources Carried Forward	879,209		877,812	
Movement in Year		1,397		2,204

BALANCE SHEET AT 31 MARCH

	2015 £	2014 £
Current Assets		
Investments	879,209	877,812
Current Liabilities	-	-
Fund Balance	879,209	877,812

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 Welsh Government to authorities, contributing towards the general cost of their services.

SERVICE CONCESSION ARRANGEMENT

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

SOFT LOAN

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

SOLACE

Society of Local Authority Chief Executives

TEMPORARY BORROWING

Money borrowed for a period of less than one year.

TERMINATION BENEFITS AND EXIT PACKAGES

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

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

TRUST FUNDS

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

UK GAAP

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

USEFUL ECONOMIC LIFE (UEL)

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

WORK IN PROGRESS

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

Annual Governance Statement

2014/2015

Version	Date	Author	Comments	Date for Review
1	Jan 2015	Fran Lewis	1 st draft	
2	April 2015	Fran Lewis	Strategic Director comments	
3	May 2015	Fran Lewis	SMT comments	
4	June 2015	Fran Lewis	Audit Committee	
5	Aug 2015	Fran Lewis	KPMG comments	

1 The Purpose of the Annual Governance Statement

- 1.1 Addressing the needs of our communities, the significant reduction in resources, and government reforms, present a challenge to all councils. In order to meet these challenges every Council must ensure that corporate governance arrangements (the way we direct and control our business and relate to communities) support the management of risk and the effective delivery of services. Corporate governance concerns the way in which the affairs of Council are handled by elected members and officers, and how we engage with the community, stakeholders and partners.
- 1.2 A governance framework supported by a Local Code of Corporate Governance, has been in place at Conwy County Borough Council (the Authority), for the year ending 31st March 2015 and up to the date of approval of the annual statement of accounts. This accords with proper practice. The governance framework comprises the systems, processes, culture and values under which the Authority operates and through which it accounts to, engages with, and works with the community. It enables the Authority to monitor the achievement of its strategic priorities and to consider whether those priorities have led to the delivery of appropriate cost effective services and continuous improvement.
- 1.3 The governance framework is designed to manage risk to a reasonable level rather than eliminate all risk. It can therefore only provide reasonable and not absolute assurance of effectiveness.
- 1.4 This statement represents the Authority's self-assessment of compliance with our Code of Corporate Governance and whether we have met the requirements of the Accounts and Audit Regulations 2011. This statement should be read together with the performance management accountability arrangements as detailed in the Annual Report which is published by 31st October each year¹.

2 Scope of Responsibility

- 2.1 The Authority is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority also has a duty under the Local Government Act 1999, and Local Government (Wales) Measure 2009, to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. The Well-being of Future Generations (Wales) Act 2015 aims to help improve the social, economic, environmental and cultural well-being of Wales. The Act became law in April 2015 and we await the formal guidance for implementation. From April 2016 the Act places a duty on all Welsh Authorities to ensure that sustainability is a core principle that guides decision making.
- 2.2 In discharging this overall responsibility, the Authority is responsible for putting in place proper arrangements for the governance of its affairs and for ensuring that there is a sound system of

¹ www.conwy.gov.uk/accountability

internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.

- 2.3 To demonstrate good governance, the Authority must demonstrate that it is complying with the core (and supporting) principles contained within the Framework for Delivering Good Governance in Local Government (2007) and addendum 2012, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE). This statement has been prepared in accordance with that guidance.

3 The Governance Framework

- 3.1 This statement describes the key elements of the Authority's Governance Framework and our self-assessment of the compliance with the Council's Code of Corporate Governance. The governance assurances contained in this statement are structured around each of the 6 core governance principles contained in the Framework for Delivering Good Governance in Local Government.
- 3.2 Each of these principles is an important part of the Authority's Code of Corporate Governance arrangements. By applying these principles we can demonstrate that we are delivering the services to our citizens and communities in a way that demonstrates accountability, transparency, effectiveness, integrity and inclusivity.

Principle 1

Focusing on the purpose of the authority, the outcomes for the community and creating and implementing a vision for the local area.

P1.1 Current Arrangements

- A) In March 2012 the Joint Conwy & Denbighshire Local Service Board (LSB) published a long term **integrated partnership plan**, 'One Conwy 2012 - 2025'^[1] which sets out the vision for public services working together for a better future for county borough of Conwy . It is based on 8 citizen focused outcomes. The plan is currently being reviewed to reference the alignment to the 7 outcomes of the Well-being of Future Generations (Wales) Act 2015 and to update the delivery plan. The plan is integrated because it brings together partnership priorities which include Health, Social Care and Wellbeing, Children and Young People, Rural Development and Community Safety priorities.
- B) There are **Strategic Partnerships** in place, some of which have been reviewed in 2014/15. The Rural Development Partnership has been reviewed and new priorities drafted in a Local Development Strategy which was submitted to Welsh Government in September 2014. The partnership is now part of the Conwy Economic Partnership which will oversee a suite of economic strategies including the County Economic Regeneration Strategy, Destination Conwy, Events Strategy and a Social Enterprise action plan.
- C) Further to review in 2014/15, the People's Partnership has replaced the former Children and Young People Partnership, and Health and Wellbeing Partnership. The review includes the reorganisation of working groups and priorities in line with the 8 citizen outcomes. There is also a Community Safety Partnership (regional and sub-regional with Denbighshire).

[1] www.conwy.gov.uk/oneconwy

- D) The Strategic Partnerships support the implementation of *One Conwy*. In addition One Conwy includes the work programmes from the Local Safeguarding Board and the Communities First Partnership. There is a Governance Toolkit and Partnership Performance Management Framework to review the effectiveness of these partnerships which takes place twice yearly through **partnership performance reviews**. The outcomes of the reviews are reported to Partnership and Overview Committee, Cabinet and the joint Conwy & Denbighshire LSB. The Joint Conwy & Denbighshire LSB has adopted enabling plans in the form of an Information Strategy and an Engagement Strategy. The Joint Conwy & Denbighshire LSB reviewed its operations in 2014 and as a result, the integrated plans for both Conwy & Denbighshire now give priority to an improved health outcome, concentrating on chosen themes highlighted as high priority from the Strategic Needs Assessment. The focus is on projects where working in partnership will have a positive impact on addressing health issues. A further priorities development day was held in February 2015 to refresh priorities.
- E) In alignment to *One Conwy*, the Authority publishes a five year strategic **Corporate Plan** to provide a focus on the Authority's key priorities for improvement. The current plan for 2012 - 2017 is also based on the 8 citizen outcomes. The Corporate Plan was approved in draft in March 2012 and a final version was approved in September 2012 by the then newly elected administration. In accordance with the requirement to review the plan annually, a review of progress made to deliver the priorities was presented to Elected Members in February 2015 in order that they could review the ongoing relevance and financial position of the Corporate Plan priorities. An annual review and consultation for the Corporate Plan took place from November 2014 to January 2015 by inviting stakeholders to submit their views based on 3 consultation questions. Stakeholders included members of the public, businesses, Town Councils, County Councillors, staff, voluntary groups and Conwy Youth Council.
- F) The consultation was advertised in an article in the Conwy Bulletin, an advert on the front page of the Council website, adverts on the franking of council mail, a notice to all staff, a workshop with the youth council, letters to all Town & Community Councils, and emails to the business forum and Conwy Voluntary Services Council (CVSC) members. Feedback from other consultations that the Council has undertaken during 2014/15 was also analysed.
- G) Stakeholders could submit their views via the Council website, by email, letter or phone or through discussing with staff.
- H) A Corporate Plan review report which included analysis of feedback received and recommended amendments, was presented to Principal Overview and Scrutiny Committee and Cabinet in March 2015 and was formally approved by Council in May 2015. The Corporate Plan provides a framework that helps shape budget plans, and against which the Authority can assess and account to the community on the level of progress made against targets set, and inform them about areas for further improvement.
- I) Other strategic plans were also approved in 2014/15. A regional quality of care homes policy and internal procedures were approved in January 2015 and the Corporate Safeguarding Policy was approved in June 2015. A review of locality plans was completed in March 2015. The Events Strategy was approved in October 2014 and launched at the GB Rally by The Minister for Economy, Science and Transport. The Welsh Language Education Strategic Plan was approved in April 2014. The Complaints Policy was reviewed and the database validated. A new 2 stage system was launched in January 2015.

- J) The Authority also has priorities set out in the **Outcome Agreement 2013 - 2016**. This is a 3 year agreement between the Welsh Government and individual Local Authorities with actions and targets to be completed in each of the 3 financial years. The structure of the Outcome Agreement Framework is based on two parts: part 1 – outcomes and part 2 – corporate governance. The Outcome Agreement Grant is split between the two parts. Part 1 will have a 70% allocation to reward the delivery of outcomes and part 2 will have a 30% allocation which if required may be used by Welsh Government to direct improvement to address any statutory recommendations made to Welsh Ministers concerning the corporate governance arrangements within an authority.
- K) The grant is currently worth just over £1 million per annum and is paid on a sliding scale of 100%, 75%, 50% and 25% depending on the overall judgement of successful completion of actions and targets for each financial year. The Authority received 100% of the grant for 2013/14 and we await the Welsh Government decision for 14/15. There are regular reviews of the performance of agreement objectives, which are reported to Strategic Leadership Team, Senior Management Team, Principal Overview and Scrutiny Committee and Cabinet.
- L) The Authority is involved in several collaboration projects and approved a **statement on collaboration** (November 2010) to ensure that good governance and value for money are achieved and that the priorities and values of the Authority are promoted and safeguarded when **working in partnership**. The Authority has also continued to work regionally to support the Welsh Government 'Programme for Government'. Key collaborations include, Regional Social Care Partnership, Regional Residual Waste Project, sub regional food waste scheme, the Regional School Effectiveness and Improvement Service (Gwe), Regional Commissioning, and the Procurement and Monitoring hub, to secure greater efficiency in the procurement of high cost residential care packages for children and adults.
- M) In 2013/14 Authority approved the establishment of a North Wales Regional Emergency Planning Service. The partnership covers all 6 North Wales Authorities and went live on 1st July 2014. The service is overseen by a regional board and six monthly reviews of performance are reported to each Local Authority.
- N) The Welsh Government published the White Paper, Reforming Local Government in July 2014 which stated their intention to legislate to merge Local Authorities. A prospectus inviting submissions for voluntary mergers was published in September 2014. A cross party Public Services Reform Working Group was established to consider the prospectus and to make recommendations to Council. The Working Group proposed that Conwy County Borough Council should work with Denbighshire County Council to develop an early merger proposal and later recommended approval of the content proposal. In November 2014 both Conwy County Borough Council and Denbighshire County Council approved the submission of an Expression of Interest for Voluntary Merger with Denbighshire County Council. However, in January 2015 the Minister for Public Services declined the submission on the basis that it did not meet the criteria set out in the prospectus. In February 2015 the Welsh Government issued a White Paper "Reforming Local Government – Power to Local People". The White paper proposed significant changes which included changes to governance. Conwy County Borough Council held Councillor and staff engagement workshops in March 2015 in order to collate a comprehensive response, which was submitted after Council approval, in April 2015.
- O) Key collaborations are listed within the Annual Report for 2013/14. The Authority has a comprehensive database and clear categorisation of the different types and levels of partnership working across all service areas, and the benefits of each collaborative project are logged. There is a governance process in place to support the development of any future

collaborative arrangements. All key collaboration projects are monitored through the two Corporate Improvement Boards and a forward work programme of reviews of collaborations has been established by Partnership Overview & Scrutiny Committee.

- P) Internal collaboration of technical departments has resulted in a new Environment, Roads and Facilities Service (ERF). Phase 1 of the restructure resulted in a new management team for the service. Phase 2 has seen 10 of 11 sub-services restructured, with one final sub-service currently undergoing the restructure process. This will be completed by May 2015 at which point the restructure programme will be completed.

Internal collaboration has also resulted in the Social Services Transformation Programme which has merged Adult, Children & Families and Provider services to focus on a more seamless and preventative service. Further to Cabinet approval in March 2014, in September 2014 Social Services merged with Education Services (which are not part of Gwe). This decision resulted in a review of senior management responsibilities, changing the Director of Social Services post to a Strategic Director for Social Services and Education, supported by a Statutory Head of Education. As a result the Chief Executive reviewed the responsibilities of the Strategic Directors and revised their areas of responsibility with effect from October 2014.

- Q) The Modernisation Programme continues to develop the business case and relevant policies in order to deliver the corporate objective to modernise the way we work. The Board is chaired by the Chief Executive and is developing corporate work streams for Customers, Communication, Assets, ICT, Business Processes and Communications & Change Management. Further to the retirement of the Head of IT, the post was reviewed and a new Head of IT and Digital Transformation joined the Authority in November 2014. After the retirement of the Head of Revenues and Benefits, the Head of IT and Digital Transformation took over as Senior Change Lead. In December 2014 WAO published the findings of their audit of the Modernisation Programme and concluded that 'The Council's arrangements for achieving corporate modernisation are developing well'.

- R) The **Performance Management Framework**, (PMF) was reviewed during 2014/15 as part of the cycle of review of service performance reviews. A revised framework was presented for approval in February 2015. The framework seeks to provide a clear link as to how the delivery of objectives set for individual officers in their personal development plans, contributes to the achievement of service plans which in turn help deliver the Corporate Plan and therefore the Authority's contribution to improving the County of Conwy as set out in the Integrated Community Plan, "One Conwy 2012 - 2025". The PMF details the steps that should be taken to develop citizen outcome focused priorities and performance targets and how they are cascaded to Service Plans and individual Performance Development Reviews. Progress against actions and performance measures is monitored twice yearly through the **Service Performance Reviews**. The reviews form a self-assessment of performance and are a method of seeking assurance from Heads of Service that internal control arrangements are in place within their service area. Annually each Head of service and their Strategic Director signs a written statement of assurance. The Service Performance Reviews are attended by a Strategic Director, the Deputy Leader, Portfolio Cabinet Member, and representation from the two most relevant Scrutiny Committees, who provide support and challenge to the service self-assessment. A **Corporate Performance Report** is produced every six months and an **Annual Report** accounting for performance and benchmark with other Authorities is published by 31st October each year. The Authority is in the process of procuring a new integrated performance management system to support service planning, risk management, audit and project management, and the launch date is July 2015. The Performance, Risk, Audit and Project & Programme Management Frameworks will all need to be reviewed in light of the new system.

- S) The Council is committed to improving its procurement processes and the Corporate Procurement Service is actively involved in supporting services to procure goods and services in compliance with relevant legislation and the internal rules of the Authority embodied in its Contract Standing Orders. The Council has strong links with both the Welsh Government through its Value Wales Team and neighbouring public sector bodies. The Council signed up to the National Procurement Service in December 2012. This has enabled the Authority to undertake procurement of common and repetitive spend items on a National basis across the whole of the public sector, with the aim of securing efficiency savings and price savings by reducing the number of procurement exercises and aggregating buying power. Procedures for tendering and contract letting are included in the Council's Contract Standing Orders. The Authority had been awaiting the issue of a draft set of model **Contract Procedure Rules (CPRs)** by the WLGA for adoption by all Welsh local authorities. These were produced in March 2013. The Procurement Service has been focussing on the completion and approval of the Authority's CPRs which were approved by Council in December 2014. Work to finalise a **Corporate Procurement Strategy** can now be completed and will be submitted for approval by September 2015. The procurement strategy will aim to improve the understanding of the CPRs to a wider staff and Member audience. The Council's **Treasury Management** arrangements follow professional practice and are subject to regular review. In order to ensure the successful delivery of services and completion of projects, central guidance and support is provided in respect of **procurement and project management**. All significant programmes and projects are monitored through the 2 **Improvement Boards** which are aligned to the eight citizen outcomes and the relevant **Overview and Scrutiny Committees** to which projects can be referred for further scrutiny and challenge.
- T) There are robust arrangements for effective **financial control** through the Council's accounting procedures and Financial Regulations. These include established budget planning procedures, which are subject to risk assessment, and regular reports to members comparing forecasts of revenue and capital expenditure to annual budgets and a Business Planning Framework process that supports the Authority's resource allocation process. In February 2015 Council approved a **Medium Term Financial Strategy (MTFS)** which clarifies the financial planning process and the links between medium term resource allocation and the corporate priorities. The **Chief Financial Officer's** role (S151 Officer) is included in the responsibilities of the Strategic Director of Finance and Efficiencies. The Director has responsibility for the proper administration of the Council's financial affairs, as required by Section 151 of the Local Government Act 1972, and has responsibility of overseeing that sound governance arrangements are in place and are embedded in the authority. This includes co-ordinating the review of the Annual Governance Statement and the implementation of any areas for improvement. The Strategic Director of Finance and Efficiencies is a member of the Strategic Leadership Team (SLT) and reports to the Chief Executive. As a member of SLT the Strategic Director Finance and Efficiencies is able to develop and implement strategy and to resource and deliver the authority's strategic objectives, ensuring they are sustainable, in the public interest, and aligned to the overall financial strategy. The Council complies fully with the principles of CIPFA's Statement on the role of the Chief Financial Officer in Local Government (2010). The Council's annual Statement of Accounts is prepared following the Code of Practice on Local Authority Accounting and is subject to audit by Wales Audit Office.

P1.2 Review of Effectiveness

- A) The review of effectiveness is informed by the work of the CEO and Strategic Directors who have responsibility for the development and maintenance of the governance environment and culture. The Head of Internal Audit is required to produce an Annual Report giving an opinion on the adequacy and effectiveness of the Council's internal control environment, providing details of any weaknesses that would qualify this opinion and drawing attention to any issues that are relevant to the preparation of the Annual Governance Statement. The report also provides evidence and assurance that the Internal Audit Service operates to the standards set out in the Public Sector Internal Audit Standards 2013 to enable the Council to take assurance from this opinion. The service performs regular reviews of the financial systems and controls to provide assurance to the Council through its Audit Committee.
- B) The Head of Audit Annual Report was presented to the Audit Committee in May 2015 and concludes that the Council has satisfactory internal control, risk management and corporate governance processes in place to manage the achievement of the Authority's objectives for the 12 months ended 31st March 2015. The findings in respect of follow up audits conducted during 2014/15 were reported to Audit Committee on a quarterly basis and demonstrated that of 337 improvement actions made by Internal Audit, 97 were outstanding or subject to ongoing work, which represents an implementation rate of 71%. In relation to the implementation of critical and major recommendations it was identified that of the 18 critical and major recommendations followed up during the year, 15 of the recommendations or 83% had been implemented. 2 major recommendations were still identified as outstanding in the Highways Stores follow up report and in the Public Bus Contracts follow up, 1 major recommendation was still considered to be work in progress. These will be the subject of further audit work during 2015/16. A review of the procedures for reporting external and internal audits to Audit Committee was endorsed by Audit Committee in November 2014.
- C) Due to the issues identified previously in respect of procurement and contracting across the Authority further reviews of contract management procedures were undertaken during 2014/15 which demonstrated significant progress in embedding internal controls into processes and procedures. The controls have been further enhanced by the implementation of the new Contract Procedure Rules on 1 April 2015 and the roll out of a training programme during the latter part of 2014/15. The Internal Audit Service will continue to focus resources on contracting and procurement during 2015/16.
- D) All audits performed during the year have resulted in positive levels of assurance with the exception of Highways Stores Follow Up, Ysgol Maelgwn, Corporate Plan PIs (Outcome 3) and Compliments and Complaints (Social Services), which were assessed as only providing Limited Assurance. A second follow up of Highways Stores is planned for May 2015 and a follow up of Ysgol Maelgwn performed in January 2015 confirmed that of the 23 recommendations made, 21 have been satisfactorily implemented and 2 were considered work in progress; the audit opinion was reassessed as High Assurance. The Corporate Plan PIs and Compliments and Complaints (Social Services) audits will be followed up during the course of 2015/16.
- E) There were no significant events identified in respect of 2014/15 which merited reference in the Head of Audit's Annual Report.

The Council is carefully monitoring the Council's tendering procedures to ensure future compliance with legal requirements and improved management of major contracts. The Council monitors this through:

- I. Project and Programme Forum for managers;
- II. the Contract Forum to drive improvement in respect of construction and engineering based contracts;

- III. rolling out management training that focuses on realising benefits from external procurement;
 - IV. a hardened tone from the top about compliance; and
 - V. a series of internal audits in risk areas.
- F) In January 2013 WAO undertook a review of the Authority's Annual Governance Statement. The key question was "In producing its Annual Governance Statement, has the Council evaluated the effectiveness of its governance arrangements comprehensively and thoroughly"? The report concluded that:
- I. The Council's review of its governance arrangements have been sufficiently wide-ranging
 - II. The Council's review of its governance arrangements has been thorough and robust
 - III. The Council has identified areas in need of improvement in its governance arrangements and made plans to address them

There were no recommendations for improvement. From our self-assessment, we have no reason to believe that WAO would reach a different conclusion this year.

- G) Evidence of the successful completion of significant projects in 2014/15 can be demonstrated by the completion of Ysgol y Gogarth, the completion of the Ty Llywelyn refurbishment, street lighting upgrades, and improvements to Llandudno train station. There have been improvements to several Open Spaces and the restoration of coastal defences following the winter storms of February 2014 are largely completed in most areas
- H) The purchase of the DWP building in Colwyn Bay and the progression of the tender exercise with developers, marks a key development in the regeneration of the town and the implementation of the corporate priority to modernise the way we work. In addition, works have commenced on Phase 2 of the Waterfront Project for Promenade Enhancement works. Benefits appraisal and lessons learnt reports (End of Projects reports) that were presented to the Improvement Boards during 2014/15 include Workforce Development project and Ysgol y Gogarth.
- I) The Programme and Project Managers Forum (PPM) meets on a quarterly basis. Attendees include identified Programme and Project Managers from across the Authority as well as Project Support Officers and Officers wishing to develop their skills.
- J) The role of the Forum is to share knowledge and best practice and provide Project and Programme Managers with the corporate knowledge (i.e. governance, standing orders etc) that they require to implement their Projects and Programmes.
- K) The Council has a recent history of managing its spending plans within the approved budget. Successive Annual Improvement Reports produced by the Wales Audit Office (WAO) consider the overall control environment to be generally sound, with robust systems of internal financial control and financial management arrangements in operation
- L) The Annual Certificate of Compliance confirmed that the Council complied with its responsibilities relating to financial reporting, use of resources, improvement planning and performance management. In common with all Public Sector organisations the Authority delivered significant budgetary savings during 2014/15 in the sum of £8.453m. Following the publication of the comprehensive spending review and the consequential impact on Welsh Local

Government, Conwy is actively planning to deliver further savings of £13.693m for 2015/16, £13.482m for 2016/17m and £9.127m for 2017/18.

- M) The Annual Report on the Authority's assessment of its performance and published Performance Indicators are audited by WAO through their Corporate and Performance Assessment. Their conclusions are summarised in their Annual Improvement Report (AIR). Every four years a comprehensive Corporate Assessment is undertaken by WAO. This occurred in 2013 in Conwy, and a follow up audit of the 6 proposals for improvement concluded that the Council is effectively addressing its proposals for improvement. The WAO AIR 2014/2015 was received in June 2015 and concluded that ***"The Council continued to make progress in delivering improvements in its priority areas; its track record in delivering its financial objectives leaves it well placed to secure continuous improvement in 2015-16"***. There were no recommendations for improvement.
- N) Heads of Service provide assurance in their professional capacity for their service area through the presentation of reports, and biannual service reviews that provide assurance of risk management, the implementation of external and internal recommendations and progress on performance. Effectiveness is challenged through reviews undertaken both internally (Scrutiny, Internal Audit, Service Performance Reviews, Corporate Improvement Boards and the Improvement and Audit Group) and through reports published by external auditors and inspectors. Each May all Heads of Service and their Strategic Director also sign a Statement of Assurance.
- O) The Authority has a self-assessment process, Improving Conwy, which is conducted by teams of staff and elected members who make recommendations on ways to improve governance and performance within the Authority. The format focuses on making improvements to support the Corporate Plan priorities. This has been an effective method of ensuring staff involvement from all levels of the organisation and allows them to gain experience outside their normal area of work. The recommendations are reported to SMT, Principal Overview and Scrutiny Committee, and approved by Cabinet. Approved recommendations are monitored through service performance reviews. Six monthly progress reports are presented to Principal Overview and Scrutiny Committee and Cabinet.

P1.3 Conclusion of Self-Assessment

The Authority has a clear community and corporate strategic direction which is based upon citizen focused outcomes. Sound processes are in place to ensure the economic, effective and efficient use of resources and for securing continuous improvement in the way that functions are exercised. This approach was recognised at the Local Government Chronicle Awards where Conwy County Borough Council was awarded Entrepreneurial Council of the Year. The Authority is also keeping abreast of developments and making necessary preparations for future legislative requirements.

P1.4 Recommendations for Improvement

R1.1 To complete the One Conwy review

R1.2 To review the Risk Policy, Project & Programme and Performance Management, frameworks in light of the new integrated performance management system, CAMMS.

Principle 2

Members and Officers working together to achieve a common purpose with clearly defined functions and roles.

P2.1 Current Arrangements

- A) Conwy County Borough Council has an approved **Constitution** which sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. Some of these processes are required by law, while others are a matter for the Council to choose. The **Constitution**, which can be found on the Council's website², sets out:
- i. how the Council operates and makes decisions;
 - ii. the procedures to ensure that decision-making is transparent and accountable to local people and other stakeholders;
 - iii. the key roles of all members and senior officers, including the lead responsibilities for corporate governance of the Leader, the Chief Executive and other designated senior officers;
 - iv. a scheme of delegated powers for decision-taking;
 - v. responsibilities for reviewing and agreeing the Council's corporate governance arrangements;
 - vi. arrangements for ensuring it is regularly reviewed and updated;
 - vii. related codes and protocols.
- B) **Policy approval and decision-making** is undertaken by Elected Members, the meetings of which are open to the public except where exempt matters are being discussed under Schedule 12A Local Government Act 1972. Approval is given by:
- i. The Council, which meets a minimum of four times a year. It approves overall policies and sets the budget each year. The Council agrees the form of the Authority's Committees (in accordance with the provisions of the Local Government (Wales) Measure 2011 where appropriate), appoints the Leader of the Council (who in turn appoints the Council's Cabinet) and carries out all other functions assigned to it under the Constitution (which includes any statutory functions which are the responsibility of the Council);
 - ii. Cabinet, which meets at least monthly, approves all decisions which do not fall to be determined under (i) (iii) or (iv) of this para (B), and
 - iii. The regulatory committees (Planning Committee, Audit Committee & Licensing and Regulation Committee),
 - iv. The Council's scheme of delegation to committees and officers as set out in the Constitution.

In May 2012 the County Council Elections were held in every Local Authority in Wales except Anglesey. There was no overall majority within Conwy County Borough Council and a coalition Cabinet was formed consisting of Plaid Cymru, Labour, Liberal Democrat and Independent Councillors. Owing to a Cabinet Member changing political party in July 2014, the Cabinet no longer has Liberal Democrat representation. The roles and responsibilities of each Cabinet Member are published on the Council website. The Cabinet also meets informally (**Informal Cabinet**) to receive briefings and to discuss emerging issues but no decisions are made at Informal Cabinet meetings. There are four **Overview and Scrutiny committees**: Principal and Overview (which meets monthly), Partnerships, Customers and Communities (which meet 6 weekly). Their role is to review, scrutinise and hold to account the performance of the Cabinet, decision-making committees and officers. A Scrutiny "Call-In" process for decisions which have

² <http://www.conwy.gov.uk/section.asp?cat=1877&Language=1>

been made but not yet implemented is incorporated in the Constitution in order to consider their appropriateness. There were 2 'call ins' in 2014/15. In addition, the Authority has three regulatory committees: **Planning Committee, Audit Committee & Licensing and Regulation Committee**. There is also a **Standards Committee** (which includes lay members), which aims to promote high standards of conduct and behaviour by Elected Members. These committees meet regularly throughout the year and all meeting dates are published on an annual timetable of meetings which is available on the Authority's website. In May 2012, in accordance with the Local Government (Wales) Measure 2011, the Council established a **Democratic Services Committee**. The functions of the committee are to ensure there is adequate support for meetings of the Council and its Committees; to promote the role of Overview and Scrutiny; provide support and advice to individual Councillors in carrying out their roles as members and resource Member development and training. The Committee can produce reports and make recommendations to the Council in relation to such provision. The Committee meets 4 times a year. The **Audit Committee** is independent of the executive and scrutiny functions and its purpose is to provide independent assurance of the adequacy of the internal control framework including governance and risk management, to provide independent scrutiny of the Authority's financial and non-financial performance and to oversee the financial reporting process. In accordance with the requirements of the Local Government (Wales) Measure, the Authority appointed a Lay Member to the Audit Committee in June 2012. The Chair of the Audit Committee was re-appointed at the meeting of the 22nd May 2015 in accordance with the Terms of Reference of the Committee.

- C) The **Report Review Group (RRG)** consists of the Chief Executive, Strategic Directors, Head of Law and Governance, Head of Environment, Roads and Facilities, Head of Corporate Human Resources and Deputy Leader. They meet twice a month to review the reports scheduled to go to Cabinet, and consider the forward work plans of the Scrutiny functions to form a view of developing work patterns and identify any capacity issues that might arise. In addition, the Group ensures synergy between the work plans of Council, Cabinet, the Scrutiny function, and Strategic Management. All reports considered by the Council, Cabinet and Committees and the minutes of decisions taken are, unless exempt, made available on the Council's website.
- D) The Chief Executive Officer (CEO) and the four Strategic Directors are accountable for ensuring that the Council Priorities are delivered, and performance against key targets is regularly monitored via the performance management framework and is reported to Members. The CEO has a schedule of regular meetings with the Leader and there are frequent meetings between senior managers and Cabinet through Informal Cabinet meetings. The CEO and four Strategic Directors together with the Head of Corporate Human Resources and the Monitoring Officer meet twice a month as a **Strategic Leadership Team (SLT)**. The senior management of the council meet monthly as the **Senior Management Team (SMT)**, comprising the CEO, Strategic Directors, all Heads of Service and relevant direct reports from across the Authority. A **Managers' Forum** meets quarterly to share messages and seek consistency and debate developments between Directors and managers within the organisation. Owing to the retirement of the previous post holder, in November 2014 a new Head of IT and Digital Transformation was appointed. The Head of Revenues and Benefits retired in December 2014 and a decision was made not to reappoint to the position for the time being. A decision regarding the future of this post will be considered democratically during the budgetary process.
- E) Agreed arrangements enable the Council to comply with statutory requirements in respect of **child protection** and the **protection of vulnerable adults**. Recruitment procedures help to ensure that Council employees and members working with children or vulnerable adults are checked for their suitability to do so. The Safeguarding policy was reviewed and approved in

June 2014. As part of this exercise the authority undertook a self-assessment of safeguarding arrangements. Two areas for improvement were identified – Training and safe recruitment and working groups have been set up to address this. A WAO audit on Local Authority arrangements to support the safeguarding of children was published in July 2014. It concluded that “The governance, accountability and management arrangements for overseeing whether the Council is meeting its safeguarding responsibilities to children are mostly fit for purpose and effectively managed. The Council’s arrangements for monitoring and evaluating its safeguarding responsibilities to children have some weaknesses which the Council is addressing.” CSSIW also undertook an Audit in August 2014 on the Safeguarding and Care Planning for Looked After Children who exhibit risky or challenging behaviour. The findings formed part of a National report published in January 2015. Action plans have been put in place where appropriate.

- F) In accordance with its statutory responsibilities, the Council has in place a **Health and Safety Policy** and related procedures. There is a Health and Safety Programme Board which co-ordinates the HSE Intervention Strategy Project.
- G) The Council operates a **Data Protection** policy and also has procedures in place to meet its responsibilities under the **Environmental Information Regulations** and the **Freedom of Information Act, 2000**. In compliance with the latter, the Council’s website includes an Access to Information Publication Scheme which provides guidance on information which the Council publishes routinely. The website also includes other information which the Council is required to publish, such as allowances paid to members in accordance with statutory provisions. An Information Management Board is in place to provide strategic direction for information management and has signed off the Information Commissioner’s Office Audit (ICO) action plan which was created to address the proposals for improvement as published in May 2012. The ICT strategy was approved in December 2013 and the Information Management Strategy was approved in February 2014.

P2.2 Review of Effectiveness

The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. As part of this, the Constitution is kept under regular review by the Monitoring Officer. The Monitoring Officer is also the Senior Responsible Officer in respect of the Regulation of Investigatory Powers Act 2000. The Authority is challenged on the self-assessment of effectiveness of managing risk through the biannual meetings with Wales Audit Office and the appointed auditors, KPMG. Assurances are also sought from Heads of Service in respect of risk management and the control environment for which they have responsibility. The Authority completed performance appraisals for the CEO, Strategic Directors and Performance and Development Reviews (PDR’s) have also been held for all Heads of Service. The Council has an approved Local Pay Policy Statement which is reported to Council annually. This ensures the Council complies with the need for adequate accountability and transparency around senior management pay in the public sector.

P2.3 Conclusion of Self-Assessment

The Authority is satisfied that there are clearly defined functions and roles to facilitate Members and Officers working together to achieve a common purpose. The Authority has submitted an application for the CIPFA Governance Mark of Excellence to seek external independent assurance that there are

good governance arrangements in place and that they are embedded throughout the authority. The outcome of this assessment should be concluded in May 2015.

P2.4 Recommendations for Improvement

R 2.1 That regular reports are produced on the progress of the implementation of the ICT Strategy and Information Management Strategy.

Principle 3

Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.

P3.1 Current Arrangements

- A) The Ethical elements of the Governance Framework include:
- Codes of conduct for officers and members, which are regularly reviewed, updated and tested for compliance,
 - Planning code of conduct,
 - a protocol governing Member/Officer relations,
 - Whistle-blowing policy widely communicated within the Council and which is regularly reviewed, (last reviewed January 2014).
 - registers of personal and business interests,
 - Agreed policy and associated corporate procedures for ensuring that complaints about services can be properly made and investigated, and for ensuring that any lessons learnt can be applied.

These are compliant/consistent with Welsh Government guidance

- B) The Head of Law and Governance is the designated 'Monitoring Officer' in accordance with the Local Government and Housing Act, 1989, and ensures compliance with established policies, procedures, laws and regulations. After appropriate consultation, this officer will report to Council in respect of any proposals, decisions or omissions which could be unlawful or which have been the subject of an Ombudsman Investigation resulting in a finding of maladministration.
- C) The Council has an **Anti-Fraud and Corruption Strategy** that identifies the responsibilities of both elected members and staff in promoting a culture of honesty and integrity. Also identified are the measures for prevention, detection, and investigation of allegations of fraud and corruption, information sharing with other agencies, and the use of Disciplinary agencies as and when appropriate. These include procedures designed to combat money-laundering. Whistle blowing arrangements are also in place.
- D) **Internal Audit** operated to the standards set out in the 'Code of Practice for Internal Audit in Local Government in the United Kingdom, 2006' produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) during 2012/13. The Terms of Reference define the purpose, authority and responsibility of the internal audit activity. These have been incorporated into an Internal Audit Charter to comply with the Public Sector Internal Audit Standards requirements which came into force on the 1st April 2013 and were approved by Audit Committee on the 20th

May 2013. Internal Auditing is an independent objective assurance and consulting activity designed to add value and improve the Authority's operations. It helps the Authority to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

- E) The Authority has a **Standards Committee** to promote and enforce high standards of conduct and behaviour by elected members. The Committee comprises three elected members, one community councillor and 5 independent members. The role of the Committee includes:
- i. assisting, advising and monitoring compliance with the elected members' Code of Conduct;
 - ii. arranging to train elected members on matters relating to the Code;
 - iii. granting dispensations to elected members from requirements relating to interests set out in the Code;
 - iv. Dealing with complaints of breach of the Code of Conduct submitted to it by the Public Services Ombudsman;
 - v. Considering such other matters as are appropriate and necessary to maintain the highest standards of conduct by the Authority and its elected members, in consultation with the Monitoring Officer;
 - vi. Considering and granting indemnities to Members in respect of the costs of representation at hearings relating to the Code of Conduct;
 - vii. Reviewing the Members' register of gifts and hospitality;
 - viii. Considering the Ombudsman's report on an annual basis.
- F) There were no breaches of the Code of Conduct by CCBC Members referred to Standards Committee in 2014/15. In addition a protocol was adopted by Council in October 2013 in order that complaints by one Member against another Member can be resolved at a local level wherever possible. A Customer Charter was approved by Cabinet in April 2014 to reinforce the expected behaviour and manner which with staff help customers. .
- G) The Complaints Policy was reviewed and approved in October 2014. The new policy includes clarification about what is classed as a complaint and moves to a two stage process. The review also included a data cleanse of all complaints held on the database and a move to greater analysis of the complaints, sharing lessons learned and reporting back on what action was taken as a result of the concerns. As such, the annual reporting of complaint statistics was deferred until this work was completed.

P3.2 Review of Effectiveness

The role of the Head of Law and Governance is to ensure compliance with the ethical framework. In addition, the Head of Internal Audit Annual Report on the adequacy and effectiveness of the Council's internal control environment provides details of any weaknesses and notifies any issues that are relevant to the preparation of the Annual Governance Statement. All Internal Audit reports and those issued by our external regulators are considered by the Audit Committee, which monitors progress in implementing all improvement actions.

The Ombudsman's report on maladministration complaints is submitted to the Council's Scrutiny Committee on an annual basis. Whilst there have been referrals to the ombudsman each year, the number of complaints warranting investigation by the ombudsman has been zero for the last five financial years.

Year	No of complaints referred to Ombudsman	No Investigated	Upheld
2010/11	28	0	0
2011/12	26	0	0
2012/13	28	0	0
2013/14	29	0	0
2014/15	26	0	0

P3.3 Conclusion of Self-Assessment

The Authority has good processes in place to embed and monitor a culture of high standards of conduct and behaviour which are reviewed annually. The Authority has a set of corporate values which were reviewed in conjunction with the Corporate Plan 2012 – 17 and which are visible in all areas of the Council. The review of complaints procedure should support the maintenance of high standards of customer service.

P3.4 Recommendations for Improvement

- R3.1** To ensure that further to the approval of the new complaints policy, the lessons learned analysis of complaints is embedded in operational arrangements.

Principle 4
Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

P4.1 Current Arrangements

- A) There are four **Overview and Scrutiny committees**: Principal, Partnerships, Customers and Communities. Their role is to review, scrutinise and hold to account the performance of the Cabinet, check whether existing policies are effective and help to shape new policies; review or investigate matters of particular concern either within the Council or within the community. A Scrutiny “Call-In” process for decisions which have been made but not yet implemented is incorporated in the Constitution to enable the Overview and Scrutiny Committees to consider whether the decisions being taken are appropriate. In 2014/15 2 ‘call-ins’ were enacted. In compliance with the Local Government (Wales) Measure 2011, a **Democratic Services Committee** was established in May 2012. The role of the committee is to designate the Head of Democratic Services (who is responsible for overview and scrutiny support, members’ services and committee services) and to keep under review the provision of staff, accommodation and other resources made available to the Head of Democratic Services to ensure that these are adequate. All agendas, reports (apart from those that contain exempt information) and minutes of the Council’s committee meetings are published on the Council’s website. This includes information on any ‘declarations of interest’ that are made at meetings. The Members’ Register of Interests is also published on the Council’s website. In March 2014 the council commenced a pilot (until September 2016) to ‘webcast’ some of the committee meetings³. A webcast is a transmission of audio and video over the internet. Cameras in the

³ <http://www.conwy.public-i.tv/core/portal/home>

council chamber capture the live information which is then accessible on the Council's website to anyone who would like to view it. The aim of this pilot is to support the transparency and accessibility of council public meetings. The number of hits is being monitored and reported to the Democratic Services Committee.

- B) The Authority has a **Risk Management Policy** and **Procedural Manual** in place. They were reviewed and approved by SMT in January 2014. A policy and procedural manual for primary and secondary schools is included in the arrangements of the regional school improvement service, Gwe. The Risk Policy and Procedural Manual incorporate the framework for managing risks throughout the Authority and include the roles and responsibilities for risk management. In addition to Service risk registers, the Authority has an established Corporate Risk Register. Each risk is assigned to a corporate lead officer and lead elected member. The register is maintained and managed through the Improvement and Audit Group, the Strategic Leadership Team and Senior Management Team. The risks are reported to elected members formally through the democratic process. The Authority discusses its corporate risks with its External Auditors on a regular basis and this process allows the risks to be considered in a regular and structured manner with a degree of external support and challenge. Training on risk management is scheduled twice a year through the Corporate Training Team. In addition, the corporate risks are considered during the **Business Planning Framework** process that supports the Authority's resource allocation process. An Information Strategy was approved in February 2014. The purpose of this strategy is to ensure that the Authority is able to make best use of its information assets to inform its operational, strategic and transformational business requirements and complies with the legislation, standards and codes of practice for records and information management. The implementation of the Strategy is being overseen by an Information Management Board, which is chaired by the Strategic Director, Democracy and Environment, who is the Authority's SIRO (Senior Information Risk Owner).
- C) An **Improvement and Audit Group** ensures that identified risks and external and internal audit recommendations for improvement are being appropriately addressed. These measures incorporate principles of performance management and internal control. The group comprises the Strategic Director Finance and Efficiencies, Head of Audit and Procurement Services, Audit Manager, Corporate Performance and Improvement Manager; Corporate Performance and Improvement Officer, Corporate Partnerships Manager, Head of Education and Social Services Quality Standards Manager.
- D) The Authority has a Research and Information Unit which provides statistical data and needs analysis to support and inform decisions. The Authority has a **Corporate Information and Customer Service** Unit (CICS) that is responsible for the Corporate Complaints Procedure and each service has a complaints link officer. The review of complaints means that there is now greater analysis on the types of complaints received so services can learn from the feedback received. This information is reported to Elected Members and is used by services as a method of feedback from the community on where service improvement is needed.
- E) The Authority has a duty to have in place relevant crisis management plans and procedures to deal with an emergency incident affecting the County. The Authority's **Civil Contingencies Unit** transferred to a North Wales Councils Regional Emergency Planning Service on the 1st July 2014, hosted by Flintshire County Council. The regional service incorporates two hub area offices, one in the East (Flintshire) and one in the West (Conwy). Six monthly updates are received through a service performance review and reports are tabled at Partnership Overview and Scrutiny Committee.

- F) The role of the regional service is to support each Chief Executive in co-ordinating their authority's crisis management arrangements by ensuring that the authority is sufficiently prepared to respond to a Major Emergency. The benefit of a regional arrangement is that it increases the service's resilience and provides great capacity to contribute to Multi-agency arrangements nationally and regionally. Each Service within the Authority has its own specific service plan, which outlines the individual service crisis management arrangements.
- G) The regional service developed a work programme identifying the key areas of work for the service and the authorities for the long, short and medium term. Since the start of the service a number of key work areas of have been completed, such as:
- i. An audit on the Business Continuity / Local Authorities Resilience on all 6 authorities, with findings being presented to the Emergency Planning working groups.
 - ii. A new Performance Management Framework has been developed which will monitor, review and report on the work of the service across the region.
 - iii. Service Managers have met with the Strategic Management Teams.
 - iv. Council officers have attended a number of exercise and training events.
 - v. The service has been working with the authorities to meet with the objectives of their work plan.
 - vi. Work has been on going with our resilience partners and agencies including the North Wales Resilience Forum.
 - vii. Flood partnership meetings have been continuing.
 - viii. The service managers will be meeting with the Executive Board at the end of May, and producing an annual report to be presented to the board in July.

Council officers have attended a number of exercise and training events, these have been a mixture of North Wales Resilience Forum events, and NWCREPS led events.

- i. Coastal Pollution Keynote Event
- ii. Exercise Dragon Coastal Pollution Exercise
- iii. Exercise Cygnus Pandemic Exercise
- iv. Introduction to Silver
- v. Rest Centre Managers training (regional)
- vi. Rest Centre Staff Training
- vii. Introduction to Bronze
- viii. Business Continuity Management
- ix. Media and Legal Considerations in an Emergency

- H) The **Audit Committee** meets at least quarterly, to consider the effectiveness of the Council's internal control; risk management and governance arrangements; monitors the work of internal and external auditors and inspectors; monitors the relationships between auditors and staff; and monitors the responses to audit and inspection recommendations. It also has responsibility for approving the annual Statement of Accounts and its associated reports (which include this statement). The process for monitoring outstanding audit recommendations has been reviewed to combine the reporting of both internal and external actions which have not been signed off.

The procurement of a new integrated performance management system, CAMMS, should assist with this monitoring.

- I) The Council has an objective and professional relationship with its external auditors and statutory inspectors, as evidenced by the Annual Improvement Report⁴. This can be found on the Council's or WAO's website. The Strategic Directors, Leader and Deputy Leader, and officers from Internal Audit and Corporate Performance and Improvement meet regularly with external regulators to discuss the Corporate Risk Register, key developments, the findings of all external reports and to update on progress being made to implement recommendations. Bi monthly meetings has also been set up between WAO, Corporate Finance and Corporate Improvement and Development as a means of regular updates on governance progress and developments.

P4.2 Review of Effectiveness

- A) An annual report of Scrutiny performance is published each year. In 2013/14 WAO undertook an Improvement Study on Scrutiny arrangements throughout all Local Authorities in Wales and, as part of this work, held a national conference to promote the outcomes of this study. The final report was published on 29th May 2014 and reported to Principal Overview and Scrutiny Committee in August 2014 and Council in October 2014. The Council has developed an action plan for improvement.
- B) As a matter of course, a Complaints and Compliments Report is published annually providing a summary of the number of complaints and compliments received. An Internal Audit Report was undertaken during 2013/14 to review the compliments and complaints procedures. The report gave a satisfactory assurance but identified that complaints information is not consistently analysed to improve Council service delivery or to increase Council effectiveness. An action plan was been put in place to make improvements and this will be followed up by Internal Audit during 2015/16. The review of the complaints procedure in 2014 included a data validation exercise. As a result, the annual report on complaints was deferred until this work was completed and will be published in 2015/16
- C) The Annual Improvement Report on the Authority published by Wales Audit Office reviews the effectiveness of corporate governance and corporate performance and concluded that *"The Council is effectively addressing the proposals for improvement identified as part of the 2014 Corporate Assessment. The Council's improvement plan and its evaluation of its performance comply with the requirements of the 2009 Measure."*
- D) The Head of Audit Annual Report for 2014/5 concludes that CCBC has satisfactory internal control, risk management and governance processes in place to manage the achievement of the Authority's objectives.
- E) External regulators are invited to provide support and challenge to the Authority's risk assessment process bi annually.

CSSIW Inspections

⁴ www.conwy.gov.uk/accountability or www.wao.gov.uk

F) During 2014/15 the following external inspection reports were received from the Care and Social Services Inspectorate Wales (CSSIW).

Local Audits:

1. Inspection of services for children looked after by the local authority (including advocacy services and services for care leavers).
2. Fostering Inspection
3. Review Domiciliary Care
4. Registered Care Homes

National Audits:

5. Examination of access arrangements for adults in social care services (older people)
6. Review application and effectiveness of the Deprivation of Liberty Safeguards in Wales
7. HMI Inspectorate of Probation
8. Inspection of safeguarding and care planning of looked-after children and care leavers who exhibit vulnerable or risky behaviour.
9. National review of Social Services commissioning in Wales.

The first two audits and action plans were reported to the Corporate Parenting Board. Action Plans have been put in place to all audit address recommendations.

ESTYN

G) A total of 11 Primary schools were inspected by Estyn during 2014/2015. 1 received a judgement of Excellent, 7 received a judgement good, 2 were adequate and 1 was unsatisfactory.

Excellent	1
Good	7
Adequate	2
Unsatisfactory	1

H) A total of 3 Secondary schools were inspected during the same period. One received a judgement of good and 2 were adequate.

Excellent	0
Good	1
Adequate	2
Unsatisfactory	0

P4.3 Conclusion of Self-Assessment

The Authority has access to information on which to base decisions which are made transparent through public documented meetings. Decisions are subject to effective external and internal scrutiny and where weaknesses are found, action plans are promptly put in place and monitored through a corporate group to ensure that improvements are made. There are sound risk management processes in place.

P4.4 Recommendations for Improvement

- R4.1 That the introduction of the new integrated performance management system, CAMMS, is used to make greater links between risks and audit recommendations and the appropriate service plans; and that it is used as a corporate depository for all audit reports and associated action plans.

Principle 5

Developing the capacity and capability of members and officers to be effective

P5.1 Current Arrangements

- A) Conwy County Borough Council reviewed the **Members' Development Strategy 2012 - 2017 in readiness for the new administration**. The strategy aims to provide elected members with access to appropriate levels of knowledge, skills and development opportunities needed to fulfil their roles. A **Member induction programme** was organised to ensure all newly elected Members were made aware of their role and responsibilities and how the Authority functions. There is an ongoing programme of Member Development in place which is reviewed annually by the Democratic Services Committee. The focus for 15/16 will be ward issues, questions at scrutiny, social media, project management, the effective Audit Committee, risk management and IT skills. There is a monthly Member Development and Information Forum, which is an opportunity to keep Members up to date with forthcoming changes.
- B) The Corporate Human Resources (HR) Strategy was approved by Cabinet in December 2013. The authority is required to continuously improve its performance against the backdrop of significantly reduced budgetary provision. As a people intensive business, to do this successfully it is necessary to pay particular attention to staff and business and working practices.
- C) The HR Strategy has been developed to set out the authority's approach to the resourcing, leadership, management, development, deployment, performance, culture and reward of employees. It also helps to provide clarity for managers and individuals about what is expected from them. This is not, however, a strategy for our Human Resources professionals, it is a strategy that is owned collectively by the Council, from the County Councillors to front-line service delivering employees. Corporate and service objectives are similarly co-owned.

It is intended to be a flexible strategy which reflects our current and future needs.

- D) Ultimately the delivery of our HR Strategy is about ensuring that the authority can continue to deliver services that are affordable whilst creating an organisational culture of empowerment, initiative, innovation challenge and support, positioning the Council to become an 'Employer of Choice' and ensuring that people aspire to work for Conwy County Borough Council owing to its excellent reputation as a local employer.

Key strands of this Strategy are to:

- i. Continue to Modernise Systems of Work, Employment Practices and Accommodation to address the Financial Challenge.
- ii. Be an Employer of Choice including Pay, Benefits and Recognition.
- iii. Develop Workforce Skills & Capacity, Planning the Current & Future Workforce including Work Placements and Apprenticeships
- iv. Develop Leadership Skills & Capacity

- v. The Council has a Culture that Embraces Diversity and Equality and a Workforce that Reflects the Wider Community and delivers the commitments in our Strategic Equality Plan.

Effective people management is the golden thread that links the five key strands of the Strategy.

- E) All members of staff are issued with a contract, job description and have an annual performance development review (PDR). The PDR is based on new competency framework which was rolled out across the authority in 2013. This process also included the trialling of group PDRs for specific staff groups which is now used for staff groups where deemed appropriate. However staff can still request an individual PDR.
- F) Information is cascaded to staff through Team Brief, Email, the intranet and staff newsletter. Staff are invited to share their ideas through the Staff Council, Improving Conwy and the ideas online webpage. In addition to Committee papers, Members are given a fortnightly Member Information pack on recent activity across the Authority. Team meetings are regularly held by all services. In order to improve communication below Head of Service level, a Managers' Forum was established in June 2013 to support a more informed and inclusive approach and promote good governance, communication and compliance amongst all staff.
- G) Induction training was undertaken to promote Members' understanding of the role of the Audit Committee in relation to the work of Internal and External Audit and its wider role within the Corporate Governance arrangements of the Council. An Audit Committee Forward Work Programme was developed for 2014/15 and pre-Audit Committee briefings are held as a matter of course with the Chair, Vice Chair and Finance and Resources Cabinet Member to discuss agenda items and support effective challenge. In February 2014 the Lay Audit Committee Member attended a CIPFA course on 'Developing The Audit committee.' The agenda comprised updates on legislation and issues affecting the work of Audit Committees, exploring skill sets needed for good Audit Committee participation, and some inter-active discussion. Staff from Internal Audit and Corporate Improvement and Development passed a six month CIPFA Certificate in Corporate Governance in order to keep up to date with good practice and to further develop the Authority's self-assessment of governance.

P5.2 Review of Effectiveness

- A) The Authority has a schedule in place to develop and monitor the capacity and capability of members and officers to ensure they are effective. Developing our staff is an objective in the Corporate Plan. The % of staff who have had a PDR is regularly monitored and reported to Senior Managers and to Members.

Year	PDR out turn
10/11	64.57%
11/12	70.47%
12/13	68.77%
13/14	62.72%
14/15	75.77%

- B) The PDR performance shows a marked improvement and is just below the corporate target of 80%. The PDR process is a valued process to ensure that all staff are aware of their objectives, have an opportunity to assess and discuss their core competencies and review their training needs. PDR performance will continue to be monitored through Service Performance Reviews and Internal Audit work.

- C) All Corporate Priorities and Corporate Risks are assigned to Senior Managers and Cabinet Members in order that they can be held to account for the effectiveness of implementation. The implementation of the Members' Development Strategy is monitored by the Democratic Services Committee. All Elected Members who are in receipt of a senior salary have an annual PDR and PDRs are offered to all other councillors should they choose to have one. As a minimum, all Elected Members are required to complete a training needs analysis questionnaire. Although not obligatory, in 2014/15, 25 of the 59 Members published an annual report which were published on the Council's website. Members Support Service are working with Members to increase the number published.

P5.3 Conclusion of Self-Assessment

Officers will continue to encourage more Members to participate in completing Elected Members Annual Reports. There are good systems in place to support Elected Members and the corporate staff induction is now well embedded, ensuring that all new starters are aware of governance processes within the authority and the support available to development them in their professional role. The Corporate HR Strategy provides direction on workforce development, which will be vital to support staff through the modernisation change management process. The PDR results of 75.77% show that performance is improving, but this needs continual monitoring.

P5.4 Recommendations for Improvement

- R5.1** Group Leaders should work to encourage more Elected Members to undertake appropriate training and PDRs.

P6.1 Current Arrangements

- A) **Community Engagement** has been fundamental in the development of all strategic plans and key decisions. Improving good customer service and ensuring people in Conwy are informed, included and listened to is one of the eight citizen outcomes within 'One Conwy 2012 – 2025' and the Corporate Plan 2012-2017. In January 2014 Council approved the Overview & Scrutiny Public Engagement Protocol. This includes, amongst other things, webcasting, use of 'expert witnesses', allowing members of the public to speak at scrutiny. An updated **Community Involvement Strategy** and staff toolkit was approved in March 2014. The Conwy & Denbighshire LSB approved an engagement strategy in September 2013. Community engagement activities and feedback is logged in a **Community Involvement Database** which was commissioned by Conwy LSB to inform the public of engagement activities taking place and to ensure feedback from engagement activities and proposed consultations are shared. Conwy County Borough Council has a **Communication Strategy and action plan** which was approved in November 2013. The strategy is being implemented by a Corporate Communication group which is chaired by the CEO. The Authority's approach to community engagement is also supported by a **Customer Charter** which has been updated and approved in March 2014. The Authority also has a number of forums to extend engagement with the community. There is a Town and Community Council Forum, Involvement Network, a Third Sector Partnership Committee and a Youth Council. Locality plans have been developed in partnership with Town and Community Councils and local Members for the rural and 4 coastal localities. They detail local community priorities for improvement in the area. They have recently been reviewed and an updated plan is due for publication in the spring. A **Complaints and Compliments Report** is published annually and evaluated for lessons that can be learnt from customer concerns. As noted previously, the annual report has been delayed owing to the complaints review.
- B) All Cabinet and Council meetings are held in public (with the exception of exempt items) and an annual report on the Scrutiny function is published each year. The Authority commenced webcasting key public meetings in March 2014 and the Democratic Services Committee monitors the number of hits. A **Combined Forward Work Programme** for Cabinet, and the four Overview and Scrutiny Committees is publicly available. In order to improve community involvement, a measure has been developed for the Corporate Plan 2012 – 2017 to monitor the number of items requested for scrutiny which have been submitted on behalf of the public. An Overview and Scrutiny Public Engagement Protocol has been adopted by Council and this allows members of the public to speak at Overview and Scrutiny Committee meetings, similar to those arrangements already in place for Planning Committee.
- C) There are a **variety of channels of communication** to support the community to engage with the Authority and vice versa. The Authority has an increasing social media presence, and is in the process of implementing a new content management system which will permit great interaction through the website. Databases are kept to target voluntary groups, equality groups, the youth council, other public sector partners and town and community councils.
- D) The Community are encouraged to give their opinion on all key decisions and contribute towards the Corporate Plan. Performance data is published on the web and now includes the use of infographics to visualise performance. The Annual Report on the Authority's performance is

published in a limited print run and is available in key reception areas and on the website. Notification is published on the website and through the **Council Bulletin**.

- E) The Authority has a **Manager's Forum**, a **Joint Consultative Committee (JCC)** and a **Staff Council** to ensure that there is regular communication with staff and Trade Unions. A monthly team brief and a quarterly staff newsletter are also published. For specific activities, staff workshops are held to broaden staff involvement in policy development and key decisions. For example each year staff and elected members are invited to help develop improvements through the Improving Conwy Scheme. Staff were invited to workshops to contribute to the draft Environment, Roads and Facilities structure and Social Services have held road shows on their developments. Workshops were also held to develop the staff response to the Welsh Government White Paper 'Power to Local People'. Service team events have been held to gain staff contributions to efficiency savings.
- F) The Authority maintains relationships with the leaders of other stakeholder organisations through the Local Service Board and the **Regional Leadership Board**. Senior Managers and Members represent the Authority at various collaborative Boards.

P6.2 Review of Effectiveness

- A) The Authority has mechanisms in place and is committed to engaging with the Community. The approval of the Communication Strategy and the Customer Charter provides a new impetus to maximise the opportunities to engage with relevant stakeholders. It is acknowledged that the Authority needs to improve the analysis of compliments and complaints, and should periodically review the effectiveness of engagement techniques to ensure that the mechanisms are appropriate.
- B) A Customers' work stream is part of the Modernisation Programme to improve the coordination of current arrangements and to implement all customer focussed recommendations made by our regulators. Customer Service Excellence standard reaccreditation has been gained by the Environment Roads and Facilities Service and Revenue and Benefits Service.

P6.3 Conclusion of Self-Assessment

The Authority has good processes for engaging with local people and other stakeholders to ensure there is public accountability. The Authority needs to improve the co-ordination and performance analysis of the effectiveness of the engagement and harness the opportunities available from social media.

P6.4 Recommendations for Improvement

- R6.1** Continue to promote stakeholders' use of the Community Involvement Database and to analyse and learn from the feedback received. This should include explanation as to what has changed as a result of the feedback.

7 Programme of Improvement for Governance Issues

- 7.1** The Council has good governance arrangements in place, but is not complacent. The need to continually review arrangement and to consider best practice elsewhere is necessary to ensure good governance is maintained. This Annual Governance Statement has identified areas where further improvements need to be made.
- 7.2** The governance issues identified in the Annual Governance Statement action plan for 2013/14 were reviewed by the Improvement and Audit Group and by Audit Committee and the majority of the actions were completed. Some recommendations were no longer applicable and those outstanding have been carried forward and included in this statement. It is intended that each of the actions identified within this improvement programme will be included in future Service Performance Reviews. Progress against the improvement measures required will be co-ordinated and monitored by the Improvement and Audit Group and reported to Audit Committee. In addition, all improvement actions identified by our external regulators and the Internal Audit Service are supported by detailed action plans with timescales for implementation, which are monitored by the Improvement and Audit Group, the Internal Audit Service and Audit Committee.

8 Assurance Summary

- 8.1** Good governance is the foundation for the delivery of good quality services that meet all local people's needs and it is fundamental to showing that public money is well spent. Based on the review, assessment and on-going monitoring work undertaken during 2014/15 we have reached the opinion that good governance arrangements are in place, key systems are operating soundly and that there are no fundamental control weaknesses in evidence. However, no system of control can provide absolute assurance against misstatement or loss. Based on the various assurances given, this statement is intended to provide reasonable assurance that satisfactory corporate governance arrangements are in place and working effectively.
- 8.2** We propose over the coming year to take steps to address the governance issues identified in this statement to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvement identified in our review of effectiveness and we will monitor our implementation and operation as part of our next annual review.

Signed

Signed

Date 24th September 2015

Date 24th September 2015

**Iwan Davies
Chief Executive**

**Cynghorydd D.O. Roberts
Leader of the Council**

Summary of Recommendations

- R1.1** To complete the One Conwy review
- R1.2** To review the Risk Policy, Project & Programme and Performance Management, frameworks in light of the new integrated performance management system, CAMMS.
- R 2.1** That regular reports are produced on the progress of the implementation of the ICT Strategy and Information Management Strategy.
- R3.1** To ensure that further to the approval of the new complaints policy, the lessons learned analysis of complaints is embedded in operational arrangements
- R4.1** That the introduction of the new integrated performance management system, CAMMS, is used to make greater links between risks and audit recommendations and the appropriate service plans; and that it is used as a corporate depository for all audit reports and associated action plans.
- R5.1** Group Leaders should work to encourage more Elected Members to undertake appropriate training and PDRs.
- R6.1** Continue to promote stakeholders use of the Community Involvement Database and to analyse and learn from the feedback received. This should include explanation as to what has changed as a result of the feedback.

Ongoing Recommendations from 13/14 AGS

- oR4.1** To implement the action plan to improve the analysis of complaints and compliments.
- oR4.2** To implement the Corporate Assessment Report proposals for improvement relevant to this principle which are:
 - P1** The Council should work with schools and with the regional school improvement consortium, GwE, to improve the value for money of the primary school system.
- oR5.2** Work to encourage more Elected Members to undertake appropriate training and PDRs.
- oR6.1** Continue to promote stakeholders use of the Community Involvement Database and to analyse and learn from the feedback received. This should include explanation as to what has changed as a result of the feedback.
- oP6** The Council should work with its partners in the Local Service Board to improve the Board's ability to monitor and manage its performance