

*Annual Finance  
and  
Governance  
Report  
2016/2017*

*A H Kirkham BA (Hons) FCPFA*

**Strategic Director – Finance & Efficiencies**



# TABLE OF CONTENTS

	<b>Page No.</b>
<b>INTRODUCTION</b>	5
<b>NARRATIVE REPORT</b>	6 - 12
<b>STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS</b>	
▪ The Authority's Responsibilities	13
▪ The Section 151 Officer's Responsibilities	14
<b>AUDITOR'S REPORT</b>	15 - 16
<b><u>THE STATEMENT OF ACCOUNTS 2016/17:</u></b>	
<b>STATEMENT OF ACCOUNTING PRINCIPLES AND POLICIES</b>	17 - 35
<b>CORE STATEMENTS</b>	
▪ Expenditure and Funding Analysis	37 - 38
▪ Comprehensive Income & Expenditure Statement	39
▪ Movement in Reserves Statement	40 - 41
▪ Balance Sheet	42
▪ Cash Flow Statement	43
<b>NOTES TO THE ACCOUNTS:</b>	
<b>Note 1</b>	44
<b>Note 2</b>	45
<b>Note 3</b>	46
<b>Note 4</b>	47
<b>Note 5</b>	47
<b>Note 6</b>	47
<b>Note 7</b>	48 - 49
<b>Note 8</b>	50
<b>Note 9</b>	51
<b>Note 10</b>	51
<b>Note 11</b>	51
<b>Note 12</b>	52 - 55
<b>Note 13</b>	56 - 58
<b>Note 14</b>	59 - 61
<b>Note 15</b>	62
<b>Note 16</b>	63
<b>Note 17</b>	64 - 66
<b>Note 18</b>	67
<b>Note 19</b>	67
<b>Note 20</b>	68
<b>Note 21</b>	68
<b>Note 22</b>	69
<b>Note 23</b>	70
<b>Note 24</b>	70 - 72
<b>Note 25</b>	72
<b>Note 26</b>	72 - 78
<b>Note 27</b>	79
<b>Note 28</b>	79
<b>Note 29</b>	80
<b>Note 30</b>	80
<b>Note 31</b>	81

	<b>Page No.</b>
<b>Note 32</b>	82
<b>Note 33</b>	82
<b>Note 34</b>	83 - 84
<b>Note 35</b>	85
<b>Note 36</b>	86 - 87
<b>Note 37</b>	88 - 89
<b>Note 38</b>	90
<b>Note 39</b>	91
<b>Note 40</b>	92 - 95
<b>Note 41</b>	95 - 96
<b>Note 42</b>	96
<b>Note 43</b>	97
<b>Note 44</b>	97
<b>Note 45</b>	97 - 101
<b>Note 46</b>	102
<b>Note 47</b>	102
<b>Note 48</b>	102
<b>Note 49</b>	102 - 106
<b>Note 50</b>	107
<b>Note 51</b>	107
<b>Note 52</b>	108
<b>Note 53</b>	109
<b>WELSH CHURCH ACT FUND</b>	110 - 113
<b>YMDDIRIEDOLAETH ADDYSG LLANRWST</b>	114 - 115
<b>GLOSSARY OF TERMS</b>	116 - 123
<b>ANNUAL GOVERNANCE STATEMENT (APPENDIX)</b>	1 - 32

## **INTRODUCTION**

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

The County Borough of Conwy has a population of around 116,200. 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. Local elections were held in May 2017, and the political make-up of the Council as at June 2017 is:-

- 16 Conservative
- 14 Conwy First Independent Group
- 7 Plaid Cymru
- 8 Labour
- 7 Independent
- 4 Liberal Democrats
- 3 Not a member of any Political Group within Conwy County Borough Council

### **Council**

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

### **Cabinet**

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/en/Council/Council.aspx>

## **NARRATIVE REPORT**

1. The Council's Statement of Accounts is intended to provide clear information about the financial impact of the Council's activities during the period covered, in a format which is easily understood.
2. The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting 2016/17 (The Code 2016/17), 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 2016/17 constitutes 'proper accounting practice' under the terms of section 21 (2) of the Local Government Act 2003. The Code 2016/17 is based on International Financial Reporting Standards (IFRS).
3. Following the "Telling the Story" review of the presentation of local authority financial statements the Code 2016/17 has changed the segmental reporting arrangements for the Comprehensive Income & Expenditure Statement (CI&ES) and introduced the Expenditure and Funding Analysis. Both the CI&ES and the Expenditure and Funding Analysis include a segmental analysis based on how the Council is structured, operates, monitors and manages financial performance. Previously the Council reported the cost of individual services in the CI&ES in accordance with the format specified in the Service Reporting Code of Practice (SeRCOP). The 2015/16 comparative data of the segmental section of the CI&ES have been restated and 2015/16 comparative year data provided for the Expenditure and Funding Analysis. There has been no impact on the Balance Sheet information as a result of these changes.
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 Expenditure & Funding Analysis**

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

**d) The 'Core' Financial Statements**

1. The Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement. The statement shows that there was a deficit in the year of £11.150m (2015/16 deficit of £14.652m).

## 2. The Movement in Reserves Statement

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

The usable reserves amounted to £24.754m at the year end 31 March 2017 (31 March 2016 £27.157m), including the Council Fund balance of £2.466m (31 March 2016 £2.466m).

## 3. Balance Sheet

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

The net worth of the Authority as at 31 March 2017 amounted to £86.170m, a decrease of £33.851m over the position at 31 March 2016, mainly 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 2016/17 was originally set at £202.339m (£201.629m in 2015/16) and took account of known and estimated pay awards, price increases, pressures and risks.

The budget was set against a backdrop of a poor financial settlement of grant support from the Welsh Government. A challenging budget reduction 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 Members, in accordance with approved Council procedures.

Other than the main budget variations reported during the course of the year described in the following paragraphs, Table 1 shows some further variations on service budgets with appropriate explanations in the notes. The overall financial position of the Authority generally was as projected in the reports to Members in March 2017. During the closure of the accounts appropriate and prudent financial provisions and reserves have been made for known and anticipated liabilities.

**Table 1**

Col 1	Col 2	Col 3	Col 4	Col 5	
SUMMARY	ORIGINAL ESTIMATE	APPROVED POSITION AT JAN 2017	FINAL OUTTURN	VARIANCE (Col 4 - Col 3)	NOTES
	2016/17 £'000	2016/17 £'000	2016/17 £'000	2016/17 £'000	
<b>Resource Base (income)</b>					
Revenue Support Grant	(113,777)	(113,777)	(113,777)	0	
NNDR Grant	(35,644)	(35,644)	(35,644)	0	
Council Tax	(52,918)	(53,368)	(53,368)	0	
<b>Total</b>	<b>(202,339)</b>	<b>(202,789)</b>	<b>(202,789)</b>	<b>0</b>	
<b>Net Expenditure</b>					
Education	79,484	79,674	79,553	(121)	1
Social Services	52,191	56,229	56,356	127	2
Environment, Roads & Facilities	17,491	17,848	17,847	(1)	
Community Development Services	7,257	7,475	7,465	(10)	
Regulatory & Housing Services	4,346	4,534	4,520	(14)	
Corporate Financial Services	1,070	1,148	1,160	12	
Audit & Procurement	602	617	607	(10)	
Revenues and Benefits Service	1,478	1,532	1,486	(46)	
Council Tax Reduction Scheme, Council Tax Surplus and Single Person Discount review	9,269	8,999	9,088	89	3
Law & Governance	1,608	1,578	1,578	0	
Information Technology	2,091	2,164	2,164	0	
Chief Executive	1,589	1,628	1,618	(10)	
Theatres and Conference Centre	1,083	1,139	1,139	0	
Corporate Human Resources	787	834	834	0	
Treasury Management and MRP	11,739	8,694	8,706	12	
Corporate Costs and Income	7,425	6,148	6,094	(54)	4
Levies	5,773	5,773	5,758	(15)	
<b>Sub Total Net Service Expenditure</b>	<b>205,283</b>	<b>206,014</b>	<b>205,973</b>	<b>(41)</b>	
Contribution from Reserves	(2,717)	(5,338)	(5,300)	38	5
Contribution to Reserves (MRP Policy)	0	2,340	2,343	3	
Reduced Losses on collection (Council Tax)	(227)	(227)	(227)	0	
<b>Sub Total Other</b>	<b>(2,944)</b>	<b>(3,225)</b>	<b>(3,184)</b>	<b>41</b>	
<b>Net Revenue Budget</b>	<b>202,339</b>	<b>202,789</b>	<b>202,789</b>	<b>0</b>	

**Notes**

1. Mainly due to pupil costs being below that expected for the Home to School Transport Service
2. General pressures identified during the last weeks of the financial year and during the closedown process within the service being over and above that envisaged
3. Mainly due to review of single person discount entitlement not identifying the savings that had been hoped for
4. A reduced cost of employers' superannuation contributions payable in respect of retired former employees
5. Overall saving reducing the required contribution from the PFI reserve

Social Services reported a resource shortfall during the year amounting to £4.061m. Table 2 below sets out the way by which this resource shortfall was agreed to be supported together with the approval source.

**Table 2**

<b>Service</b>	<b>Overspend / (Underspend) £'000</b>	<b>Minutes</b>
<b>Social Services</b>	<b>4,061</b>	<b>240, 260, 530, 569, 824, 855</b>
<b>Financed by:-</b>		
Capital Financing Savings	(705)	240,260
Members Allowances	(15)	240,260
Council Tax Reduction Scheme	(270)	240,260
Use of Reserves	(2,621)	240,260,530,569
Additional Council Tax income	(450)	240,260
<b>Total</b>	<b>4,061</b>	

During the closure of accounts process a net saving of £38k emerged, which allowed a reduced overall contribution from reserves to finance the budgetary outturn position.

During 2016/2017 Council approved a revision to the MRP Policy which delivered a recurring budget reduction of £2.340m for 2017/2018, and also produced a saving in 2016/2017 which had not been budgeted for. A sum of £2.343m arising from this has been added to the general Council Fund balance. Also, prior to 2016/2017 the Council approved a revision to the PFI MRP policy which delivered a saving of £582k in 2016/2017.

The general Council Fund balance is a measure of the uncommitted reserves which the Council holds to meet cash flow requirements and unforeseen future events. The general Council Fund balance amounts to £4.809m which is one of the lowest in Wales.

Other usable reserves are shown in Note 13 to the accounts.

Equal Pay claims were settled in the sum of £51k during the course of the year. There remains a provision for further Equal Pay claims within the accounts in the sum of £5k. 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 £202.789m, and it is pleasing to note that the Council achieved an overall net spend within the budget, despite the significant adverse variation within Social Services. The main components of the revenue budget for 2016/17 and how these compare with the actual outturn are shown in Table 1, together with notes explaining the main variances:

The Balance Sheet of the Authority contains a number of movements in respect of earmarked reserves. During 2016/17 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 2016/17 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.

## 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 2016/17 was £31.033m. The following is a summary of the service areas which incurred capital investment in 2016/17 and how it was financed compared to a budget of £37.843m:-

<b>Capital Expenditure</b>	<b>2016/17 Actual £'000</b>
<b>Capital Expenditure by Service:</b>	
Education	9,548
Environment, Roads & Facilities	12,104
Community Development Services	1,724
Law & Governance	4
Social Services	781
Theatres & Conference Centre	30
Information Technology	29
Regulatory & Housing Services	3,872
Finance	22
Other Services	2,919
<b>Total Capital Expenditure</b>	<b>31,033</b>

<b>Capital Financing</b>	<b>2016/17 Actual £'000</b>
<b>Financed By:</b>	
Supported Borrowing	6,008
Prudential Borrowing	7,925
Capital Receipts	1,980
Capital Grants	15,310
Capital Reserves	(190)
<b>Total Capital Expenditure</b>	<b>31,033</b>

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

Major projects undertaken during 2016/17 were as follows:-

- Vibrant & Viable Places Regeneration Projects & Townscape Heritage Scheme
- Primary School Modernisation Project
- Colwyn Bay Regeneration & Waterfront Project & Coastal Railings Replacement
- Streetlighting Poles Replacement
- Public Convenience Upgrades
- Conwy Bridge Refurbishment

- Surface Dressing & Improvement of the County Road Network
- Restoration of Coastal Defences, Flood Alleviation & Risk Management
- Delivery of Adaptations in Private Sector Housing
- Development of Parc Eirias
- Office Accommodation & Modernisation Project

The Council's debt outstanding at 31 March 2017 was £149.128m (£148.461m at 31 March 2016) being an increase of £667k in borrowing.

The Limits to Borrowing Activity in 2016/17, set in accordance with the Prudential Framework for local authority capital investment introduced through the Local Government Act 2003 (the Prudential Code) were as follows:-

	<b>£'000</b>
<b>Authorised Limit for External Debt:</b>	
Borrowing	188,555
Other Long term Liabilities	22,295
	210,850
<b>Operational Boundary for External Debt:</b>	
Borrowing	178,555
Other Long Term Liabilities	22,295
	200,850

## 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 2017 and the reserve needed to fund that liability.

The Pension Fund liability disclosed within the Balance Sheet of £169.641m (£140.604m in 2015/16) 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 1<sup>st</sup> April 2014 onwards, can be found on the following link:

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

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

# STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

## THE AUTHORITY'S RESPONSIBILITIES

The Council is required to: -

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

### AUTHORITY'S CERTIFICATE

I approve the Statement of Accounts of Conwy County Borough Council at 31 March 2017.

SIGNED: .....

Councillor Mike Priestley  
Chair of Audit and Governance Committee

DATED: 25/09/2017

## **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 2016/17"), 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 2017.

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

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

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

I certify that the Statement of Accounts presents a true and fair view of the financial position of Conwy County Borough Council at 31 March 2017 and its income and expenditure for the year then ended.

SIGNED: .....

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

DATED: 25/09/2017

## **AUDITOR GENERAL FOR WALES' REPORT TO THE MEMBERS OF CONWY COUNTY BOROUGH COUNCIL**

I have audited the accounting statements and related notes, including the Expenditure and Funding Analysis, of Conwy County Borough Council for the year ended 31 March 2017 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 2016-17 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 13 & 14, the responsible financial officer is responsible for the preparation of the statement of accounts, which gives a true and fair view.

My responsibility is to audit the accounting statements and related notes in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the 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 Narrative Report 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 2017 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 2016-17.

### **Opinion on other matters**

In my opinion, the information contained in the Narrative Report 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 Governance Statement does not reflect compliance with guidance.

## **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 Auditor General for Wales's Code of Audit Practice. The audit cannot be formally concluded and an audit certificate issued until I have completed my consideration of matters brought to my attention by a local authority elector. I am satisfied that these matters do not have a material effect on the financial statements.

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

For and on behalf of  
Huw Vaughan Thomas  
Auditor General for Wales  
Date: 28 September 2017

Wales Audit Office  
24 Cathedral Road  
Cardiff  
CF11 9LJ

# **THE STATEMENT OF ACCOUNTS 2016/17**

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

### **1. GENERAL PRINCIPLES**

The Statement of Accounts summarises the Authority's transactions for the 2016/17 financial year and its position at the year-end of 31 March 2017. 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 2016/17 (the Code) and the Service Reporting Code of Practice 2016/17 (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.
- On occasion, where payments are being disputed and/or the sums involved are not known the payment is made in the accounts in the year that the dispute is settled and not necessarily the year to which the payment relates.

- Also, on occasion, an invoice is treated on a cash basis in the accounts to ensure that the correct number of payments appear in the accounts in a financial year.

### 3. **CASH AND CASH EQUIVALENTS**

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

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

### 4. **EXCEPTIONAL ITEMS**

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

### 5. **PRIOR PERIOD ADJUSTMENTS, CHANGES IN ACCOUNTING POLICIES AND ESTIMATES AND ERRORS**

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

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

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

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

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

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

The Authority is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the

Authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are, therefore, replaced by the contribution in the Council Fund Balance – Minimum Revenue Provision (MRP) - by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

## 7. **EMPLOYEE BENEFITS**

### **Benefits Payable During Employment**

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

### **Termination Benefits**

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

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

### **Post Employment Benefits**

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

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

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

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

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

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

- The liabilities of the Gwynedd and Flintshire pension funds attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.6% (3.5% in 2015/16) (based on the indicative rate of return on high quality corporate bond (iBoxx)).
- The assets of Gwynedd pension fund attributable to the Authority are included in the Balance Sheet at their fair value:-
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value
- The change in the net pensions liability is analysed into seven components:-
  - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
  - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Corporate Costs and Income.
  - Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
  - Interest on Pension assets – this is the interest on assets held at the start of the year and cash flows occurring during the year, calculated using the discount rate at the start of the year.
  - Gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Corporate Costs and Income.

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

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

### **Discretionary Benefits**

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

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

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

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

Events taking place after the date of authorisation for issue (25/09/2017 for 2016/17) are not reflected in the Statement of Accounts.

## 9. FINANCIAL INSTRUMENTS

### Financial Liabilities

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

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

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

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

### Financial Assets

Financial assets are classified into two types:-

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

### Loans and Receivables

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### **11. GOVERNMENT GRANTS AND CONTRIBUTIONS**

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

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

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

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

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

## 12. **INTANGIBLE ASSETS**

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

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

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

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

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

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

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

#### **14. INVESTMENT PROPERTY**

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

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

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

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

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

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

#### **16. LEASES**

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

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

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

## **The Authority as Lessee**

### **Finance Leases**

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

Lease payments are apportioned between:-

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

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

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

### **Operating Leases**

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

## **The Authority as Lessor**

### **Finance Leases**

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

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

Lease rentals receivable are apportioned between:

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

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

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

### **Operating Leases**

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

## **17. PROPERTY, PLANT AND EQUIPMENT**

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment. No de minimus is applied for capital spend.

### **Recognition**

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

## Measurement

Assets are initially measured at cost, comprising:-

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

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

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

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

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

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

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

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

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

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

Where decreases in value are identified, they are accounted for by:

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

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

### **Impairment**

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

Where impairment losses are identified, they are accounted for by:-

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

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

### **Depreciation**

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (ie freehold land and certain Community Assets) and assets that are not yet available for use (ie assets under construction).

Depreciation is calculated within the following ranges:

- Dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer: 1 - 155 years.
- Vehicles, plant, furniture and equipment: over the useful life between 1-14 years.
- Community Assets: 1-28 years

- Infrastructure – straight-line allocation between 1-34 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.

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

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

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

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

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

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

### **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.

## 19. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

### **Provisions**

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

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

becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

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

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

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

### **Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

### **Contingent Assets**

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

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

## 20. RESERVES

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

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

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

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the Council Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax. Examples of REFCUS expenditure are Disabled Facilities grants, grants to businesses and private property enhancement schemes.

## 22. VAT

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

## 23. COMPARATIVE FIGURES

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

## 24. CASH FLOW STATEMENT

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

## 25. HERITAGE ASSETS

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

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

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

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

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

The Authority is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its second phase which started on 1 April 2014. The Authority is required to purchase and apply allowances, which was done in the forecast sale in 2016/17, on the basis of emissions ie carbon dioxide produced as energy is used. As carbon dioxide is emitted (ie as energy is used), a liability and an expense are recognised. The liability will be discharged by applying allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Authority is recognised and reported in the costs of the Authority's services and is apportioned to services on the basis of energy consumption.

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

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

# Core Statements

## Expenditure and Funding Analysis

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

2016/17	As Reported for Resource Management £'000	Adjustment to arrive at the net amount chargeable to the Council Fund £'000	Net Expenditure Chargeable to the Council Fund Balance £'000	Adjustments between the Funding and Accounting Basis (See Note 7) £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
Education	79,553	381	79,934	7,332	87,266
Social Services	56,357	(11)	56,346	1,175	57,521
Environment, Roads & Facilities	17,970	378	18,348	7,115	25,463
Community Development Services	7,465	344	7,809	2,359	10,168
Regulatory & Housing Services	4,521	(48)	4,473	705	5,178
Corporate Financial Services	1,160	(57)	1,103	750	1,853
Audit & Procurement	607	-	607	17	624
Revenues and Benefits Service	10,708	(43)	10,665	(221)	10,444
Law & Governance	1,578	(120)	1,458	41	1,499
Information Technology	2,164	(46)	2,118	426	2,544
Chief Executive	1,618	74	1,692	42	1,734
Corporate Human Resources	834	(32)	802	27	829
Corporate Costs and Income	385	5,959	6,344	(3,340)	3,004
<b>Net Cost Of Service</b>	<b>184,920</b>	<b>6,779</b>	<b>191,699</b>	<b>16,428</b>	<b>208,127</b>
Other Income and Expenditure	(187,263)	(798)	(188,061)	(8,916)	(196,977)
<b>(Surplus) or Deficit</b>	<b>(2,343)</b>	<b>5,981</b>	<b>3,638</b>	<b>7,512</b>	<b>11,150</b>
Opening General Fund Balance at 31 March 2016			(27,156)		
Less Deficit on General Fund Balance in Year			3,638		
Less Other Movements, not included above, relating to Capital Reserves, Capital Receipts Reserve and Capital Grants Unapplied (see Note 12 for breakdown)			(1,235)		
<b>Closing General Fund Balance at 31 March 2017</b>			<b>(24,753)</b>		

2015/16	As Reported for Resource Management £'000	Adjustment to arrive at the net amount chargeable to the Council Fund £'000	Net Expenditure Chargeable to the Council Fund Balance £'000	Adjustments between the Funding and Accounting Basis (See Note 7) £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
Education	79,108	(1,050)	78,058	6,000	84,058
Social Services	52,686	972	53,658	1,687	55,345
Environment, Roads & Facilities	18,792	(28)	18,764	8,216	26,980
Community Development Services	7,732	(50)	7,682	3,381	11,063
Regulatory & Housing Services	4,537	122	4,659	652	5,311
Corporate Financial Services	1,188	40	1,228	293	1,521
Audit & Procurement	650	(74)	576	(22)	554
Revenues and Benefits Service	10,895	(313)	10,582	17	10,599
Law & Governance	1,638	55	1,693	128	1,821
Information Technology	2,266	(145)	2,121	241	2,362
Chief Executive	1,695	90	1,785	448	2,233
Corporate Human Resources	820	(21)	799	(22)	777
Corporate Costs and Income	3,223	3,412	6,635	(3,879)	2,756
<b>Net Cost Of Service</b>	<b>185,230</b>	<b>3,010</b>	<b>188,240</b>	<b>17,140</b>	<b>205,380</b>
Other Income and Expenditure	(185,230)	(846)	(186,076)	(4,652)	(190,728)
<b>(Surplus) or Deficit</b>	<b>-</b>	<b>2,164</b>	<b>2,164</b>	<b>12,488</b>	<b>14,652</b>
Opening General Fund Balance at 31 March 2015			(30,372)		
Less Deficit on General Fund Balance in Year			2,164		
Less Other Movements, not included above, relating to Capital Reserves, Capital Receipts Reserve and Capital Grants Unapplied (see Note 12 for breakdown)			1,052		
<b>Closing General Fund Balance at 31 March 2016</b>			<b>(27,156)</b>		

## Comprehensive Income and Expenditure Statement

2015/16		2016/17				
Gross Expenditure £'000	Income £'000	Net Expenditure £'000	Note	Gross Expenditure £'000	Income £'000	Net Expenditure £'000
104,761	(20,703)	84,058		108,259	(20,992)	87,267
73,973	(18,628)	55,345	Education	76,822	(19,301)	57,521
37,262	(10,283)	26,979	Social Services	36,153	(10,690)	25,463
19,783	(8,720)	11,063	Environment, Roads & Facilities	20,060	(9,892)	10,168
15,847	(10,536)	5,311	Community Development Services	14,499	(9,321)	5,178
2,198	(676)	1,522	Regulatory & Housing Services	2,614	(761)	1,853
599	(45)	554	Corporate Financial Services	690	(66)	624
49,086	(38,487)	10,599	Audit & Procurement	48,794	(38,350)	10,444
2,797	(977)	1,820	Revenues and Benefits Service	2,583	(1,084)	1,499
2,566	(204)	2,362	Law & Governance	3,004	(460)	2,544
2,524	(291)	2,233	Information Technology	1,949	(215)	1,734
807	(30)	777	Chief Executive	878	(49)	829
5,651	(2,894)	2,757	Corporate Human Resources	5,622	(2,619)	3,003
			Corporate Costs and Income			
<b>317,854</b>	<b>(112,474)</b>	<b>205,380</b>	<b>Cost of Services</b>	<b>321,927</b>	<b>(113,800)</b>	<b>208,127</b>
19,241		19,241	Other Operating Expenditure	17,798		17,798
34,106	(20,139)	13,967	Financing & Investment Income & Expenditure	35,872	(21,405)	14,467
	(223,936)	(223,936)	Local Taxation & Non-Specific Grant Income		(229,242)	(229,242)
		<b>14,652</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>11,150</b>
		702	(Surplus) or Deficit on Revaluation of Property, Plant & Equipment Assets	26		230
	(139)	(139)	(Surplus) or Deficit on Revaluation of Available for sale Financial Assets	26		(96)
	<b>563</b>	<b>563</b>				<b>134</b>
	(60,471)	(60,471)	Remeasurement of the net defined benefit liability	26		22,567
		<b>(59,908)</b>	<b>Other Comprehensive Income &amp; Expenditure</b>			<b>22,701</b>
		<b>(45,256)</b>	<b>Total Comprehensive Income &amp; Expenditure</b>			<b>33,851</b>

**Movement in Reserves Statement for the year ended 31 March 2017**

	Note	Council Fund Balance £'000	Earmarked Revenue Reserves £'000	Earmarked Capital Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
<b>Balance at 31 March 2016</b>	13,26	2,466	21,355	916	1,911	509	27,157	92,864	120,021
<b>Movement in Reserves during 2016/17</b>									
Surplus or (Deficit) on the Provision of Services		(11,150)	-	-	-	-	(11,150)	-	(11,150)
Other Comprehensive Income & Expenditure		-	-	-	-	-	-	(22,701)	(22,701)
<b>Total Comprehensive Income &amp; Expenditure</b>		<b>(11,150)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(11,150)</b>	<b>(22,701)</b>	<b>(33,851)</b>
Adjustments between Accounting basis & Funding basis under Regulations	12	7,512	-	190	555	490	8,747	(8,747)	-
<b>Net Increase/(Decrease) before Transfers to/(from) Earmarked Reserves</b>		<b>(3,638)</b>	<b>-</b>	<b>190</b>	<b>555</b>	<b>490</b>	<b>(2,403)</b>	<b>(31,448)</b>	<b>(33,851)</b>
Transfers to/(from) Earmarked Reserves	13	5,981	(6,632)	651	-	-	-	-	-
<b>Increase/(Decrease) in 2016/17</b>	<b>13</b>	<b>2,343</b>	<b>(6,632)</b>	<b>841</b>	<b>555</b>	<b>490</b>	<b>(2,403)</b>	<b>(31,448)</b>	<b>(33,851)</b>
<b>Balance as at 31 March 2017</b>	<b>13,26</b>	<b>4,809</b>	<b>14,723</b>	<b>1,757</b>	<b>2,466</b>	<b>999</b>	<b>24,754</b>	<b>61,416</b>	<b>86,170</b>

**Movement in Reserves Statement for the year ended 31 March 2016**

	Note	Council Fund Balance £'000	Earmarked Revenue Reserves £'000	Earmarked Capital Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
<b>Balance at 31 March 2015</b>	13,26	2,466	24,846	271	2,152	638	30,373	44,392	74,765
<b>Movement in Reserves during 2015/16</b>									
Surplus or (Deficit) on the Provision of Services		(14,651)	-	-	-	-	(14,651)	-	(14,651)
Other Comprehensive Income & Expenditure		-	-	-	-	-	-	59,907	59,907
<b>Total Comprehensive Income &amp; Expenditure</b>		<b>(14,651)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(14,651)</b>	<b>59,907</b>	<b>45,256</b>
Adjustments between Accounting basis & Funding basis under Regulations	12	12,487	-	(682)	(241)	(129)	11,435	(11,435)	-
<b>Net Increase/(Decrease) before Transfers to/(from) Earmarked Reserves</b>		<b>(2,164)</b>	<b>-</b>	<b>(682)</b>	<b>(241)</b>	<b>(129)</b>	<b>(3,216)</b>	<b>48,472</b>	<b>45,256</b>
Transfers to/(from) Earmarked Reserves	13	2,164	(3,491)	1,327	-	-	-	-	-
<b>Increase/(Decrease) in 2015/16</b>	<b>13</b>	<b>-</b>	<b>(3,491)</b>	<b>645</b>	<b>(241)</b>	<b>(129)</b>	<b>(3,216)</b>	<b>48,472</b>	<b>45,256</b>
<b>Balance as at 31 March 2016</b>	<b>13,26</b>	<b>2,466</b>	<b>21,355</b>	<b>916</b>	<b>1,911</b>	<b>509</b>	<b>27,157</b>	<b>92,864</b>	<b>120,021</b>

## Balance Sheet

	Notes	31 March 2017	31 March 2016
		£'000	£'000
Property, Plant & Equipment	14	386,719	378,378
Heritage Assets		194	194
Investment Property	15	16,704	17,044
Intangible Assets	16	1,068	1,118
Available for Sale Financial Assets	17	1,657	1,561
Long Term Investments	17	-	1,010
Long Term Debtors	17	2,293	3,652
<b>Long Term Assets</b>		<b>408,635</b>	<b>402,957</b>
Short Term Investments	17	1,649	13,164
Inventories	18	1,099	1,045
Short Term Debtors	20	37,497	29,259
Cash & Cash Equivalents	21	2,839	13,314
Assets Held for Sale	22	108	562
<b>Current Assets</b>		<b>43,192</b>	<b>57,344</b>
Short Term Borrowing	17	43,109	42,055
Short Term Creditors	23	20,672	22,220
Provisions	24	1,874	2,231
<b>Current Liabilities</b>		<b>65,655</b>	<b>66,506</b>
Pension Liability	45	169,641	140,604
Provisions	24	50	1,829
Long term Borrowing	17	106,019	106,406
Other Long term Liabilities	17	23,008	23,694
Capital Grants Receipts in Advance	36	1,284	1,241
<b>Long Term Liabilities</b>		<b>300,002</b>	<b>273,774</b>
<b>Net Assets</b>		<b>86,170</b>	<b>120,021</b>
Usable Reserves	25	24,754	27,156
Unusable Reserves	26	61,416	92,865
<b>Total Reserves</b>		<b>86,170</b>	<b>120,021</b>

## Cash Flow Statement

2015/16		Note	2016/17
£'000			£'000
14,652	Net (Surplus)/Deficit on the Provision of Services		11,150
(27,774)	Adjustments to Net (Surplus) or Deficit on the Provision of Services for Non-Cash Movements	27	(9,420)
424	Adjustments for Items Included in the net (Surplus) or Deficit on the Provision of Services that are Investing and Financing Activities		2,572
(12,698)	Net Cash Flows From Operating Activities		4,302
12,605	Investing Activities	28	4,098
(2,038)	Financing Activities	29	2,074
(2,131)	Net (Increase) or Decrease in Cash and Cash Equivalents		10,474
11,183	<b>Cash and Cash Equivalents at the beginning of the reporting period</b>	21	13,314
13,314	<b>Cash and Cash Equivalents at the end of the Reporting Period</b>	21	2,840

## **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 2017/18 Code. The Code requires implementation from 1 April 2017 and there is therefore no impact on the 2016/17 Statement of Accounts.

- IFRS 15 Revenue from Contracts with Customers 01/01/2018
- IFRS 16 Leases 01/01/2019
- IFRS 9 Financial Instruments 01/01/2018
- IAS 7 Statement of Cash Flows 01/01/2017
- IAS 40 Investment Property 01/01/2018
- Annual improvements to IFRS
- IFRS 7 Financial Instrument Disclosures 01/01/2016
- IFRS 12 Disclosure of Interest in Other Entities 01/01/2017

Some changes may need to be adopted retrospectively meaning that on adoption 2016-17 information included within these accounts could be restated in the 2017-18 accounts to reflect the new reporting requirements. This note sets out the impact that would have been seen if the new standards had already been in force.

IFRS 15 introduces a five step model when considering and reporting contracts with customers. This standard provides guidance on when revenue should be recognised and identifying performance obligations, contract modifications and reflecting time value for money.

IFRS 16 will bring most leases on balance sheet including operating leases thereby removing the distinction between finance and operating leases. IFRS 16 supersedes IAS 17 early adoption is permitted if IFRS 15 is also applied. This is applicable for when the authority is the lessee.

IFRS 9 introduces a single classification approach for financial assets with cash flow characteristics and how instruments are managed. A forward looking expected loss model for impairments rather than the current IAS 39 incurred loss approach.

IAS 7 Statement of Cash Flows amendments shall provide disclosures to enable users of financial statements to evaluate changes in liabilities arising from financial activities.

IAS 40 has been amended to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of change of use. A change of use occurs only if property meets the definition of an investment property.

The various changes covered by the Annual Improvements to IFRSs cycles are relatively minor updates to the relevant standards to clarify the correct treatment. None will have a material impact on the 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) Treatment of Zero Net Book Value Vehicles, Plant and Equipment**

The Authority has taken the critical judgement that the majority of vehicles, plant and equipment that have reached the end of their asset lives prior to 2016-2017 are obsolete/have been disposed of.

Therefore, for vehicles disposed of by 31<sup>st</sup> March 2016 and for plant and equipment with zero net book value at 31<sup>st</sup> March 2016 or earlier, the gross value of £19.87m and accumulated depreciation of £19.87m have been written out of the accounts in 2016-2017.

This has a nil net effect on the accounts.

### **(iii) PFI Scheme**

The Council has one PFI contract for the provision of 3 schools. It has determined that it substantially controls both the services provided from and the residual value of the assets used to deliver these contracts. Consequently, the assets relating to these contracts (£47m) have been recognised on the Balance Sheet as property, plant and equipment, in accordance with IFRIC 12. Details of the values of these assets are disclosed in Notes 14 (PPE) and 41 (PFI).

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

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

The items in the Authority's Balance Sheet at 31 March 2017 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 continues to fluctuate which affects the liability.
ARREARS	At March 2017, the Council had a balance for sundry debtors of £10.4m. A bad debt provision of £348k is held. 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**

There were none.

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

The Statement of Accounts was authorised for issue by the Strategic Director – Finance & Efficiencies on 25 September 2017. 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 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

#### **6. Use of Capital Receipts For Service Reform**

In 2016/17 the Authority used Capital Receipts for Service Reform in the sum of £304k. The project funded was the Modernisation Programme whose main objectives are to implement Workwise across the Authority, to implement the Office Accommodation Strategy and facilitate the development of new office accommodation for the Authority in Colwyn Bay.

## 7. Note to the Expenditure and Funding Analysis

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

Adjustments from Council Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	2016/17				2015/16			
	Adjustments for Capital Purposes £'000	Net Change for the Pensions Adjustments £'000	Other Differences £'000	Total Adjustments £'000	Adjustments for Capital Purposes £'000	Net Change for the Pensions Adjustments £'000	Other Differences £'000	Total Adjustments £'000
Education	6,133	773	426	7,332	4,958	1,498	(456)	6,000
Social Services	259	685	231	1,175	249	1,415	23	1,687
Environment, Roads & Facilities	6,759	411	(55)	7,115	7,160	817	239	8,216
Community Development Services	1,660	207	492	2,359	2,508	447	426	3,381
Regulatory & Housing Services	776	141	(212)	705	391	299	(38)	652
Corporate Financial Services	583	57	110	750	215	25	53	293
Audit & Procurement	-	17	-	17	-	-	(22)	(22)
Revenues and Benefits Service	-	69	(290)	(221)	-	130	(113)	17
Law & Governance	12	69	(40)	41	13	102	13	128
Information Technology	447	89	(110)	426	372	24	(155)	241
Chief Executive	(8)	43	7	42	330	105	13	448
Corporate Human Resources	-	27	-	27	-	11	(33)	(22)
Corporate Costs and Income	(764)	(1,107)	(1,469)	(3,340)	(1,257)	(1,238)	(1,384)	(3,879)
<b>Net Cost Of Service</b>	<b>15,857</b>	<b>1,481</b>	<b>(910)</b>	<b>16,428</b>	<b>14,939</b>	<b>3,635</b>	<b>(1,434)</b>	<b>17,140</b>
Other Income and Expenditure	(15,814)	4,989	1,909	(8,916)	(12,278)	6,308	1,318	(4,652)
<b>(Surplus) or Deficit</b>	<b>43</b>	<b>6,470</b>	<b>999</b>	<b>7,512</b>	<b>2,661</b>	<b>9,943</b>	<b>(116)</b>	<b>12,488</b>

### **a) Adjustments for Capital Purposes**

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

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

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

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

### **c) Other Differences**

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

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

## 8. Expenditure and Income Analysed by Nature

	2016/17 £'000	2015/16 £'000
<b>Expenditure</b>		
Employee benefits expenses	125,337	125,140
Employee benefits expenses of VA and Foundation Schools	18,631	18,053
Other services expenses	179,901	178,245
Depreciation, amortisation, impairment	17,236	16,967
Interest Payments	7,426	7,587
Precepts and levies	19,445	19,168
Gain/Loss on the disposal of assets	(1,647)	73
<b>Total Expenditure</b>	<b>366,329</b>	<b>365,233</b>
<b>Income</b>		
Fees, charges and other service income	(52,715)	(52,457)
Interest and investment income	(182)	(216)
Income from Council Tax and Non Domestic Rates	(103,233)	(98,505)
Government grants and contributions	(199,049)	(199,403)
<b>Total Income</b>	<b>(355,179)</b>	<b>(350,581)</b>
<b>(Surplus) or Deficit</b>	<b>11,150</b>	<b>14,652</b>

## 9. Other Operating Expenditure

2015/16 £000		2016/17 £000
11,686	Police Precept	11,945
1,869	Community Council Precepts	1,915
5,290	Fire Authority Levy	5,277
323	Other Levies	308
73	Gains/Losses on the Disposal of Non-Current Assets	(1,647)
<b>19,241</b>	<b>Total</b>	<b>17,798</b>

## 10. Financing and Investment Income and Expenditure

2015/16 £000		2016/17 £000
8,181	Interest Payable & Similar Charges	8,177
18,707	Pensions Interest Cost	19,087
(12,568)	Expected Return on Pensions Assets	(14,187)
(216)	Interest Receivable & Similar Income	(182)
(2,012)	Income & Expenditure in Relation to Investment Properties & Changes in their Fair Value	(208)
1,875	Trading Operations	1,780
<b>13,967</b>	<b>Total</b>	<b>14,467</b>

## 11. Local Taxation and Non Specific Grant Income

2015/16 £000		2016/17 £000
(64,807)	Council Tax Income	(67,590)
(34,098)	Non Domestic Rates	(35,644)
(118,408)	Non-Ring Fenced Government Grants	(113,776)
(6,623)	Capital Grants & Contributions	(12,232)
<b>(223,936)</b>	<b>Total</b>	<b>(229,242)</b>

## 12. 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 £'000	Balance £'000	Earmarked Capital Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Usable Reserves £'000	
<b>2016/17</b>							
<b>Adjustments primarily involving the Capital Adjustment Account: Reversal of items debited or credited to the Comprehensive Income &amp; Expenditure Statement:</b>							
Charges for depreciation and impairment of non-current assets	15,179	-	-	-	-	15,179	(15,179)
Revaluation losses on Property, Plant and Equipment	1,825	-	-	-	-	1,825	(1,825)
Revaluation losses on Assets Held for Sale	-	-	-	-	-	-	-
Movement in the market value of Investment Properties	219	-	-	-	-	219	(219)
Amortisation of Intangible assets	232	-	-	-	-	232	(232)
Capital grants and contributions applied	(11,741)	-	-	-	-	(11,741)	11,741
Revenue expenditure funded from capital under statute	1,139	-	-	-	-	1,139	(1,139)
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	925	-	-	-	-	925	(925)
Administration costs of asset disposal in advance of receipt	45	-	-	-	-	45	(45)
Difference between asset value & Lease liability	-	-	-	-	-	-	-
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>							
Statutory provision for the financing of capital investment	(4,671)	-	-	-	-	(4,671)	4,671
Capital expenditure charged against the Council Fund balance	-	-	-	-	-	-	-
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>							
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(490)	-	-	-	490	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	-	-	-

2016/17

	Usable Reserves					Unusable Reserves	
	Council Fund Balance £'000	Earmarked Capital Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Usable Reserves £'000	Movement in Unusable Reserves £'000	
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>							
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(2,572)	-	2,572	-	-	-	-
Mortgage Principal transfer from deferred capital receipts to capital receipts reserve	-	-	1	-	1	(1)	
Finance Lease Rental Principal	-	-	14	-	14	(14)	
Use of Capital Receipts Reserve to finance new capital expenditure	-	-	(1,979)	-	(1,979)	1,979	
Use of Capital Receipts Reserve to repay Unsupported Borrowing	-	-	-	-	-	-	
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	47	-	(53)	-	(6)	6	
Amelioration of Finance Lease Rentals	72	-	-	-	72	(72)	
Additional Finance Lease Asset	-	-	-	-	-	-	
<b>Adjustments primarily involving the Capital Reserves:</b>							
Use of Capital Reserve to finance new capital expenditure	-	190	-	-	190	(190)	
<b>Adjustment primarily involving the Financial Instruments Adjustment Account:</b>							
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(2)	-	-	-	(2)	2	
<b>Adjustments primarily involving the Pensions Reserve</b>							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 44)	20,843	-	-	-	20,843	(20,843)	
Employer's pensions contributions and direct payments to pensioners payable in the year	(14,373)	-	-	-	(14,373)	14,373	
<b>Adjustments involving the Unequal Pay Back Pay Adjustment Account</b>							
Amount by which amounts charged for Equal Pay claims to Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	(45)	-	-	-	(45)	45	
<b>Adjustment primarily involving the Accumulated Absences Account:</b>							
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	880	-	-	-	880	(880)	
<b>Total Adjustments</b>	7,512	190	555	490	8,747	(8,747)	

	Usable Reserves					Unusable Reserves
	Council Fund Balance	£'000	£'000	£'000	£'000	
	£'000	£'000	£'000	£'000	£'000	£'000
<b>2015/16 Comparative Figures</b>						
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Charges for depreciation and impairment of non-current assets	15,774	-	-	-	15,774	(15,774)
Revaluation losses on Property Plant and Equipment	1,202	-	-	-	1,202	(1,202)
Revaluation losses on Assets Held for Sale	(227)	-	-	-	(227)	227
Movements in the market value of Investment Properties	(1,313)	-	-	-	(1,313)	1,313
Amortisation of intangible assets	217	-	-	-	217	(217)
Capital grants and contributions applied	(6,751)	-	-	-	(6,751)	6,751
Revenue expenditure funded from capital under statute	1,302	-	-	-	1,302	(1,302)
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	497	-	-	-	497	(497)
Administration costs of asset disposal in advance of receipt	63	-	-	-	63	(63)
Difference between asset value & lease liability	-	-	-	-	-	-
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Statutory provision for the financing of capital investment	(7,745)	-	-	-	(7,745)	7,745
Capital expenditure charged against the Council Fund balance	-	-	-	-	-	-
<b>Adjustment primarily involving the Capital Grants Unapplied Account:</b>						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	129	-	-	(129)	-	-

## 2015/16 Comparative Figures

	Usable Reserves				Unusable Reserves	
	Council Fund £'000	Farmed Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Usable Reserves £'000	Movement in Unusable Reserves £'000
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(424)	-	424	-	-	-
Mortgage Principal transfer from deferred capital receipts to capital receipts reserve	-	-	1	-	1	(1)
Finance Lease Rental Principal	-	-	13	-	13	(13)
Use of Capital Receipts Reserve to finance new capital expenditure	-	-	(664)	-	(664)	664
Use of Capital Receipts Reserve to repay Unsupported Borrowing	-	-	-	-	-	-
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	15	-	(15)	-	-	-
Amelioration of Finance Lease Rentals	223	-	-	-	223	(223)
Additional Finance Lease Asset	-	-	-	-	-	-
<b>Adjustments primarily involving the Capital Reserves:</b>						
Use of Capital Reserve to finance new capital expenditure	-	(682)	-	-	(682)	682
<b>Adjustment primarily involving the Financial Instruments Adjustment Account:</b>						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(99)	-	-	-	(99)	99
<b>Adjustments primarily involving the Pensions Reserve</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 44)	24,555	-	-	-	24,555	(24,555)
Employer's pensions contributions and direct payments to pensioners payable in the year	(14,612)	-	-	-	(14,612)	14,612
<b>Adjustments Involving the Unequal Pay Back Pay Adjustment Account</b>						
Amount by which amounts charged for Equal Pay claims to Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	(232)	-	-	-	(232)	232
<b>Adjustment primarily involving the Accumulated Absences Account:</b>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(87)	-	-	-	(87)	87
<b>Total Adjustments</b>	<b>12,487</b>	<b>(682)</b>	<b>(241)</b>	<b>(129)</b>	<b>11,435</b>	<b>(11,435)</b>

### 13. 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 2015 £'000	Transfers Out 2015/16 £'000	Transfers In 2015/16 £'000	Balance at 31 March 2016 £'000	Transfers Out 2016/17 £'000	Transfers In 2016/17 £'000	Balance at 31 March 2017 £'000
<b>Council Fund:</b>							
Balances held by schools under a scheme of delegation	3,733	(509)	788	4,012	(1,167)	404	3,249
<b>Service Reserves:</b>							
Community Development	610	(192)	164	582	(209)	119	492
Tramway - Maintenance Programme	341	-	-	341	(100)	-	241
Environment, Roads & Facilities	414	-	73	487	(275)	23	235
IT / E-Government	284	(12)	144	416	(144)	190	462
Human Resources	92	(12)	45	125	(50)	101	176
Revenues & Benefits	288	(10)	48	326	-	21	347
Internal Audit	59	(44)	74	89	-	-	89
Other Services	291	(97)	13	207	(9)	255	453
Theatres - Repairs & Renewals	20	-	172	192	(13)	-	179
Regulatory & Housing Services	469	(286)	-	183	(68)	78	193
Social Services	952	(770)	20	202	(53)	-	149
Education Services	785	(281)	230	734	(326)	260	668

	Balance at 1 April 2015 £'000	Transfers Out 2015/16 £'000	Transfers In 2015/16 £'000	Balance at 31 March 2016 £'000	Transfers Out 2016/17 £'000	Transfers In 2016/17 £'000	Balance at 31 March 2017 £'000
<i>Corporate Reserves:</i>							
Apprenticeships Reserve	166	(16)	-	150	(12)	-	138
Council Tax Reduction Scheme	158	(158)	146	146	(146)	-	-
Demand Led Risk Reserve	674	(578)	509	605	(469)	-	136
Insurance Reserves	1,269	(737)	814	1,346	(352)	610	1,604
PFI Unitary Charge	8,291	(1,150)	47	7,188	(2,577)	35	4,646
Redundancy & Retirement	253	(489)	244	8	(124)	136	20
Regional Transformation Fund	8	(8)	-	-	-	-	-
Revenue Budget Support 2015/16	3,472	(3,472)	-	-	-	-	-
Revenue Budget Support 2016/17	788	-	1,929	2,717	(2,717)	-	-
Spend to Save Reserve	42	(42)	-	-	-	-	-
Other	828	(179)	127	776	(310)	86	552
Corporate Research Software	-	-	-	-	-	25	25
Earmarked Grants Reserves	559	(423)	387	523	(390)	536	669
<b>Total Earmarked Reserves</b>	<b>24,846</b>	<b>(9,465)</b>	<b>5,974</b>	<b>21,355</b>	<b>(9,511)</b>	<b>2,879</b>	<b>14,723</b>
<b>Total Capital Reserves</b>	<b>271</b>	<b>(838)</b>	<b>1,482</b>	<b>915</b>	<b>(75)</b>	<b>917</b>	<b>1,757</b>

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

Reserve	Description
<p><b>Service Reserves:</b></p> <p>Community Development</p> <p>Tramway - Maintenance Programme</p> <p>Environment, Roads &amp; Facilities</p> <p>IT / E-Government</p> <p>Human Resources</p> <p>Revenues &amp; Benefits</p> <p>Internal Audit</p> <p>Other Services</p> <p>Theatres - Repairs &amp; Renewals</p> <p>Regulatory &amp; Housing Services</p> <p>Social Services</p> <p>Education Services</p> <p><b>Corporate Reserves:</b></p> <p>Apprenticeships Reserve</p> <p>Council Tax Reduction Scheme</p> <p>Demand Led Risk Reserve</p> <p>Insurance Reserves</p> <p>PFI Unitary Charge</p> <p>Redundancy &amp; Retirement</p> <p>Revenue Budget Support 2016/17</p> <p>Other</p> <p>Earmarked Grants Reserves</p>	<p>Represents several amounts set aside for earmarked projects or risks, e.g. Business Support, LDP Review, Bus Shelter Remedial Works.</p> <p>An earmarked reserve to support the ongoing maintenance programme for the Great Orme Victorian Tramway.</p> <p>Represents several amounts set aside for earmarked projects or risks, e.g. Asset Management Planning, Street Parking Machines</p> <p>Represents several amounts set aside for earmarked projects or risks, e.g. Purchase of Software Licences, Storage for Personal Shared Devices</p> <p>Represents several amounts set aside for earmarked projects or risks, e.g. Support for Managing Sickness Absence, funding of a Modern Apprentice</p> <p>Represents several amounts set aside for earmarked projects or risks, e.g. Support for HB Admin, Financial Assessment System Hardware &amp; Software</p> <p>Represents several amounts set aside for earmarked projects or risks, e.g. Restructure Costs, E-procurement Solution</p> <p>Represents several amounts set aside for earmarked projects or risks, e.g. IT Transformation Development, One Conwy Project</p> <p>An earmarked reserve to support the ongoing repairs and renewal programme for the Theatres.</p> <p>Represents several amounts set aside for earmarked projects or risks, e.g. Contingency for the impact of Welfare Reform, Development Control Risk</p> <p>Represents the trading account of Galw Gofal and a small reserve to cover insurance risks</p> <p>Represents several amounts set aside for earmarked projects or risks, e.g. SEN Placements, LIDW Broadband</p> <p>An earmarked reserve to support the employment of Modern Apprentices</p> <p>Created to support the CTRS revenue budget</p> <p>Created to mitigate the impact of demand led risks such as increases in complex Social Services cases or a spell of severe weather.</p> <p>Created to fund any future liabilities such as MMI and known claims that exceed budgetary provision</p> <p>Created to contribute to the funding of future PFI Unitary Charge payments</p> <p>To aid in meeting the costs associated with redundancy and retirement</p> <p>Created to support Conwy's revenue budget in 2016/17</p> <p>To meet a variety of other commitments such as Council Elections and Home to School Transport</p> <p>Represent income from Government grants received which have no conditions attached but which have been set aside for use in the provision of specific services</p>

## 14. Property, Plant and Equipment

### Movements on Balances

	Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infra-structure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment	PFI Assets included in Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>								
At 1 April 2016	285,098	46,727	135,061	6,476	81	8,555	481,998	49,456
Additions	2,612	3,561	8,226	124	-	11,398	25,921	556
Revaluation Increases/(Decreases) recognised in the Revaluation Reserve	(230)	-	-	-	-	-	(230)	(371)
Revaluation Increases/(Decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,825)	-	-	-	-	-	(1,825)	(185)
Derecognition - Disposals	(165)	(20,353)	-	-	-	-	(20,518)	-
Transfers from Assets under Construction	1,504	-	267	-	-	(1,846)	(75)	-
Accumulated Depreciation and Impairment Written Out on Revaluation	(108)	-	-	-	-	-	(108)	-
Assets Reclassified (to)/from Held for Sale								
Other Movements in Cost or Valuation, etc								
<b>At 31 March 2017</b>	<b>286,886</b>	<b>29,935</b>	<b>143,554</b>	<b>6,600</b>	<b>81</b>	<b>18,107</b>	<b>485,163</b>	<b>49,456</b>
<b>Accumulated Depreciation &amp; Impairment</b>								
At 1 April 2016	(6,869)	(34,968)	(58,161)	(3,622)	-	-	(103,620)	(1,251)
Depreciation Charge	(6,360)	(3,240)	(5,195)	(383)	-	-	(15,178)	(1,251)
Depreciation Written Out to the Revaluation Reserve								
Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services								
Accumulated Depreciation and Impairment Written Out on Revaluation	1	20,353					20,354	
Derecognition - disposals								
<b>At 31 March 2017</b>	<b>(13,228)</b>	<b>(17,855)</b>	<b>(63,356)</b>	<b>(4,005)</b>	<b>-</b>	<b>-</b>	<b>(98,444)</b>	<b>(2,502)</b>
<b>Net Book Value</b>								
at 31 March 2017	273,658	12,080	80,198	2,595	81	18,107	386,719	46,954
at 31 March 2016	278,229	11,759	76,900	2,854	81	8,555	378,378	48,205

Comparative Movements in 2015/16:	Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infra-structure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment	PFI Assets included in Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>								
At 1 April 2015	285,323	45,322	131,064	6,136	-	2,818	470,663	49,456
Additions	1,952	1,678	3,997	340	-	5,740	13,707	528
Revaluation Increases/(Decreases) recognised in the Revaluation Reserve	(683)	-	-	-	-	-	(683)	(155)
Revaluation Increases/(Decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,202)	-	-	-	-	-	(1,202)	(373)
Derecognition - Disposals	(295)	(337)	-	-	-	-	(632)	-
Transfers from Assets under Construction	3	-	-	-	-	(3)	-	-
Accumulated Depreciation and Impairment Written Out on Revaluation	-	-	-	-	-	-	-	-
Assets Reclassified (to)/from Held for Sale	-	64	-	-	81	-	-	-
Other Movements in Cost or Valuation	-	-	-	-	-	-	145	-
<b>At 31 March 2016</b>	<b>285,098</b>	<b>46,727</b>	<b>135,061</b>	<b>6,476</b>	<b>81</b>	<b>8,555</b>	<b>481,998</b>	<b>49,456</b>
<b>Accumulated Depreciation &amp; Impairment</b>								
At 1 April 2015	(415)	(31,972)	(52,517)	(3,257)	-	-	(88,161)	-
Depreciation Charge	(6,460)	(3,306)	(5,644)	(365)	-	-	(15,775)	(1,251)
Depreciation Written Out to the Revaluation Reserve	-	-	-	-	-	-	-	-
Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-	-
Accumulated Depreciation and Impairment Written Out on Revaluation	6	310	-	-	-	-	316	-
Derecognition - disposals	-	-	-	-	-	-	-	-
<b>At 31 March 2016</b>	<b>(6,869)</b>	<b>(34,968)</b>	<b>(58,161)</b>	<b>(3,622)</b>	<b>-</b>	<b>-</b>	<b>(103,620)</b>	<b>(1,251)</b>
<b>Net Book Value</b>								
at 31 March 2016	278,229	11,759	76,900	2,854	81	8,555	378,378	48,205
at 31 March 2015	284,908	13,350	78,547	2,879	-	2,818	382,502	49,456

## Capital Commitments

At 31 March 2017, the Authority has entered into a contract for the construction or enhancement of Property, Plant and Equipment in 2017/18 and future years budgeted to cost £2m. Similar commitments at 31 March 2016 were £8.111m. The major commitment is:

<b>Council Fund Capital Programme Scheme</b>	<b>Contracted Future Cost £'000</b>
Construction of Ysgol Awel y Mynydd	2,000
<b>Total</b>	<b>2,000</b>

## Revaluations

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

## Disclosure Note regarding Schools

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

## 15. Investment Properties

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

	<b>2016/17 £000</b>	<b>2015/16 £000</b>
Rental income from Investment Property	427	698
<b>Net gain/(loss)</b>	<b>427</b>	<b>698</b>

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

<b>Fair Value of Investment Properties</b>	<b>2016/17 £'000</b>	<b>2015/16 £'000</b>
<b>Balance at start of year</b>	<b>17,044</b>	<b>15,896</b>
Additions:		
▪ Purchases	7	-
▪ Construction	-	-
▪ Subsequent Expenditure	-	-
Disposals	(200)	-
Net gains/(losses) from fair value adjustments	(218)	1,313
Transfers:		
▪ (to)/from inventories	71	-
▪ (to)/from Property, Plant and Equipment	-	-
▪ (to)/from Assets Held For Sale	-	(165)
Other changes	-	-
<b>Balance at year end</b>	<b>16,704</b>	<b>17,044</b>

## 16. Intangible Assets

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

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

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

	2016/17		2015/16
	£'000		£'000
<b>Balance at start of year:</b>			
▪ Gross Carrying Amounts	2,511		2,265
▪ Accumulated Amortisation	(1,393)		(1,176)
Net carrying amount at start of year	1,118		1,089
Additions:			
▪ Purchases	182		246
Amortisation for the period	(232)		(217)
<b>Net carrying amount at end of year</b>	<b>1,068</b>		<b>1,118</b>
Comprising:			
▪ Gross carrying amounts	2,693		2,511
▪ Accumulated amortisation	(1,625)		(1,393)
	1,068		1,118

There are no internally generated intangible assets.

## 17. Financial Instruments

### Categories of Financial Instruments

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

	Long-term		Current	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016
	£'000	£'000	£'000	£'000
<b>Investments</b>				
Loans and receivables	-	1,010	1,649	13,164
Available-for-sale financial assets	1,657	1,561	-	-
<b>Total Investments</b>	<b>1,657</b>	<b>2,571</b>	<b>1,649</b>	<b>13,164</b>
<b>Debtors</b>				
Loans and receivables	2,293	3,652	-	-
Financial assets carried at contract amounts	-	-	37,071	30,438
<b>Total Debtors</b>	<b>2,293</b>	<b>3,652</b>	<b>37,071</b>	<b>30,438</b>
<b>Borrowings</b>				
Financial liabilities at amortised cost	106,019	106,406	43,109	42,055
<b>Total Borrowings</b>	<b>106,019</b>	<b>106,406</b>	<b>43,109</b>	<b>42,055</b>
<b>Other Long Term Liabilities</b>				
PFI and finance lease liabilities	22,263	23,694	57	77
<b>Total Other Long Term Liabilities</b>	<b>22,263</b>	<b>23,694</b>	<b>57</b>	<b>77</b>
<b>Creditors</b>				
Financial liabilities carried at contract amount	745	-	20,188	22,144
<b>Total Creditors</b>	<b>745</b>	<b>-</b>	<b>20,188</b>	<b>22,144</b>

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 2017	31 March 2016
	£'000	£'000
Financial Assets - Investments	1,649	13,164
Cash Equivalents - Investments	1,580	13,270
Cash Equivalents - Foundation Schools Investments	372	382
Accruals	(6)	(21)
<b>Investments</b>	<b>3,595</b>	<b>26,795</b>

Analysis of long and short term actual debt outstanding:

	31 March 2017 £'000	31 March 2016 £'000
Financial Liabilities: Long Term Borrowing	106,019	106,406
Financial Liabilities: Short Term Borrowing	43,109	42,055
	149,128	148,461
Less PWLB Interest Accruals	(767)	(777)
Market Loans Interest Accruals	(180)	(188)
Stepped Loan Effective Interest Rate adjustment	(152)	(153)
Premium adjustment to Modified Loan	701	702
Soft loan accounting entries	106	137
<b>Debt Outstanding</b>	<b>148,836</b>	<b>148,182</b>

**Income, Expense, Gains & Losses**

	2016/17				2015/16			
	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	5,859	-	-	5,859	5,867	-	-	5,867
Losses on derecognition	-	-	-	-	-	-	-	-
Reductions in fair value	-	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-	-	-
Fee expense	27	-	-	27	25	-	-	25
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>5,886</b>	<b>-</b>	<b>-</b>	<b>5,886</b>	<b>5,892</b>	<b>-</b>	<b>-</b>	<b>5,892</b>
Interest income	-	(116)	-	(116)	-	(120)	-	(120)
Interest income accrued on impaired financial assets	-	-	-	-	-	-	-	-
Increase/Decrease in fair value	-	25	(96)	(71)	-	(80)	(139)	(219)
Gains on derecognition	-	-	-	-	-	-	-	-
Fee income	-	-	-	-	-	-	-	-
<b>Total Income in Surplus or Deficit on the Provision of Services</b>	<b>-</b>	<b>(91)</b>	<b>(96)</b>	<b>(187)</b>	<b>-</b>	<b>(200)</b>	<b>(139)</b>	<b>(339)</b>
<b>Net (Gain) Loss for the year</b>	<b>5,886</b>	<b>(91)</b>	<b>(96)</b>	<b>5,699</b>	<b>5,892</b>	<b>(200)</b>	<b>(139)</b>	<b>5,553</b>

## Fair Values of Assets and Liabilities

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

- estimated ranges of interest rates at 31 March 2017 of 1.19% to 2.25% for loans from the PWLB and 0.28% to 2.09% for other loans receivable and payable, based on new lending rates for equivalent loans at that date
- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.
- In 2014/15 the fair values of the PWLB loans were calculated using the Premature Redemption Rate but in 2015/16 and 2016/17 the Transfer Rate as per IFRS13 was used.

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

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

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

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

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

The fair values calculated are as follows:

	31 March 2017		31 March 2016	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Financial Liabilities	169,402	202,190	170,402	239,764
Long-Term Creditors	745	745	-	-
<b>Total</b>	<b>170,147</b>	<b>202,935</b>	<b>170,402</b>	<b>239,764</b>

	31 March 2017		31 March 2016	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Loans & Receivables	45,348	45,348	62,445	62,661
Long-Term Debtors	-	-	-	-
<b>Total</b>	<b>45,348</b>	<b>45,348</b>	<b>62,445</b>	<b>62,661</b>

### 18. Inventories

	Consumable Stores		Maintenance Materials		Finished Goods		Work in Progress		Total	
	2016/17 £'000	2015/16 £'000	2016/17 £'000	2015/16 £'000	2016/17 £'000	2015/16 £'000	2016/17 £'000	2015/16 £'000	2016/17 £'000	2015/16 £'000
Balance Outstanding at Start of Year	28	27	713	627	239	289	65	21	1,045	964
Movement in Year	(7)	1	(17)	86	62	(50)	16	44	54	81
<b>Balance Outstanding at Year End</b>	<b>21</b>	<b>28</b>	<b>696</b>	<b>713</b>	<b>301</b>	<b>239</b>	<b>81</b>	<b>65</b>	<b>1,099</b>	<b>1,045</b>

### 19. Carbon Reduction Commitment (CRC)

For 2016/17 the Council has accrued a sum of £216k (£236k in 2015/16) for CRC allowances.

## 20. Debtors

	31 March 2017 £'000	31 March 2016 £'000
Central Government Bodies	14,956	10,145
Other Local Authorities	4,349	5,372
NHS Bodies	3,959	1,791
Public Corporations and Trading Funds	26	18
Other Entities and Individuals	16,026	13,503
<b>Total</b>	<b>39,316</b>	<b>30,829</b>
Less Bad Debt Provision	(1,819)	(1,570)
<b>Net Debtors</b>	<b>37,497</b>	<b>29,259</b>

## 21. Cash and Cash Equivalents

	31 March 2017 £'000	31 March 2016 £'000
Cash Held by the Authority	1,058	1,004
Bank Current Accounts	(171)	(1,342)
Short-term Deposits	1,580	13,270
Short-term Deposits - Foundation Schools	373	382
<b>Total Cash and Cash Equivalents</b>	<b>2,840</b>	<b>13,314</b>

## 22. Assets Held for Sale

	Current	
	2016/17	2015/16
	£'000	£'000
<b>Balance outstanding at start of year</b>	<b>562</b>	<b>452</b>
Assets newly classified as held for sale:		
▪ Property, Plant & Equipment	108	-
▪ Intangible Assets	-	-
▪ Investment Properties	-	165
Other Assets/Liabilities in Disposal Groups	-	-
Revaluation Losses	-	(20)
Revaluation Gains	-	226
Impairment Losses	-	-
Assets declassified as held for sale:		
▪ Property, Plant & Equipment	-	-
▪ Intangible Assets	-	-
▪ Investment Properties	-	-
Other Assets/Liabilities in Disposal Groups	-	-
Assets Sold	(562)	(180)
Transfers from Non-Current to Current	-	-
Other Movements	-	(81)
<b>Balance outstanding at year end</b>	<b>108</b>	<b>562</b>

## 23. Creditors

	31 March 2017 £'000	31 March 2016 £'000
Central Government Bodies	622	1,678
Other Local Authorities	1,055	1,377
NHS Bodies	509	721
Public Corporations & Trading Funds	1	1
Other Entities & Individuals	18,485	18,443
<b>Total</b>	<b>20,672</b>	<b>22,220</b>

The above analysis includes receipts in advance of £4.651m mainly consisting of local taxation of £2.423m and theatre shows income of £1.448m.

## 24. Provisions

	Insurance Provisions £'000	Equal Pay and Early Voluntary Retirement Provision £'000	Other Provisions £'000	Total £'000
<b>Balance at 1 April 2015</b>	<b>1,757</b>	<b>483</b>	<b>1,217</b>	<b>3,457</b>
Additional Provisions made in 2015/16	1,067	634	-	1,701
Amounts used in 2015/16	(462)	(287)	(206)	(955)
Unused Amounts reversed in 2015/16	-	(143)	-	(143)
<b>Balance at 31 March 2016</b>	<b>2,362</b>	<b>687</b>	<b>1,011</b>	<b>4,060</b>
Non-Current	1,179	-	650	1,829
Current	1,183	687	361	2,231
<b>Balance at 1 April 2016</b>	<b>2,362</b>	<b>687</b>	<b>1,011</b>	<b>4,060</b>
Additional Provisions made in 2016/17	269	175	643	1,087
Amounts used in 2016/17	(341)	(494)	(781)	(1,616)
Unused Amounts reversed in 2016/17	(1,562)	(45)	-	(1,607)
<b>Balance at 31 March 2017</b>	<b>728</b>	<b>323</b>	<b>873</b>	<b>1,924</b>
Non-Current	50	-	-	50
Current	678	323	873	1,874

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

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

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

New claims received since the scheme was triggered are not included within the amount subject to the levy, but are instead dealt with by the relevant successor authority. Currently 75% of the payments are being reimbursed by MMI (in the scheme of arrangement). Based on claims outstanding as at the 31/03/2017, a sum of £26k is held in a provision to meet these liabilities.

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

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

It is anticipated that of all claims outstanding at 31/03/2017, the Authority will bear approximately £700k by way of policy excesses. This figure is inclusive of a £50k excess in respect of one catastrophic claim that is separately identified as a long term provision.

## **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, £88k in 2015/16 and £51k in 2016/17. The balance on the provision as at 31/3/2017 is £5k. The remaining claims are expected to be settled in 2017/18.

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 31/3/2017 is £319k (£637k 31/3/2016) which it is estimated will be settled in 2017/18 and £175k of which is included as a contribution to provision in the 2016/17 accounts.

## **Victoria Pier, Colwyn Bay**

A provision of £641k 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 £149k remains at 31/3/2017.

## Other Provisions

All other Provisions are not material and total £83k.

## 25. Usable Reserves

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement and Note 13.

## 26. Unusable Reserves

	31 March 2017 £'000	31 March 2016 £'000
Revaluation Reserve	70,842	72,899
Available for Sale Financial Assets Reserve	1,658	1,562
Capital Adjustment Account	160,421	159,950
Financial Instruments Adjustment account	(720)	(722)
Pensions Reserve	(169,641)	(140,604)
Deferred Capital Receipts Reserve	2,001	2,089
Unequal Pay Back Pay Account	(5)	(50)
Accumulated Absences Account	(3,140)	(2,259)
<b>Total Unusable Reserves</b>	<b>61,416</b>	<b>92,865</b>

## Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

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

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

2015/16 £'000	Revaluation Reserve	2016/17 £'000
75,560	<b>Balance at 1 April</b>	72,899
-	Upward revaluation of assets	449
(703)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(679)
(703)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the provision of services	(230)
(1,739)	Difference between fair value depreciation and historical cost depreciation	(1,672)
(219)	Accumulated gains on assets sold or scrapped	(155)
(1,958)	Amount written off to the Capital Adjustment Account	(1,827)
<b>72,899</b>	<b>Balance at 31 March</b>	<b>70,842</b>

### Available for Sale Financial Assets Reserve

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

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

<b>2015/16 £'000</b>	<b>Available for Sale Financial Assets Reserve</b>	<b>2016/17 £'000</b>
<b>1,423</b>	<b>Balance at 1 April</b>	<b>1,562</b>
-	Downward revaluation of investments	-
139	Upward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	96
-	Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income	-
<b>1,562</b>	<b>Balance at 31 March</b>	<b>1,658</b>

### Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority. The Account also contains valuation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 12 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2015/16	Capital Adjustment Account	2016/17
£'000		£'000
159,664	<b>Balance at 1 April</b>	159,950
	<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>	
(15,774)	▪ Charges for depreciation & impairment of non-current assets	(15,179)
(1,202)	▪ Revaluation gain / (losses) on Property, Plant & Equipment	(1,825)
227	▪ Revaluation losses on Assets Held for Sale	-
(217)	▪ Amortisation of Intangible Assets	(232)
(1,302)	▪ Revenue expenditure funded from capital under statute	(1,139)
(497)	▪ 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	(925)
(63)	▪ Administration costs of asset disposal in advance of sale	(39)
-	▪ Difference between asset value and lease liability on new finance leases	-
(18,828)		(19,339)
1,958	▪ Adjusting amounts written out of the Revaluation Reserve	1,827
(16,870)	Net written out amount of the cost of non-current assets consumed in the year	(17,512)
	<b>Capital financing applied in the year:</b>	
664	▪ Use of the Capital Receipts Reserve to finance new capital expenditure	1,980
-	▪ Use of the Capital Receipts Reserve to repay debt	-
6,751	▪ Capital grants & contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	11,741
-	▪ Application of grants to capital financing from the Capital Grants Unapplied Account	-
7,746	▪ Statutory provision for the financing of capital investment charged against the Council Fund	4,671
682	▪ Capital expenditure charged against the Council Fund	(190)
(1,027)		690
1,313	▪ Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement	(219)
<b>159,950</b>	<b>Balance at 31 March</b>	<b>160,421</b>

## Financial Instruments Adjustment Account

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

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

2015/16 £'000	Financial Instruments Adjustment Account	2016/17 £'000
(821)	<b>Balance at 1 April</b>	(722)
-	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	28
80	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	(26)
(722)	<b>Balance at 31 March</b>	(720)

## 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.

2015/16 £'000	Pensions Reserve	2016/17 £'000
<b>(191,131)</b>	<b>Balance at 1 April</b>	<b>(140,604)</b>
60,470	Actuarial gains or (losses) on pensions assets & liabilities	(22,567)
(24,555)	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	(20,843)
14,612	Employer's pension contributions payable in the year	14,373
<b>(140,604)</b>	<b>Balance at 31 March</b>	<b>(169,641)</b>

#### Deferred Capital Receipts Reserve

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

2015/16 £'000	Deferred Capital Receipts Reserve	2016/17 £'000
<b>2,326</b>	<b>Balance at 1 April</b>	<b>2,089</b>
-	Finance Lease Assets	-
(223)	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	(73)
(14)	Transfer to the Capital Receipts Reserve upon receipt of cash	(15)
<b>2,089</b>	<b>Balance at 31 March</b>	<b>2,001</b>

### Unequal Pay Back Pay Account

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

2015/16 £'000	Unequal Pay Back Pay Account	2016/17 £'000
(282)	<b>Balance at 1 April</b>	(50)
144	Decrease in provision for back pay in relation to Equal Pay cases	(6)
88	Cash settlements paid in year	51
232	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	45
<b>(50)</b>	<b>Balance at 31 March</b>	<b>(5)</b>

### Accumulated Absences Account

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

2015/16 £'000	Accumulated Absences Account	2016/17 £'000
(2,347)	<b>Balance at 1 April</b>	(2,260)
2,347	Settlement or cancellation of accrual made at the end of the preceding year	2,260
(2,260)	Amounts accrued at the end of the current year	(3,140)
87	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	(880)
<b>(2,260)</b>	<b>Balance at 31 March</b>	<b>(3,140)</b>

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

<b>2015/16 £'000</b>		<b>2016/17 £'000</b>
(15,775)	Depreciation of Non Current Assets	(15,179)
(217)	Amortisation of Intangible Fixed Assets	(232)
(9,943)	Pension Fund adjustments	(6,470)
99	Other non cash Financial Instrument adjustments	2
232	Use of provision for equal pay	45
(139)	Increase/decrease in impairment for provision for bad debts	(249)
(603)	Contributions to Provisions	2,137
(497)	Carrying amount of PP&E, investment property and intangible assets sold	(925)
2,270	Other non-cash movement	7,712
82	Increase/(Decrease) in Inventories	53
(2,281)	Increase/(Decrease) in Debtors	3,161
(1,002)	(Increase)/Decrease in Creditors	525
<b>(27,774)</b>	<b>Net non cash movements</b>	<b>(9,420)</b>

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

<b>2015/16 £'000</b>		<b>2016/17 £'000</b>
19,407	Purchase of property, plant and equipment, investment property and intangible assets	31,319
282,651	Purchase of short –term and long-term investments	257,886
(431)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2,540)
(275,647)	Proceeds from short-term and long-term investments	(270,402)
(13,375)	Other receipts from investing activities	(12,165)
<b>12,605</b>	<b>Net cash flow from investing activities</b>	<b>4,098</b>

## 29. Cash Flow Statement – Financing Activities

2015/16 £'000		2016/17 £'000
(75,000)	Cash receipts of short-term and long-term borrowing	(72,059)
-	Other receipts from financing activities	-
1,422	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	1,448
70,308	Repayments of short- term and long- term borrowing	71,308
1,232	Other payments for financing activities	1,377
<b>(2,038)</b>	<b>Net cash flow from financing activities</b>	<b>2,074</b>

## 30. Acquired and Discontinued Operations

There were no acquired or discontinued operations in the year.

### 31. 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 2017 amounted to £242k.

		2016/17 £'000	2015/16 £'000
Great Orme Tramway	Turnover	(1,179)	(1,071)
	Expenditure	1,067	1,133
	<b>Net Revenue Expenditure</b>	<b>(112)</b>	<b>62</b>
	<b>Net Revenue Expenditure (after IAS19 adjustment)</b>	<b>(102)</b>	<b>81</b>

The Council owns and operates a major theatre/conference centre/arena complex and a second theatre, generating income from lettings and ticket sales. The 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 2016/17 in the case of Venue Cymru despite making a deficit overall. The summary below shows all associated expenditure and income

		2016/17 £'000	2015/16 £'000
Venue Cymru	Turnover	(5,645)	(6,044)
	Expenditure	7,319	7,586
	<b>Net Revenue Expenditure</b>	<b>1,674</b>	<b>1,542</b>
	<b>Net Revenue Expenditure (after IAS19 adjustment)</b>	<b>1,746</b>	<b>1,680</b>
Theatr Colwyn	Turnover	(309)	(320)
	Expenditure	462	446
	<b>Net Revenue Expenditure</b>	<b>153</b>	<b>126</b>
	<b>Net Revenue Expenditure (after IAS19 adjustment)</b>	<b>160</b>	<b>138</b>

		2016/17 £'000	2015/16 £'000
<b>Total</b>	<b>Net Revenue Expenditure</b>	<b>1,715</b>	<b>1,730</b>
	<b>Net Revenue Expenditure (after IAS19 adjustment)</b>	<b>1,804</b>	<b>1,899</b>
<b>Total Trading Operations</b>	Revenue Provision	(24)	(24)
	<b>Net Revenue Expenditure per Income &amp; Expenditure Account</b>	<b>1,780</b>	<b>1,875</b>

### 32. Agency Services

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

The six North Wales councils act as agents of Welsh Government in providing recyclable loans under the Houses into Homes Scheme (Tranche 1), for the repair of properties which have been long term vacant, with the aim of bringing them back into use. Flintshire County Council is the lead/banker authority for the North Wales region and responsible for administering the fund. The Council received nothing in 2016/17 (£190k in 2015/16) from Flintshire County Council, and paid nothing to Flintshire County Council in 2016/17 in respect of repaid grants (£75k in 2015/16.)

During 2014/15 the Welsh Government (WG) introduced two new loan schemes for regeneration – Home Improvement Loans and Houses into Homes (Tranche 2). Unlike the Tranche 1 scheme above the funding is repayable to WG in 13 to 15 years. The Council received £444k for Home Improvement Loans and £444k for Houses into Homes (Tranche 2), a total of £888k, during the financial years 2014/15 and 2015/16. £144k of the Home Improvement Loans were issued in 2016/17 (Nil in 2015/16). No Houses into Homes (Tranche 2) Loans were issued in 2016/17 (Nil in 2015/16).

Expenditure on these activities was as follows:

	2016/17 £'000	2015/16 £'000
Trunk Roads	3,522	4,061
Home Improvement Loans	144	-
Houses into Homes (Tranche 1)	132	50
<b>Total</b>	<b>3,798</b>	<b>4,111</b>

### 33. Members' Allowances

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

	2016/17 £000	2015/16 £000
Basic Allowance	779	780
Special Responsibility Allowance	227	259
Expenses	24	28
<b>Total</b>	<b>1,030</b>	<b>1,067</b>

### 34. Officers' Remuneration

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

	Post Title	Salary	Expense Reimbursement	Total Remuneration excl Pension Contributions	Employers Pension Contributions	Total Remuneration
		£	£	£	£	£
2015/16	Chief Executive	114,435	945	115,380	21,857	137,237
2016/17	Chief Executive	115,579	1,085	116,664	22,076	138,740
2015/16	Strategic Director (Democracy and Environment)	136,226	1,174	137,400	14,634	152,034
2016/17	Strategic Director (Democracy and Environment)	-	-	-	-	-
2015/16	Strategic Director (Finance & Efficiencies)	92,059	158	92,217	17,583	109,800
2016/17	Strategic Director (Finance & Efficiencies)	74,383	54	74,437	14,207	88,644
2015/16	Former Strategic Director (Economy & Place)	85,567	1,325	86,892	16,280	103,172
2016/17	Former Strategic Director (Economy & Place) (End Date April 2016)	5,404	207	5,611	1,022	6,633
2016/17	Strategic Director (Economy & Place) (Start date June 2016)	65,878	310	66,188	11,579	77,767
2015/16	Head of Law and Governance	68,638	843	69,481	12,821	82,302
2016/17	Head of Law and Governance	69,325	342	69,667	12,902	82,569
2015/16	Strategic Director of Social Care and Education	81,584	616	82,200	15,583	97,783
2016/17	Strategic Director of Social Care and Education	84,411	852	85,263	16,122	101,385
2015/16	Former Statutory Head of Education Services	70,887	822	71,709	13,539	85,248
2016/17	Former Statutory Head of Education Services (End Date August 2016)	34,613	285	34,898	5,878	40,776
2016/17	Statutory Head of Education Services (Start Date July 2016)	47,607	601	48,208	8,939	57,147

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

Remuneration includes all sums paid to or receivable by an employee (including normal emoluments), expense allowances and the money value of benefits, but excludes payments in relation to election duties. Total remuneration includes employer pension contributions payable to the Local Government Pension Scheme, but not directly paid to the employee. The remuneration for the Strategic Director (Democracy and Environment) includes a redundancy payment.

The figures for the Strategic Director (Finance and Efficiencies) reflect flexible retirement arrangements.

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	2016/17 Number		2015/16 Number	
	Non-Schools	Schools	Non-Schools	Schools
£60,000 - £64,999	4	5	7	7
£65,000 - £69,999	2	1	3	4
£70,000 - £74,999	3	7	2	5
£75,000 - £79,999	1	1	0	1
£80,000 - £84,999	0	0	1	0
£85,000 - £89,999	0	1	0	2
£90,000 - £94,999	0	2	0	1
£95,000 - £99,999	0	0	0	1
£100,000 - £104,999	0	0	0	0
£105,000 - £109,999	0	0	0	1
£110,000 - £114,999	0	1	0	0

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

	2016/17 Scale Point	2015/16 Scale Point
Chief Executive	£115,579	£114,435
Median	£18,123	£17,714
Ratio	6.38	6.46

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	
	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16
							£	£
£0 - £20,000	13	39	27	31	40	70	340,299	424,746
£20,001 - £40,000	2	14	2	9	4	23	116,560	592,371
£40,001 - £60,000	-	4	-	1	-	5	-	249,610
£60,001 - £120,000	1	1	1	1	2	2	123,549	178,444
£120,001 - £150,000	-	-	-	-	-	-	-	-
<b>Total</b>	<b>16</b>	<b>58</b>	<b>30</b>	<b>42</b>	<b>46</b>	<b>100</b>	<b>580,408</b>	<b>1,445,171</b>

### 35. External Audit Costs

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

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

	<b>2016/17</b>	<b>2015/16</b>
	<b>£'000</b>	<b>£'000</b>
Fees payable to WAO with regard to external audit services carried out for the year.	205	205
Fees payable to WAO in respect of statutory inspections and National Fraud Initiative	99	99
Fees payable for the certification of grant claims and returns for the year.	56	34
Other fees payable in respect of other services provided by WAO and KPMG during the year.	17	17
	<b>377</b>	<b>355</b>

The estimated fee for certification of grant claims and returns related to 2016/17 is £40k and is not included above.

### 36. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2016/17:

	2016/17	2015/16
	£'000	£'000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Revenue Support Grant	113,777	117,245
Outcome Agreement Grant	-	1,163
<i>Sub Total</i>	<i>113,777</i>	<i>118,408</i>
<b>Capital Grants:</b>		
General Capital Grant (Non REFCUS)	2,080	1,249
Specific Capital Grant (Non REFCUS)	74	70
21st Century Schools Grant	3,313	2,154
Flood Alleviation Schemes	470	224
Environmental and Sustainable Development Grant (ex SWMG)	225	96
Vibrant and Viable Places Grant	245	1,178
Colwyn Bay Waterfront Coastal Defence	2,725	138
Restoration of Coastal Defence	31	-
Local Transport Grant	40	-
Other Welsh Government Grants	408	859
Other Various Grants	523	655
<i>Sub Total</i>	<i>10,134</i>	<i>6,623</i>
<b>Grand Total</b>	<b>123,911</b>	<b>125,031</b>
<b>Credited to Services:</b>		
Intermediate Care Fund Grant	1,350	891
Education Improvement Grant	3,822	3,905
Concessionary Fares	2,818	2,741
Cymorth - the Children and Youth Support Fund/ Families 1st	1,186	1,301
Flying Start Revenue Grant	2,083	2,102
Youth Justice Service	289	336
Post-16 Provision in Schools	4,661	4,785
Supporting People	6,563	6,453
Sustainable Waste Management Grant	2,638	2,628
Substance Misuse Action Fund	482	803
Various capital grants applied (REFCUS)	3,784	4,634
European Social Fund	45	(60)
DWP - Housing Benefits Grant	35,942	35,801
Pupil Deprivation Grant	2,629	2,569
Transport Services Grant / Bus Services Support Grant	571	466
Communities First Grant	508	502
Safer Communities	318	360
SCWDP	283	284
Secondary School Sports	166	174
Discretionary Housing Payments	195	154
National Exercise Referral Scheme	156	150
TRAC (European Social Fund)	283	-
Other Grants	2,127	3,265
<b>Grand Total</b>	<b>72,899</b>	<b>74,244</b>

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

	<b>31 March 2017</b>	<b>31 March 2016</b>
	<b>£'000</b>	<b>£'000</b>
<b>Capital Grants Receipts in Advance</b>		
Section 106 Agreements	1,284	1,241
<b>Total</b>	<b>1,284</b>	<b>1,241</b>

### **37. Related Parties**

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

#### **Central Government**

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

#### **Precepts and Levies**

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

#### **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 2016/17 a total of £389,342 (2015/16: £378,857) was paid to these bodies by way of grants and the purchasing of services. In 2016/17 the Council received income of £83,985 (£410,592 in 2015/16) from these bodies.

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

The Council is a member of the WLGA and LGA, to which subscriptions of £98,035 were paid in 2016/17 (£101,209 in 2015/16), and from which the Council received income of £10,152 (£6,879 in 2015/16).

#### **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 2016/17.

Nothing was paid by the Council in 2016/17 under such dealings (£68,615 in 2015/16), and no income was received by the Council (income of £3,000 in 2015/16).

## **Members**

Members were sent a declaration of interest with related parties return for the year 2016/17.

A total of £577,982 was paid by the Council in 2016/17 under such dealings (2015/16: £288,043), and a total of £32,349 was received by the Council (£8,126 in 2015/16).

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

## **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.

### 38. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The movement in the CFR is analysed in the second part of this note.

	2016/17	2015/16
	£'000	£'000
Opening Capital Financing Requirement	164,449	164,912
<b>Capital Investment</b>		
Property, Plant & Equipment	25,921	13,707
Investment Properties	7	-
Intangible Assets	182	246
Revenue Expenditure funded from Capital under Statute	4,923	5,936
Leased Assets - effect of acquisitions and disposals on the lease liability	-	63
Fees to Revenue	(3)	-
<b>Sources of Finance</b>		
Capital Receipts	(1,941)	(601)
Government Grants & Other Contributions	(15,525)	(11,386)
Sums set aside from revenue:		
Direct Revenue Contributions	190	(682)
MRP	(4,671)	(7,746)
<b>Closing Capital Financing Requirement</b>	<b>173,532</b>	<b>164,449</b>
<b>Explanation of movements in year</b>		
Increase in underlying need to borrow	9,914	896
Finance Leases	(77)	(139)
PFI contracts	(790)	(1,283)
Costs of disposal movement in CAA	39	63
Fees to Revenue	(3)	-
<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>9,083</b>	<b>(463)</b>

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

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

	Renovation Grants and Renewal Areas		Other		Total	
	2016/17 £'000	2015/16 £'000	2016/17 £'000	2015/16 £'000	2016/17 £'000	2015/16 £'000
Balance at 31 March	-	-	-	-	-	-
Transfer from Debtors	-	-	-	-	-	-
Expenditure in year	2,778	3,074	2,145	2,862	4,923	5,936
Grants	(1,872)	(2,841)	(1,914)	(1,793)	(3,786)	(4,634)
Written Off to Revenue	(906)	(233)	(231)	(1,069)	(1,137)	(1,302)
<b>Balance at 31 March</b>	-	-	-	-	-	-

'Other' revenue expenditure funded from capital under statute includes Colwyn Bay Townscape Heritage Initiative - Vibrant and Viable Places, Project Match Funding Business Support Grants, PMF Pre Approval Project Costs Conwy Morfa Ground Condition, Nature Reserves Capital Projects, Colwyn Bay Phase 1a Porth Eirias Kitchen (Finance Lease), Home Buy Scheme (Housing Strategy), Target Hardening Grant, Vibrant and Viable Places Pipeline - Refurbishment of Canopies Colwyn Bay, Vibrant and Viable Places – Space for Living Abergele Road.

#### 40. Leases

##### Authority as Lessee

##### Finance Leases

The Council has acquired a number of buildings, commercial vehicles, franking machines, and schools IT and other equipment under finance leases.

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	31 March 2017 £'000	31 March 2016 £'000
Other Land & Buildings	618	639
Vehicles, Plant, Furniture & Equipment	106	282
<b>Total</b>	<b>724</b>	<b>921</b>

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

	31 March 2017 £'000	31 March 2016 £'000
Finance lease liabilities (NPV of minimum lease payments)		
▪ Current	58	77
▪ Non-Current	336	393
Finance costs payable in future years	1,003	1,031
<b>Minimum Lease Payments</b>	<b>1,397</b>	<b>1,501</b>

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2017 £'000	31 March 2016 £'000	31 March 2017 £'000	31 March 2016 £'000
No later than one year	82	105	58	77
Later than one year and not later than 5 years	155	208	80	126
Later than 5 years	1,160	1,188	256	267
<b>Total</b>	<b>1,397</b>	<b>1,501</b>	<b>394</b>	<b>470</b>

### Operating Leases

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

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

	<b>31 March 2017</b> <b>£'000</b>	<b>31 March 2016</b> <b>£'000</b>
No later than 1 year	1,016	776
Later than 1 year and not later than 5 years	1,482	361
Later than 5 years	10,343	2,582
<b>Total</b>	<b>12,841</b>	<b>3,719</b>

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

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

	<b>2016/2017</b> <b>£'000</b>	<b>2015/2016</b> <b>£'000</b>
Minimum lease payments	776	795
Payments receivable in respect of properties occupied by homeless families	(516)	(584)
<b>Total</b>	<b>260</b>	<b>211</b>

## Authority as Lessor

### Finance Leases

The Authority has leased out several properties on finance leases with remaining terms of up to 122 years. The Authority has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Authority in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

	<b>31 March 2017</b> <b>£'000</b>	<b>31 March 2016</b> <b>£'000</b>
Finance lease debtor (NPV of minimum lease payments)		
▪ Current	142	123
▪ Non-Current	1,857	1,962
Unearned finance income	917	980
Unguaranteed residual value of property	(267)	(275)
<b>Gross Investment in the lease</b>	<b>2,649</b>	<b>2,790</b>

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

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

	<b>Gross Investment in the Lease</b>		<b>Minimum Lease Payments</b>	
	<b>31 March 2017</b> <b>£'000</b>	<b>31 March 2016</b> <b>£'000</b>	<b>31 March 2017</b> <b>£'000</b>	<b>31 March 2016</b> <b>£'000</b>
No later than one year	336	285	336	285
Later than one year and not later than 5 years	741	751	741	751
Later than 5 years	1,572	1,754	1,572	1,754
<b>Total</b>	<b>2,649</b>	<b>2,790</b>	<b>2,649</b>	<b>2,790</b>

## **Operating Leases**

The Authority leases out property for various purposes including:

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

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

	<b>31 March 2017 £'000</b>	<b>31 March 2016 £'000</b>
No later than 1 year	798	729
Later than 1 year and not later than 5 years	1,456	1,402
Later than 5 years	9,608	9,594
<b>Total</b>	<b>11,862</b>	<b>11,725</b>

The minimum lease payments receivable do not include rent that is contingent on turnover. In 2016/17 contingent rents received amounted to £265,737. In 2015/16 this figure was £364,680.

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

### **Three Schools PFI Project**

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

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

Contracts were signed on 12 March 2003, and construction started at the end of March 2003. The Unitary Charges (the monthly payment made by the Council to the private sector for the 3 fully serviced schools) were payable from 1 August 2004 for a contract period of 25 years. The Unitary Charge in the financial year 2016/17 was £6.9m (no availability and performance deductions) for the period April 2016 to March 2017 inclusive. (Unitary Charge in the financial year 2015/16 was £6.9m net of minimal availability and performance deductions). The full year charge in 2017/18 is estimated to be approximately £7.1m at a price base of 1 April 2017.

The outstanding undischarged obligation arising from the PFI transaction is approximately £94.8m (£101.8m in 2015/16), 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. Also, in 2016/17 a contribution was made from the PFI reserve to support the revenue budget 2016/17 in the sum of £1.968m to fund the overspend in Social Services.

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

	<b>£'000</b>
1 April 2015	49,456
Movement 2015/16	(1,251)
31 March 2016	48,205
Movement 2016/17	(1,251)
31 March 2017	46,954

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

	<b>Finance Lease Creditor</b>	<b>Lifecycle Timing Differences</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
1 April 2015	(24,192)	(391)	(24,583)
Movement 2015/16	1,283	-	1,283
31 March 2016	(22,909)	(391)	(23,300)
Movement 2016/17	1,372	-	1,372
31 March 2017	(21,537)	(391)	(21,928)

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

	<b>Service Charges £'000</b>	<b>Repayments of Liability £'000</b>	<b>Interest £'000</b>	<b>Total £'000</b>
Within 1 Year	4,021	1,162	1,902	7,085
Between 1 and 5 Years	16,613	6,360	6,384	29,357
Between 5 and 10 Years	26,046	8,711	4,356	39,113
Between 10 and 15 Years	13,185	5,304	751	19,240
Over 15 Years	-	-	-	-

## **42. Impairment Losses**

During 2016/17, the Authority did not recognise any impairment losses. (In 2015/16 the Authority did not recognise any impairment losses).

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

The Authority terminated the contracts of a number of employees in 2016/17 incurring liabilities of £580k (£1.445m in 2015/16) – see Note 34 for the number of exit packages and total cost per band.

The liability of £580k is further analysed below:

A sum of £58k was paid/payable to 5 employees as a result of building closures..

A sum of £201k was paid/payable to 11 employees as a result of restructures.

A sum of £260k was paid/payable to 22 employees to make budget savings.

A sum of £61k was paid/payable to 8 employees as a result of other reasons.

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

Teachers employed by the Authority are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the Authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Authority is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. In 2016/17, the Council paid an employer contribution, excluding the foundation schools, of £4.835m to Teachers' Pensions in respect of teachers' retirement benefits, representing 16.48% of pensionable pay. The figures for 2015/16 were £4.593m and 15.48%. There were no contributions remaining payable at the year end (31 March 2016 – Nil).

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

#### **45. Defined Benefit Pension Schemes**

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

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

The Authority participates in two post employment schemes:

- The Local Government Pension Scheme. The Authority participates in schemes administered locally by Gwynedd Council and Flintshire County Council – these are funded defined benefit final salary schemes, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- Arrangements for the award of discretionary post retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities

are recognised when awards are made. However, there are no investment assets built up to meet these 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 2016/17 was 19.1% plus a pensions fixed sum of £1.306m (2015/16 19.1% plus a pensions fixed sum of £1.294m). The rate will be 19.1% plus a pensions fixed sum of £1.306m less a discount for payment in advance in 2017/18. The total amount paid to the Gwynedd scheme in 2016/17 was £13.402m in respect of standard pension contributions (£13.550m in 2015/16).

### 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 2016/17

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	
	2016/17	2015/16	2016/17	2015/16
	£'000	£'000	£'000	£'000
<b>Comprehensive Income &amp; Expenditure Statement</b>				
<b>Net Cost of services:</b>				
▪ Current service cost	15,642	18,201	-	-
▪ Past service cost	294	209	7	6
▪ Settlements	-	-	-	-
<b>Financing &amp; Investment Income &amp; Expenditure</b>				
▪ Net Interest	4,217	5,443	684	696
<b>Total Defined Benefit Charged to Provision of Services</b>	<b>20,153</b>	<b>23,853</b>	<b>691</b>	<b>702</b>
<b>Other Pension Costs Charged to the Comprehensive Income &amp; Expenditure Statement</b>				
▪ Return on assets (excluding interest)	(71,782)	2,670		
▪ Remeasurements on liabilities	92,884	(61,707)	1,464	(1,433)
<b>Total Pension Costs Charged to the Comprehensive Income &amp; Expenditure Statement</b>	<b>41,255</b>	<b>(35,184)</b>	<b>2,155</b>	<b>(731)</b>
<b>Movement in Reserves Statement</b>				
▪ Reversal of charges in accordance with the Code	20,843	24,555	-	-
<b>Actual amounts charged to the General Fund in year:</b>				
▪ Employer contributions	14,373	14,612	-	-
▪ Discretionary payments			1,416	1,455

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	
	2016/17	2015/16	2016/17	2015/16
	£'000	£'000	£'000	£'000
Present value of defined benefit obligation	(640,395)	(523,986)	(20,693)	(19,954)
Fair value of assets	491,447	403,335	-	-
Sub total	(148,948)	(120,651)	(20,693)	(19,954)
Other movements in liability/assets	-	-	-	-
<b>Net liability</b>	<b>(148,948)</b>	<b>(120,651)</b>	<b>(20,693)</b>	<b>(19,954)</b>

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

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

Liabilities	Funded Liabilities: Local Government Pension Scheme		Unfunded Liabilities: Discretionary Benefits	
	31 March 2017 £'000	31 March 2016 £'000	31 March 2017 £'000	31 March 2016 £'000
Opening balance	523,986	558,885	19,954	22,140
Current service cost	15,642	18,201	-	-
Interest cost	18,404	18,011	684	696
Contributions by plan participants	3,804	3,790	-	-
Remeasurements	92,884	(61,707)	1,464	(1,433)
Benefits paid	(14,619)	(13,403)	(1,416)	(1,455)
Past service costs/(credit)	294	209	7	6
Curtailments	-	-	-	-
Liabilities Discharged	-	-	-	-
<b>Closing Balance</b>	<b>640,395</b>	<b>523,986</b>	<b>20,693</b>	<b>19,954</b>

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

Assets	Local Government Pension Scheme	
	31 March 2017 £'000	31 March 2016 £'000
Opening balance at 1 April	403,335	389,893
Remeasurements	71,782	(2,670)
Asset Interest	14,187	12,568
Employer contributions	12,958	13,157
Contributions by scheme participants	3,804	3,790
Benefits paid	(14,619)	(13,403)
Unfunded Benefits Paid	(1,416)	(1,455)
Unfunded Benefits Contributions	1,416	1,455
Liabilities Discharged	-	-
<b>Closing balance</b>	<b>491,447</b>	<b>403,335</b>

### Local Government Pension Scheme Assets

Asset Category	2016-17				2015-16			
	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	
<b>Equity Securities</b>								
Consumer	16,895	-	16,895	3.4	12,859	-	12,859	3.2
Manufacturing	15,258	-	15,258	3.1	-	-	-	-
Energy and Utilities	2,745	-	2,745	0.6	2,216	-	2,216	0.5
Financial Institutions	9,450	-	9,450	1.9	6,590	-	6,590	1.6
Health and Care	24,320	-	24,320	4.9	23,311	-	23,311	5.8
Information Technology	19,812	-	19,812	4.0	13,381	-	13,381	3.3
Other	1,350	-	1,350	0.3	16,108	-	16,108	4.0
<b>Debt Securities</b>								
Other	-	61,555	61,555	12.5	-	-	-	-
<b>Private Equity</b>								
All	-	22,259	22,259	4.5	-	16,428	16,428	4.1
<b>Real Estate</b>								
UK Property	10,826	26,905	37,731	7.7	7,716	34,041	41,757	10.3
Overseas Property	-	1,000	1,000	0.2	-	764	764	0.2
<b>Investment Funds &amp; Unit Trusts</b>								
Equities	105,318	149,903	255,221	51.8	82,066	118,981	201,047	49.7
Bonds	-	-	-	-	-	-	-	-
Infrastructure	-	6,607	6,607	1.3	-	3,365	3,365	0.8
<b>Debt Securities</b>								
Other	-	-	-	-	-	54,034	54,034	13.4
<b>Cash &amp; Cash Equivalents</b>								
All	18,537	-	18,537	3.8	12,452	-	12,452	3.1
<b>Totals</b>	<b>224,511</b>	<b>268,229</b>	<b>492,740</b>	<b>100.0</b>	<b>176,699</b>	<b>227,613</b>	<b>404,312</b>	<b>100.0</b>

Details regarding the changes in the Local Government Pension Scheme rules, including the change from final salary benefits to career average re-valued benefits for service from 1<sup>st</sup> April 2017 onwards, can be found on the following link:

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

## Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the Council Fund being based on the latest full valuation of the scheme as at 31 March 2017.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Discretionary Benefits	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016
<b>Mortality Assumptions:</b>				
<b>Longevity at 65 for current pensioners</b>				
▪ Men	22.0	22.0	22.0	22.0
▪ Women	24.2	24.0	24.2	24.0
<b>Longevity at 65 for future pensioners</b>				
▪ Men	24.0	24.4	24.0	24.4
▪ Women	26.4	26.6	26.4	26.6
Rate of Inflation	2.4%	2.2%	2.4%	2.2%
Rate of Increase in salaries	2.4%	4.2%	2.4%	4.2%
Rate of Increase in pensions	2.4%	2.2%	2.4%	2.2%
Rate for discounting scheme liabilities	2.6%	3.5%	2.6%	3.5%
Take-up of option to convert annual pension into retirement lump sum	50%	50%	-	-

## **46. Contingent Liabilities**

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

Actuarial opinion is that the levy could increase from the 25% paid to date. Whilst theoretically the exposure of a scheme creditor could ultimately equate to 100%, it is more likely that the final levy will be in the region of 50%. Based on the current scheme liabilities, should a further 25% levy be demanded, then another £682k would be needed. This sum is identified within the insurance reserves. It does not however take account of new and emerging claims, nor for an ultimate levy in excess of 50%.

### **Funded Nursing Care (FNC)**

The Council has been involved in a legal case in respect of Funded Nursing Care (FNC); the case is national in scale, involving twenty one of the twenty two Welsh Authorities as well as Local Health Boards. The Supreme Court has come to a judgment which requires interested parties to negotiate the payment to the nursing home sector. The liability for the period 2013/14 to 2016/17 is unknown until the conclusion of the negotiations and therefore no provision has been made.

## **47. Contingent Assets**

There are no outstanding contingent assets.

## **48. Joint Arrangements & Joint Committees**

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

There is one formal Joint Committee, for which Flintshire County Council prepares a separate set 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 2016/17 was £83k (£18k in 2015/16).

A second formal Joint Committee, for which Gwynedd Council prepares a separate set of accounts, is GwE, an improvement service for schools on a North Wales basis. Conwy's contribution to the GwE Joint Committee in 2016/17 was £551k (£559k in 2015/16).

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

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

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

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

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

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

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

### Credit Risk

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

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

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

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

1. Debt Management Office of the Treasury – unlimited
2. Local Authorities (except rate capped) – limit £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 2017 that this was likely to crystallise.

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

	<b>Amount at 31 March 2017</b>	<b>Historical Experience of Default</b>	<b>Historical experience adjusted for market conditions at 31 March 2017</b>	<b>Estimated Maximum Exposure to Default &amp; Uncollectability at 31 March 2017</b>	<b>Estimated Maximum Exposure at 31 March 2017</b>
	<b>£'000</b>	<b>%</b>	<b>%</b>	<b>£'000</b>	<b>£'000</b>
Customers	10,385	0	0	0	0

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

	<b>31 March 2017 £000</b>	<b>31 March 2016 £000</b>
< 3 Months	6,552	5,295
3-6 Months	220	22
6-12 Months	750	172
> 12 Months	2,863	790
<b>Total</b>	<b>10,385</b>	<b>6,279</b>

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

## Liquidity Risk

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

	<b>31 March 2017</b> <b>£'000</b>	<b>31 March 2016</b> <b>£'000</b>
< 1 Year	40,828	41,318
1 – 2 Years	338	328
2 – 5 Years	1,080	1,047
5 – 10 Years	5,726	5,665
10 – 25 Years	6,415	6,848
> 25 Years	90,656	90,656
<b>Total</b>	<b>145,043</b>	<b>145,862</b>

## Market Risk

### Interest Rate Risk

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

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

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

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

The Council is not currently taking any long term borrowing, 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 2017, if interest rates had been 1% higher with all other variables held constant, the financial effect would be as shown in the following table:-

	<b>£'000</b>
Increase in Interest receivable on variable rate Investments	(213)
Impact on Surplus or Deficit on the Provision of Services	(213)
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)	(34,844)

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.

## **50. 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 2017 amounted to £118,989 and the income for the year was £4,941. (Fund Balances at 31 March 2016 amounted to £117,000 and income for the year 2015/16 was £5,190.)

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 111.
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 115.

## **51. Forward Commitments**

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

## 52. 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 2016/17 was calculated as follows: -

Band	Equivalent Number of Dwellings after Discount	Band D Adjustment	Band D Equivalent
A*	11	5/9	5.97
A	4,166	6/9	2,777.33
B	6,978	7/9	5,427.33
C	13,198	8/9	11,731.56
D	10,264	1	10,264.00
E	7,984	11/9	9,758.22
F	4,526	13/9	6,537.56
G	1,753	15/9	2,920.83
H	387	18/9	774.00
I	132	21/9	307.42
			<b>50,504.22</b>
<b>Council Tax Base after allowing for losses on collection</b>			<b>49,746.66</b>

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

	2016/17	2015/16
	£'000	£'000
Council Tax raised	67,590	64,807

### 53. 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 2016/17 the rate set by the Welsh Government was 0.486p per £1 of rateable value of the non-domestic properties (2015/16: 0.482p). At 31 March 2017 there were 5,322 properties on the local valuation list in Conwy, representing a rateable value of £78,727,161 (2015/16: £78,682,763). The net income accruing to the Council from the NNDR is as follows:-

	<b>2016/17</b>	<b>2015/16</b>
	<b>£'000</b>	<b>£'000</b>
National Non-Domestic Rate raised	28,085	28,955
Less Cost of Collection Allowance	(273)	(272)
Less sum paid to the National Pool	(27,812)	(28,683)
	-	-
Receipts from the National Pool	35,644	34,098
<b>Net Income from the National Non-Domestic Rates</b>	<b>35,644</b>	<b>34,098</b>

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

### **STATEMENT OF ACCOUNTS 2016/17**

#### **Explanatory Foreword**

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

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

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

Gwynedd currently 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 will be disaggregated in 2017/18 and in anticipation of this the majority of the assets held by the fund have been transferred to cash. When the fund is disaggregated, Conwy will be responsible for investing the funds and reporting to the Charity Commission.

#### **Accounting Policies**

The Accounting policies followed are those outlined on pages 17 to 35, which are applicable to the items in the Welsh Church Act Accounts. The accounts also follow the Charity Commission Statement of Recommended Practice.

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

These Statements are not audited by Wales Audit Office.

## INCOME AND EXPENDITURE ACCOUNT

	Notes	2016/17	2015/16
		£	£
<b>Resources Arising</b>			
Investment Interest	1	2,107	2,362
Repayment of Grant		3,048	200
		5,155	2,562
<b>Use of Resources</b>			
Allocations	2	(5,800)	(4,900)
		(5,800)	(4,900)
Change in Resources Before Investment Gains or Losses		(645)	(2,338)
<b>Other Realised Gains and Losses:</b>			
Revaluation of Land	3	-	-
Realised gains (Losses) on Investment Disposals		-	-
Unrealised Gains (Losses) on Investment Values		-	-
		-	-
<b>Resources Retained (Shortfall) for Future Use</b>		<b>(645)</b>	<b>(2,338)</b>
Resources Brought Forward		450,731	453,069
Resources Carried Forward		450,086	450,731
<b>Movement in Year</b>		<b>(645)</b>	<b>(2,338)</b>

## BALANCE SHEET AT 31 MARCH

	Notes	2017	2016
		£	£
<b>Fixed Assets</b>			
Land	1	65,007	65,007
		65,007	65,007
<b>Current Assets</b>			
Debtors (Gwynedd Council)	3	2,053	2,049
Debtors (Other)	3	1,903	2,351
Cash (Conwy)	2	62,310	62,955
Cash (held by Gwynedd Council)	2	321,090	320,350
		387,356	387,705
<b>Current Liabilities</b>			
Creditors	3	(2,277)	(1,981)
Net Assets		450,086	450,731
<b>Fund Balance</b>		<b>450,086</b>	<b>450,731</b>

## **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 £1,903 (£2,033 in 2015/16). 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 £204 (£329 in 2015/16), the interest rate used in the calculation is the average of the 7 day LIBOR rate for the months April to March. (The prior year figures in this paragraph have been amended to make some corrections).

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 2016/17 was estimated at £7,713 (£10,401 in 2015/16) and the actual amount distributed was £5,800 (£4,900 in 2015/16). The balance of the funds available for distribution in 2016/17 has been carried forward for distribution in 2017/18.

#### **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 value of the land is £65,007 (17.810244%).

## **Balance Sheet**

### **Note 1**

Conwy's share of the land held by the main fund is £65,007 (£65,007 in 2015/16). The land was re-valued in 2014/15 in anticipation of the disaggregation of the fund.

### **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 by Gwynedd on which interest accrues. In 2016/17 this amounted to £1,802,836 (£1,798,684 in 2015/16). Conwy's share of the fund is 17.810244% of the total. The cash amount held by Conwy in 2016/17 amounted to £62,310 (£62,955 in 2015/16), of this amount £57,542 (£57,542 2015/16) 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 and Conwy's share of other debtors to the main fund. 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 2016/17**

#### **Explanatory Foreword**

In 2016/17 the Council was the Custodian Trustee for this fund.

#### **Accounting Policies**

The accounting policies followed are those outlined on pages 17 to 35, which are applicable to the items in the Accounts. The Accounts also follow the Charity Commission Statement of Recommended Practice.

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

These statements are not audited by the Wales Audit Office.

**INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2017**

	<b>2016/17</b>		<b>2015/16</b>	
	<b>£</b>		<b>£</b>	
<b>RESOURCES ARISING</b>				
Donations	-		-	
Investment Interest	2,827		4,276	
Less Expenditure	(7,000)		(16,390)	
		(4,173)		(12,114)
Resources Brought Forward	867,095		879,209	
Resources Carried Forward	862,922		867,095	
<b>Movement in Year</b>		<b>(4,173)</b>		<b>(12,114)</b>

**BALANCE SHEET AT 31 MARCH**

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Current Assets		
Investments	862,922	867,095
Current Liabilities	-	-
<b>Fund Balance</b>	<b>862,922</b>	<b>867,095</b>

**Note**

The Cash Fund is invested by Conwy County Borough Council and earns interest, the rate used is the average of the 7 day LIBOR rate for the relevant months.

## **GLOSSARY OF TERMS**

### **ACCOUNTING PERIOD**

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

### **ACCOUNTING POLICIES**

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

### **ACCRUALS**

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

### **ACTUARIAL GAINS AND LOSSES**

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

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

### **AGENCY ARRANGEMENTS**

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

### **AMORTISATION**

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

### **ASSET**

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

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

### **AUDIT OF ACCOUNTS**

An independent inspection of the Authority's financial affairs.

### **BALANCE SHEET**

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

### **BUDGET**

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

### **CAPITAL EXPENDITURE**

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

### **CAPITAL FINANCING**

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

### **CAPITAL PROGRAMME**

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

### **CAPITAL RECEIPT**

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

**CASH**

Comprises cash on hand & demand deposits

**CASH EQUIVALENTS**

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

**CASH FLOWS**

Inflows & outflows of cash & cash equivalents.

**CIPFA**

The Chartered Institute of Public Finance and Accountancy.

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

The Code constitutes 'proper accounting practice' under the terms of section 21(2) of the Local Government Act 2003. The Code of Practice for 2010/11 is the first to be based on International Financial Reporting Standards (IFRS)

**COMMUNITY ASSETS**

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

**COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT**

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

**CONSISTENCY**

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

**CONSTRUCTIVE OBLIGATION**

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

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

**CONSUMER PRICE INDEX (CPI)**

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

**CONTINGENT ASSET**

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

**CONTINGENT LIABILITY**

A contingent liability is either:

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

**CORPORATE AND DEMOCRATIC CORE**

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

**CREDITOR**

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

**CURRENT SERVICE COST (PENSIONS)**

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

**DEBTOR**

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

**DEFINED BENEFIT PENSION SCHEME**

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

**DEPRECIATED REPLACEMENT COST (DRC)**

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

**DEPRECIATION**

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

**DISCRETIONARY BENEFITS (PENSIONS)**

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

**EFFECTIVE INTEREST RATE**

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

**EMPLOYEE BENEFITS**

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

**EQUITY**

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

**EVENTS AFTER THE BALANCE SHEET DATE**

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

**EXCEPTIONAL ITEMS**

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

**EXISTING USE VALUE (EUV)**

The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion, assuming that the buyer is granted vacant possession of all parts of the property required by the business and disregarding potential alternative uses and any other characteristics of the property that would cause its market value to differ from that needed to replace the remaining service potential at least cost.

## **EXPECTED RETURN ON PENSION ASSETS**

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

## **EXTRAORDINARY ITEMS**

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

## **FAIR VALUE**

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

## **FINANCE LEASE**

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

## **FINANCIAL INSTRUMENT**

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

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

The independent body that advises the Government on accounting issues.

## **FINANCING ACTIVITIES**

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

## **GOING CONCERN**

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

## **GOVERNMENT GRANTS**

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

## **HERITAGE ASSETS**

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

## **HOUSING BENEFITS**

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

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

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

## **IMPAIRMENT**

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

## **INCOME**

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

## **INFRASTRUCTURE ASSETS**

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

## **INTANGIBLE ASSETS**

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

## **INTEREST COST (PENSIONS)**

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

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

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

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

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

## **INVENTORIES**

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

## **INVESTING ACTIVITIES**

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

## **INVESTMENT PROPERTY**

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

## **INVESTMENTS (PENSION FUND)**

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

## **LASAAC**

Local Authority (Scotland) Accounts Advisory Committee.

## **LEASE**

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

## **LIABILITY**

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

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

## **LIQUID RESOURCES**

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

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

## **LONG-TERM CONTRACT**

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

## **MATERIALITY**

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

**MINIMUM REVENUE PROVISION (MRP)**

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

**NET BOOK VALUE**

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

**NET DEBT**

The Authority's borrowings less cash and liquid resources.

**NON-DISTRIBUTED COSTS**

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

**NON-DOMESTIC RATES (NDR)**

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

**OPERATING ACTIVITIES**

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

**OPERATING LEASE**

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

**PAST SERVICE COST (PENSIONS)**

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

**PENSION SCHEME LIABILITIES**

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

**PRECEPT**

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

**PRIOR YEAR ADJUSTMENT**

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

**PRIVATE FINANCE INITIATIVE (PFI)**

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

**PROJECTED UNIT METHOD**

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

**PROVISION**

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

**PUBLIC PRIVATE PARTNERSHIPS (PPP)**

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

**PUBLIC WORKS LOAN BOARD (PWLB)**

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

**RATEABLE VALUE**

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

**RELATED PARTIES**

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

**RELATED PARTY TRANSACTIONS**

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

**REMUNERATION**

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

**RESERVES**

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

**RESIDUAL VALUE**

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

**RETAIL PRICE INDEX (RPI)**

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

**RETIREMENT BENEFITS**

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

**REVENUE EXPENDITURE**

The day-to-day expenses of providing services.

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

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

**REVENUE SUPPORT GRANT**

A grant paid by 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**

**2016/2017**

## **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 31<sup>st</sup> March 2017 and up to the date of approval of the annual statement of accounts. This accords with proper practice. The governance framework comprises the systems, processes, culture and values under which the Authority operates and through which it accounts to, engages with, and works with the community. It enables the Authority to monitor the achievement of its strategic priorities and to consider whether those priorities have led to the delivery of appropriate cost effective services and continuous improvement.
- 1.3 The governance framework is designed to manage risk to a reasonable level rather than eliminate all risk. It can therefore only provide reasonable and not absolute assurance of effectiveness.
- 1.4 This statement also represents the Authority's self-assessment of compliance with our Code of Corporate Governance and whether we have met the requirements of the Accounts and Audit (Wales) Regulations 2014. This statement should be read together with the performance management accountability arrangements as detailed in the Annual Report which is published by 31<sup>st</sup> October each year<sup>1</sup>.

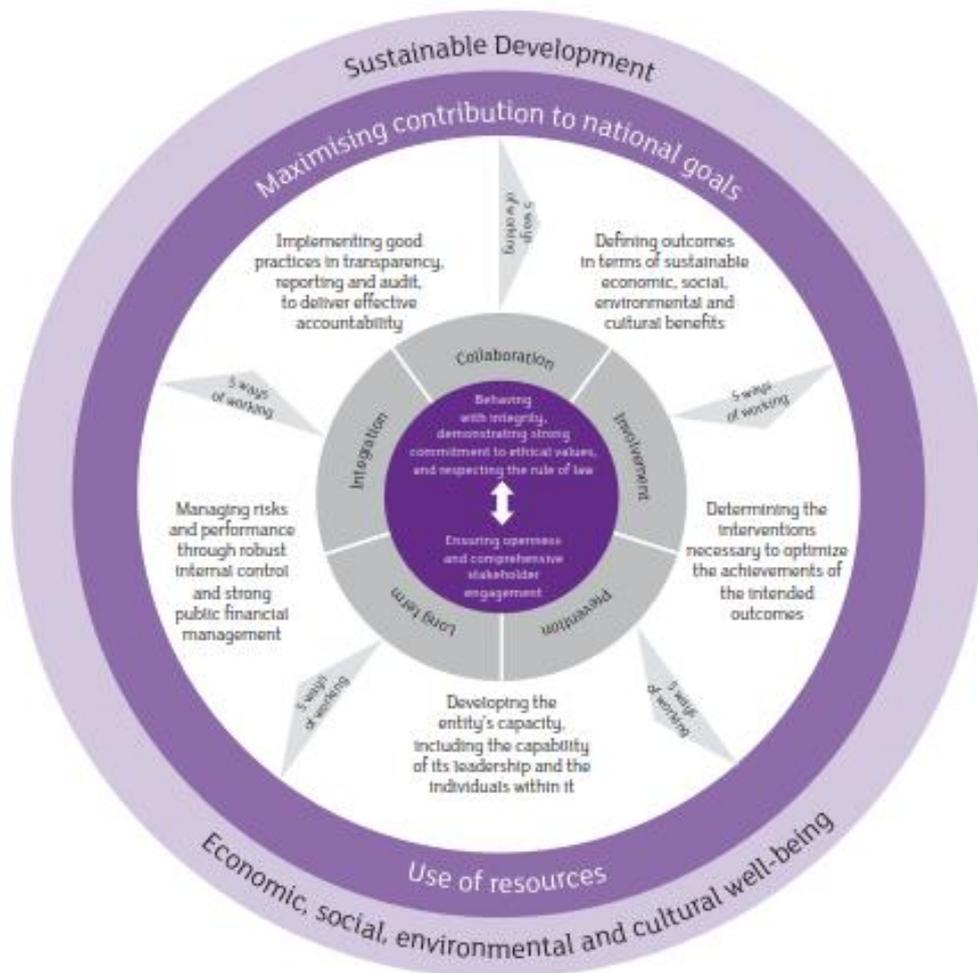
## **2 Scope of Responsibility**

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

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

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



### 3 The Governance Framework

3.1 The International Framework defines governance as follows:

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

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

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

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

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

3.5 The diagram on the next page outlines the Governance Framework. (The PDF version with hyperlinks can be accessed below)



Governance Diagram v5 inc links .pdf

## CONWY COUNTY BOROUGH COUNCIL GOVERNANCE FRAMEWORK

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



### Key Documents: Annual Review/ Production

<p><a href="#">Corporate Plan</a>  <a href="#">Annual Report</a>  <a href="#">Annual Governance Statement</a>  <a href="#">Finance Reports</a>  <b>Corporate Information Security Policy</b>  <a href="#">Asset Management Plan</a>  <b>Corporate Risk Register</b>          Delegations from/to Directors          Service Plans          Internal/External Audit Protocol  <a href="#">ICT Strategy</a>  <b>Information Strategy</b>  <a href="#">Medium Term Financial Strategy</a>  <b>Members Allowances Scheme</b>  <b>Prudential Code &amp; Treasury</b>  <a href="#">Statement of Accounts</a></p>
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### Key Documents: Ad-hoc Review/ Production

<p><b>Anti-Fraud &amp; Corruption Policy</b>          Business Planning Framework  <b>Code of Conduct</b>  <a href="#">Communications Strategy</a>  <b>Community Involvement Strategy</b>  <a href="#">Constitution</a>  <b>Complaints Policy</b>  <a href="#">Customer Charter</a>  <b>Corporate Procurement Strategy &amp; CPRs</b>  <a href="#">Strategic Equality Plan</a>  <a href="#">Financial Regulations</a>  <b>Health and Safety Policies</b>  <a href="#">HR Strategy</a>          Information Governance Framework  <b>Member/Officer Relations</b>          Officer Employment Procedure Rules  <b>Partnership Governance Framework</b>  <b>Performance Management Framework</b>          Public Engagement Protocol  <a href="#">Record of Decisions</a>  <b>Service Continuity Plans</b>  <b>Whistle Blowing Policy</b>  <b>Risk Management Policy Statement and Procedures</b></p>
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### Processes /Regulatory Monitoring

<p><a href="#">Audit and Governance Committee</a>          Budget Accountability Statements          Improvement &amp; Audit Group          Corporate H&amp;S Process          Corporate Intranet          Corporate Training Plan  <a href="#">Council Tax Leaflet/Information</a>          Customer Feedback Process          Director of Finance and Resources  <a href="#">Data Protection</a>          Stakeholder Forums  <a href="#">Freedom of Information</a>          Head of Paid Service (CEO)          Independent Remuneration Panel  <a href="#">Inspectorate Reports</a>          Internal Audit          Information Governance Group          Improving Conwy          Job Descriptions          Job Evaluation Process          Law &amp; Governance          Member Development &amp; Induction          Monitoring Officer          Managers Forum</p>	<p>Performance Development          Reviews          Public Service Board  <b>Combined FWP Council Meetings</b>          Report Review Group (RRG)  <a href="#">Scrutiny Committees</a>  <a href="#">Standards Committee</a>          Staff Induction          Staff Surveys          Staff Council          Strategic Leadership Team          Senior Management Team          Scheme of delegation  <b>External web &amp; social media</b>  <a href="#">Safeguarding Policy</a>  <b>Conwy Bulletin</b></p>
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## Principle A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

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

### A1 Current Arrangements

A) The Ethical elements of the Governance Framework include:

- **Code of conduct** for members which is communicated via member induction and all members must sign to acknowledge their compliance.
- **Staff induction** which covers Conwy behavioural values, competency framework, expectations around the role as a public sector employee, the respect booklet, disciplinary policy and financial regulations.
- Planning code of conduct,
- Protocol governing Member/Officer relations,
- Whistle-blowing policy which is widely communicated within the Council, (updated April 2017).
- Registers of personal and business interests,
- Process to declare any interests in committee meetings, which are recorded in the minutes,
- Agreed policy and associated corporate procedures for ensuring that complaints about services can be properly made and investigated, and for ensuring that any lessons learnt can be applied.

These are compliant and consistent with Welsh Government guidance

B) The Head of Law and Governance is the designated '**Monitoring Officer**' in accordance with the Local Government and Housing Act, 1989, and ensures compliance with established policies, procedures, laws and regulations. All statutory officers are issued with job descriptions which clearly state their legislative and regulatory responsibilities and there is dedicated committee support to comply with legislative requirements. After appropriate consultation, this officer will report to Council in respect of any proposals, decisions or omissions which could be unlawful or which have been the subject of an Ombudsman Investigation resulting in a finding of maladministration. The Authority has a set of **corporate values** which were published in conjunction with the Corporate Plan 2012 – 17 and which are visible in all areas of the Council. During the summer of 2016 the corporate values were reviewed as part of the development of the draft Corporate Plan 2017 -2022 and revised values have been drafted which retain the same principles of expected behaviour, but will be easier to communicate.

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.

D) **Internal Audit** is an independent objective assurance and consulting activity designed to add value and improve the Authority's operations. It helps the Authority to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. Internal Audit operates to the standards set out in the 'Code of Practice for Internal Audit in Local Government in the United Kingdom, 2006'

produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) during 2014/15. The Terms of Reference define the purpose, authority and responsibility of the internal audit activity. These have been incorporated into an Internal Audit Charter to comply with the Public Sector Internal Audit Standards (PSIAS) requirements which came into force on the 1<sup>st</sup> April 2013 and were approved by Audit Committee on the 20<sup>th</sup> May 2013. PSIAS requires an independent external assessment to be undertaken every 5 years. In November 2016 Wrexham County Borough Council undertook an external assessment of Conwy County Borough Council Internal Audit Service. There are 334 best practice lines within the PSIAS. The results concluded full conformance with 313, partial conformance with 17 and non-conformance with 4. The overall opinion was that the Internal Audit Service generally conforms to the PSIAS and Code of Ethics. In all significant areas and that it operates independently and objectively. None of the areas of non-conformance are considered to be a significant failure. The Internal Audit Service have developed an action plan to make improvements.

- 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) The Well-being of Future Generations (Wales) Act 2015 came into force on 1<sup>st</sup> April 2016. Led by the Chief Executive, the Authority established a working group to review the implications of the Act and to develop an action plan to ensure that the wellbeing goals, ways of working and building blocks of the Act were embedded in the workings and culture of the Authority. Reports on progress are presented the Senior Management Team, Principal Overview and Scrutiny Committee and Cabinet every 6 months.

## **A2 Review of Effectiveness**

- A) The role of the Head of Law and Governance is to ensure compliance with the ethical framework. The conclusions of the PSIAS external review evidence good standard of independent audit takes place. 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 & Governance Committee, which monitors progress in implementing all improvement actions. The review of the Corporate Values evidences a Corporate and Senior Leadership support for the importance of conveying expected Values in an accessible manner so that they are embedded in all areas of work. The implementation of the Well-being of Future Generations (Wales) Act actions have in the main, been implemented, however the Authority is aware that this not a 'tick box' exercise, and that the real evidence of implementation will be through the decisions taken over the coming years.
- B) The Ombudsman's report on maladministration complaints is submitted to the Council's Scrutiny Committee on an annual basis. . In 2016/17 1 complaint was upheld. An explanation is outlined below.

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
2015/16	24	3	0
2016/17	27	1	1

**Summary of a report issued under s21 of the Public Services Ombudsman (Wales) Act 2005**  
**Case Numbers: 201500280/201500281/201500282**  
**Conwy County Borough Council, Gwynedd Council and CSSIW**

Mrs A and Mrs B complained about the investigation of the circumstances surrounding the death of their mother, Mrs C, after a stay in a care home. They said that:

- Conwy County Borough Council (in whose area the home was situated) did not fully investigate Mrs C's death
- Gwynedd Council (who had arranged Mrs C's placement in the home) failed to ensure a care plan was in place for her and did not get involved in the investigation
- CSSIW did not fully investigate their complaint.

The Ombudsman found failings on the part of all three bodies:

- Failings in Conwy's handling of the POVA process, in its communication with Mrs C's family and in the way in which their complaint was handled
- Failings in Gwynedd's assessment of Mrs C's needs, in its review of her placement in the care home and in its engagement with the POVA process conducted by Conwy
- Failings in CSSIW's engagement in the POVA process and in its inspection of the care home.

The Ombudsman recommended that all three bodies apologise to Mrs A and Mrs B, and put in place training and process reviews to prevent a re-occurrence of the failings identified. He also recommended that Conwy make a payment of £250 to Mrs A and Mrs B in recognition of their time and trouble in pursuing their complaint.

- C) There were no breaches of the Code of Conduct by CCBC Members referred to Standards Committee in 2016/17. 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.
- D) The **Complaints Policy** was reviewed and approved in October 2014. The 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.

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

In October 2016 an internal audit report on Ethical Culture concluded that *'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 Council has effective arrangements to support an ethical culture. A golden thread underpinning this is openness, transparent decision-making and effective, well-cascaded communication. The 'tone from the top' and modelling ethical behaviour are also critical success factors. The Council encourages citizen engagement and maintains good access to information, including exempt and confidential information. Webcasting is well used but due to the end of the contract and financial constraints, the Council is considering its options to ensure there is no diminution in the Council's open and transparent governance culture.'* Following the conclusion of the audit, a High Assurance rating was published.

There had been no complaints upheld by the Ombudsman for the last 6 years, and lessons have been learnt from the 1 complaint upheld in 2016/17. In 2015/16 a whole council staff survey was undertaken. The response rate was excellent – 68.7% of staff completed the survey, compared to a 61.1% response rate when the survey was last undertaken two years ago. The survey results show 97% of staff who responded were aware of the Council's values and 90% felt staff were encouraged to behave in keeping with the organisational values. 94% were aware of the Corporate Plan and 86% reported they were proud to work for Conwy County Borough Council. These results are very positive, and are evidence that the values of the Authority are embedded within the working culture. We therefore intend to follow the same comprehensive roll out of the revised values once they are formally approved. Where necessary, action plans have been drawn up in each service area to respond to comments made within the staff survey. The action plans are monitored through the Service Performance Review process.

### **A4 Recommendations for Improvement**

**R1** Implement the recommendations from the Ombudsman report.

**R2** Implement the action plan developed from the PSIAS external assessment of Internal Audit.

## Principle B. Ensuring openness and comprehensive stakeholder engagement

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

### B1 Current Arrangements

- A) All **Cabinet and Council meetings** are held in public (with the exception of exempt items) and all papers are published on the Council website. All reports to committees are accompanied with a cover report which details a summary of the report, the recommendations seeking approval and a rationale for why that recommendation has been made, in order to show legislative compliance, reasoning and evidence for decisions. All reports tabled for Council, Cabinet and Audit & Governance Committee are reviewed by a **Report Review Group (RRG)** to ensure that they are of a sufficiently high standard and to consider the forward work plans of the Scrutiny functions to form a view of developing work patterns and identify any capacity issues that might arise. In addition, the Group ensures synergy between the work plans of Council, Cabinet, the Scrutiny function, and Strategic Management. An annual report on the Scrutiny function is also published each year. The Authority has a procedure for decision making and the debate of each decision is clearly documented, including any professional advice given in reaching the decision.
- B) The Authority commenced webcasting key public meetings in March 2014 and the Democratic Services Committee monitors the number of hits. The funding for webcasting has now ceased. A Business Case for the continuation of webcasting was considered by the Principal Overview & Scrutiny Committee and Cabinet on 6 and 14 February 2017, but given the high costs involved with webcasting (compared to the relatively low viewing figures) it was recommended that audio broadcasting be investigated further. However, there are proposals within the Welsh Government White Paper 'Resilient & Renewed' to make broadcasting of Council meetings a statutory requirement. Therefore, the Authority is considering the matter further. Members also passed a resolution to undertake a further review (after the May elections) with a view to 'modernising democracy' in order to find efficiencies and improve communication and engagement arrangements.
- C) A **Combined Forward Work Programme** for Cabinet, and the four Overview and Scrutiny Committees is publicly available. There are clear timescales for the submission, publication and distribution of reports. 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. The Authority is planning to introduce e-petitions. There has been a delay in implementation owing to technical issues relating to bilingualism, which we are hoping to resolve.
- D) **Community Engagement** has been fundamental in the development of all strategic plans and key decisions. Ensuring people in Conwy are informed, included and listened to, is one of the eight citizen outcomes within the Corporate Plan 2012-2017. In accordance with the Authority's **Strategic Equality Plan**, all key decisions must assess the impact on protected characteristics. In January 2014 Council approved the **Overview & Scrutiny Public Engagement Protocol**. This includes, amongst other things, webcasting, use of 'expert witnesses', and allowing members of the public to speak at 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. Both these strategies are now scheduled for review during 2017/18. During the summer of 2016 the first County Conversation was launched, on behalf of all public bodies who service Conwy County. The findings from the engagement exercise have been logged in a new database and analysis of the key themes were used to inform the Assessment of Well-being and each public organisation's Well-being Statement & Corporate Plan. It is planned to continue with the County Conversation for other engagement requirements and to support the development of engagement for Place Plans, as required under the Planning (Wales) Act 2015. A **North Wales**

**Regional Citizen Panel**, coordinated by CVSC, is in place. The Citizen Panel is an initiative of the partnership between Health and Social Care services, working with the third and independent sectors across the North Wales region. The aim of the Citizen Panel is to build the capacity and understanding of individuals who are willing to act as representatives for their communities and localities and the primary function of the Citizen Panel is to engage with people who are underrepresented across the region to ensure that their voices, ideas and opinions heard in relation to the improvement and development of future health and social care delivery. The Authority has a **Communication Strategy** (November 2013) which is being reviewed as part of the Modernisation programme. The review will focus capacity, options for a call centre model and provide a better corporate steer in relation to corporate branding and communication and engagement with citizens, staff and other key stakeholders.

- E) The Authority's approach to community engagement is also supported by a **Customer Charter** which is currently being updated and will be completed by March 2018. The focus will be on citizens rather than customers. The Authority also has a number of **forums** to extend engagement with the community. There is a Town and Community Council Forum, which met regularly at the Council Headquarters, however this is being reviewed in order to improve accessibility and attendance. In addition, there is a Business Forum, Involvement Network, a Third Sector Partnership Committee, People's Partnership, a Youth Council, a Leaving Care forum and a 'Loud Voices' forum for Looked After Children. In accordance with the Planning (Wales) Act, the Authority is supporting communities to develop Place Plans. The Authority was part of a pilot to develop Place Plans and has recently developed a draft Place Plan for Abergele.
- F) The Authority has a **Corporate Complaints Procedure** and each service has a complaints link officer. There is now greater analysis on the types of complaints received so services can learn from the feedback received. This information is reported to Elected Members and is used by services as a method of feedback from the community on where service improvement is needed. A **Complaints and Compliments Report** is published annually and evaluated for lessons that can be learnt from citizen concerns.
- G) There are a **variety of channels of communication** to support the community to engage with the Authority and vice versa. The Authority has an increasing social media presence through a number of pages, however this is being reviewed to streamline the quantity. In March 2017 a new website content management system was launched which permits greater interaction through the website and permits information to render with tablet and smart phones. Databases are kept to target key stakeholders eg voluntary groups, equality groups, the youth council, other public sector partners and town and community councils.
- H) The Council's values and key priorities are published in the **Corporate Plan 2012-2017** and the Community are encouraged to give their opinion on all key decisions and strategies and they are invited to contribute towards the development and annual review of the Corporate Plan. As previously stated, during the summer of 2016 an extensive engagement exercise was undertaken called 'The County Conversation' to gain community views on the priorities for the new 5 year Corporate Plan (2017 – 2022). Engagement took place online and via attending community groups and working with staff and Elected Members. A draft Corporate Plan (which includes the legislative requirement for a Well-being Statement) was presented to Council in March 2017 and published for public consultation until May 2017. A final approved version will be published by September 2017 to allow for engagement with newly Elected Members. Performance data is published on the web and now includes the use of infographics and animation to visualise and communicate data. The **Annual Report** on the Authority's performance is published and is available in key reception areas and on the website. Notification is published on the website and through the twice yearly Council publication – **The Bulletin** which is delivered to every household in the county. A digital **Council Tax Leaflet** details how the Council manages its budget is produced annually.. The Authority has procedures in place to comply with the legislative requirements of the **Freedom of Information Act**.
- I) 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 Trades Unions. A monthly

team brief and a quarterly staff newsletter were published. They have recently been reviewed and combined. 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. Service team events have been held to gain staff contributions to efficiency savings and a budget working group was established for staff to review alternative efficiency options and to propose a criteria for prioritising efficiency schemes.

- J) The Authority maintains relationships with institutional stakeholders. The Authority works with the leaders of other stakeholder organisations through the Conwy & Denbighshire statutory **Public Service Board (PSB)** which was established in April 2016. The PSB has developed an Assessment of Well-being to evaluate the views, demographic trends and future needs of communities and will publish a partnership Well-being Plan by 2018. The Well-being of Future Generations (Wales) Act and the formation of the statutory PSB will see a shift greater collaboration and will require the development of a collective approach to governance and in particular scrutiny arrangements. There is also a **Regional Leadership Board** which seeks to help its members maximise the service level achievable from the resources available. The Regional Leadership Board works together to promote to local people the benefits of self-help, community ownership of facilities and delivery of services by community and voluntary bodies. The board also shares experiences and good practice in making savings and delivering services differently. Senior Managers and Members represent the Authority at various collaborative Boards.
- K) The Authority is involved in several collaboration arrangements in order to improve outcomes for the community. The Authority approved a **statement on collaboration** (November 2010) to ensure that good governance and value for money are achieved and that the outcome priorities and values of the Authority are promoted and safeguarded when **working in partnership**. The Authority has also continued to work regionally. Key collaborations include; North Wales Ambition Board, Regional Social Care Partnership, Regional Residual Waste Project, sub regional food waste scheme, and the Regional School Effectiveness and Improvement Service (Gwe). There is a regional fee group for fee setting in the Residential and Nursing Homes sector and there is a regional domiciliary care contract to secure greater efficiency in the procurement care packages for children and adults. The Authority also provides translation services for four out of the six North Wales Authorities.
- K) In 2013/14 Authority approved the establishment of a North Wales Regional Emergency Planning Service. The **North Wales Councils Regional Emergency Planning Service (NWCREPS)** covers all 6 North Wales Authorities and went live on 1<sup>st</sup> July 2014. The service is overseen by a regional board and regular updates regarding performance are reported the Civil Contingencies Governance & Strategic Steering Group which was re-established in January 2016. This group oversees the implementation of civil contingencies plans and governance for the Council.
- L) **Key collaborations** are listed within the Annual Report published each year. The Authority has a comprehensive database and clear categorisation of the different types and levels of partnership working across all service areas, and the benefits of each collaborative project are logged. There is a governance process in place to support the development of any future collaborative arrangements. All key collaboration projects were monitored through the two Corporate Improvement Boards however since the cessation of the boards, an overview of performance is presented to Chairs and Vice Chairs of Scrutiny Committees to review and ascertain which collaboration should be placed on the forward work programme to present to a Scrutiny and Overview Committee. As of May 2017 this will alter to present an overview of collaborative performance to the most relevant Scrutiny and Overview Committee rather than to Chairs and Vice Chairs.

## **B.2 Review of Effectiveness**

- A) The Authority has mechanisms in place to invite citizen views, however the level of involvement varies according to the subject matter, and the consistency of **Equality Impact Assessments** is variable, and has been noted as a Corporate Risk. The Authority is committed to engaging with the Community and institutional stakeholders. It is important that there is periodic review of engagement arrangements and techniques to ensure that they remain appropriate. The development of the County Conversation, in collaboration with Community Voice is a good example of developing new ways to reach out and work with communities. This work will continue with the development of the PSB Well-being Plan and development of Place plans to support the Local Development Plan. A review of the Engagement and Communication Strategy in 2017/18 will serve to ensure we are implementing best practice.
- B) A **Citizen Services 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 for the 6<sup>th</sup> consecutive year.
- C) The Authority explores technology to broaden engagement and communication. The Environment Roads and Facilities Service Conwy app (which provides waste information on collection, reporting issues, news and local recycling facilities) is being expanded to include other service areas. There has also been a significant shift to introduce more videos as a media of sharing information and to ensure key strategic plans are published in a more accessible format.
- D) A Complaints and Compliments Report is published annually providing a summary of the number of complaints and compliments received, and analyses what can be learnt from this type of feedback.

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

The Authority has good processes for engaging with local people and other stakeholders to ensure there is public accountability, however more could be done to share the feedback received and to review the engagement activity in light of effectiveness and community reach. A key challenge is building the level and diversity of community involvement in engagement processes. Whilst more services have established social media presence, there is potential to increase this area of interaction, subject to capacity. The collaboration with Community Voice increased access to community forums and the joint engagement work planned with the Local Development Teams to develop place plans should improve the communication with local communities. The key challenge will be to maintain this and ensure that it is sustainable. The consistency of equality impact assessments also needs to improve. Given that all other public bodies are also engaging with communities, there are opportunities for a collaborative approach and sharing of community views across organisations in order to avoid duplication and engagement repetition.

## **B4 Recommendations for Improvement**

- R3** Complete the review of the communication and engagement strategy.
- R4** Develop actions and identified service leads to improve the consistency and quality of Equality Impact Assessments.

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

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

### C.1 Current Arrangements

- A) The Corporate Plan 2012-2017 and draft Corporate Plan 2017-2022 are based on 8 citizen focused outcomes which reflect the economic, social, cultural and environmental aspirations which define the sustainability principle. The 8 outcomes have been aligned to the 7 outcomes of the Well-being of Future Generations (Wales) Act 2015. The Local service Board was disbanded at the end of March 2016 and in accordance with the Well-being of Future Generations (Wales) Act 2015, a Public Service Board was formed in April 2016. It developed interim outcome priorities to focus on for 2016 – 2018. These are to improve communication and to focus on the 1<sup>st</sup> 1000 days of life which have a fundamental impact on an individuals' long term economic, social, cultural and environmental prospects. During the summer of 2016 the Public Service Board completed an Assessment of Well-being which reviewed community views and demographic information which supports the 7 well-being goals. The assessment informed the development of a new draft Corporate Plan, and will inform the development of a long term PSB Well-being Plan by 31<sup>st</sup> March 2018. Owing to this work, the One Conwy integrated Plan was reviewed by Scrutiny & Cabinet in October 2016 and disbanded, however the majority of the actions continue to be implemented as they were mirrored in individual partnership plans. In February 2016 the Welsh Government announced the cessation of the Communities First Partnership which will be funded until March 2018. A legacy fund will be available after this date which will be overseen by PSBs.
- B) There are other **Strategic Partnerships** in place. The **Conwy Local Action Group** works to implement the Local Development Strategy 2014 - 2020. The partnership was part of the **Conwy Economic Partnership**, however this partnership is currently under review in light of the North Wales Economic Ambition Board. A draft Conwy Economic Strategy was published in March 2017 for consultation. This strategy oversees a suite of economic strategies including the County Economic Regeneration Strategy, Destination Conwy, Events Strategy and a Social Enterprise action plan.
- C) Conwy **People's Partnership** focuses on well-being and the partnership priorities are in line with the 8 citizen outcomes. There is also a **Community Safety Partnership** (regional and sub-regional with Denbighshire). There are also regional and Conwy & Denbighshire **Local Safeguarding Boards**
- D) The governance and effectiveness of these partnerships is reviewed through 6 monthly progress reports which are presented to Partnership Scrutiny & Overview Committee. From May 2017 the partnerships will report to the most relevant scrutiny committee according to the service area they support.
- E) The Authority publishes a **Vision** and five year strategic **Corporate Plan** to provide a focus on the Authority's key priorities for improvement. The current plan for 2012 - 2017 finished on the 31<sup>st</sup> March 2017. The new draft Corporate Plan 2017-2022 was developed through community engagement, and was approved in draft in March 2017. A final version will be approved by September 2017 by the newly elected administration. An annual review and consultation for the Corporate Plan will take place each year and will seek the views of stakeholders including members of the public, businesses, Town Councils, County Councillors, staff, voluntary groups, community groups and Conwy Youth Council.

- F) Invitations to share views to form the draft plan were advertised in an article in the **Conwy Bulletin**, via social media, through an advert on the front page of the Council website, and through a press release which received good coverage in the local paper. Stakeholders could submit their views via online, by email, letter or phone or through discussing with staff. Staff and Elected Member workshops were held and conversations took place with a number of community forums. Discussions and workshops also took place with all Town & Community Councils, and emails were sent to the business forum and Conwy Voluntary Services Council (CVSC) members. Feedback from other consultations that the Council has undertaken during 2016/17 was also analysed.
- G) The Corporate Plan provides a framework that helps shape budget plans, and against which the Authority can assess and account to the community on the level of progress made against targets set, and inform them about areas for further improvement. A **Medium Term Financial Strategy** is also reviewed annually, in line with the corporate priorities, and was received by Council in March 2017. The Authority has a **Business Planning Framework** which outlines the process and criteria for business cases for revenue and capital investment and how the expenditure will be monitored.
- K) Each service area produces an outcome focused service plan which reflects how the service contributes to the corporate priorities. The service plans include measures to evidence how actions will make a difference and service risk registers and issue logs are produced to assess any barriers to implementation. The service plans are reviewed annually and six monthly Service Performance Reviews (SPRs) are undertaken. A corporate performance report is presented to Principal Overview and Scrutiny Committee and Cabinet after each round of SPRs detailing the action and measure progress.

## C2 Review of Effectiveness

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

We regularly review strategic plans, and the following were also approved by Cabinet / Council in 2016/17.

- Welsh Language Policy for external communication & Policy for using Welsh internally
- Farms Strategy
- Office Accommodation Strategy
- Car Parking Asset Strategy
- Flexi time Policy review
- Policy against harassment at work policy review
- Growth Vision for the Economy of North Wales
- Strategic Statement on the arts in Conwy
- Alcohol substance misuse policy
- Social Care Transport policy
- Conwy Economic Growth Strategy (approval for consultation)
- Strategic Equality Plan ( annual review)
- Recruitment and selection policy
- Retirement policy
- Local Authority School Admissions Policy
- Investment Strategy
- Statement of Licensing Policy 2016 -2020

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

There are sound governance arrangements in place for the strategic priorities of the Authority and these have been outcome based for a number of years. All strategic plans have community engagement processes and are supported with resource management. There are strong links between strategic and financial planning. Key decisions reflect the impact on a number of factors, including sustainability, and the Authority has commenced work to embed the Well-being of Future Generations (Wales) Act within the culture of the organisation. An action group, chaired by the Chief Executive is monitoring the implementation of actions required to make the cultural and behavioural change, and 6 monthly updates on progress are reported.

### **C4 Recommendations for Improvement**

There are no recommendations for improvement.

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

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

### D1 Current Arrangements

- A) Conwy County Borough Council has an approved **Constitution** which sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. Some of these processes are required by law, while others are a matter for the Council to choose. The **Constitution**, which can be found on the Council's website<sup>2</sup>, 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 & Governance Committee & Licensing and Regulation Committee),
  - iv. The Council's scheme of delegation to committees and officers as set out in the Constitution.

The roles and responsibilities of each Cabinet Member are published on the 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

<sup>2</sup> <http://modgoveng.conwy.gov.uk/ieListDocuments.aspx?CIId=487&MIId=3185&Ver=4&Info=1>

and officers. A Scrutiny “Call-In” process for decisions which have been made but not yet implemented is incorporated in the Constitution in order to consider their appropriateness. There was 1 ‘call in’ in 2016/17. In March 2017 Council approved new Scrutiny Committee arrangements (Minute 814). From May 2017 the Scrutiny & Overview Committees will be **Finance & Resources**, (chaired by the leader of the biggest political party not represented on the Executive), **Education & Skills**, **Social Care & Health** and **Economy & Place**. In addition, the Authority has three regulatory committees: **Planning Committee**, **Licensing and Regulation Committee** and **Audit & Governance Committee**. The **Audit & Governance Committee** is independent of the executive and scrutiny functions and its purpose is to provide independent assurance of the adequacy of the internal control framework including governance and risk management, to provide independent scrutiny of the Authority’s financial and non-financial performance and to oversee the financial reporting process. In accordance with the requirements of the Local Government (Wales) Measure, the Authority appointed a Lay Member to the Audit & Governance Committee in June 2012 for the period of the administration. In readiness for the new administration, a notice for a Lay Member was published in the December 2016 Bulletin and advertised in April 2017. Appointments will take place in July 2017. There is also a **Standards Committee** (which includes lay members), which aims to promote high standards of conduct and behaviour by Elected Members. These committees meet regularly throughout the year and all meeting dates are published on an annual timetable of meetings which is available on the Authority’s website.

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

- C) The **Report Review Group** (RRG) consists of the Chief Executive, Strategic Directors, Head of Law and Governance, 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 Strategic Directors are accountable for ensuring that the Council Priorities are delivered, and performance against key targets is regularly monitored via the performance management framework and is reported to Members. The CEO has a schedule of regular meetings with the Leader and there are frequent meetings between senior managers and Cabinet through Informal Cabinet meetings. There are also regular Member/ Officer meetings relating to specific matters and updates on progress generally. The CEO and Strategic Directors together with the Head of Environment, Roads & Facilities, Head of Corporate Human Resources and the Monitoring Officer meet twice a month as a **Strategic Leadership Team** (SLT). The senior management of the 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.
- E) Agreed arrangements enable the Council to comply with statutory requirements in respect of **child protection** and the **protection of vulnerable adults**. The Safeguarding policy was reviewed and approved in June 2014. Both WAO and CSSIW undertook safeguarding reviews in 2014. In September 2016 an internal audit report on Corporate Safeguarding was published which concluded limited assurance. An action plan is being implemented to improve areas of improvement identified, and mandatory safeguarding training has been put in place for all Managers. Recruitment procedures help to ensure that Council employees and members

working with children or vulnerable adults are checked for their suitability to do so. In December 2016 the Authority established a **School effectiveness and standards Group** to review school performance. The group, chaired by the Chief Education Officer, includes Elected Members, the Strategic Director for Social Care & Education, and representative from Gwe. It meets with each secondary and primary senior management team on a rotational basis to review and support school improvement. There will be an annual review of secondary schools and 3 yearly cycle for primary schools. The order is in line with school categorisation.

- 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 Leadership Group which provides a high level oversight of our compliance with H & S rules, regulations and principles in order to help improve health, safety and welfare. An annual report on Health and Safety is produced and presented to SMT, Health, Safety and Health Promotions Committee and Principal Overview & Scrutiny Committee.

## **D2 Review of Effectiveness**

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

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

The Authority is satisfied that there are clearly defined functions and roles to facilitate Members and Officers working together to achieve a common purpose, and to determine the interventions necessary to meet the corporate outcomes.

## **D4 Recommendations for Improvement**

- R5 That the recommendations from the internal audit of corporate safeguarding are implemented.

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

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

### E1 Current Arrangements

- A) Conwy County Borough Council has a **Members' Development Strategy 2012 - 2017**. A new Member Development Strategy will be prepared for the new Administration 2017-2022. The strategy aims to provide elected members with access to appropriate levels of knowledge, skills and development opportunities needed to fulfil their roles. A **Member induction programme** is being organised to ensure all Elected Members are 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 17/18 will be the delivery of the induction programme, which is not only aimed at newly elected Members but also provides valuable refresher training for re-elected Members. This includes mandatory training for Code of Conduct, Planning, Licensing, Audit, Corporate Parenting and Safeguarding, as well as providing important information on the roles and responsibilities of services. At the start of the new administration we arrange training for those Members taking on the Scrutiny role in order to provide them with the right skills to challenge effectively. For the Executive Members we will identify other training needs, e.g. leadership skills, media training, etc. to help them in their more strategic roles. The monthly Member Development and Information Forum will continue, which is an opportunity to keep Members up to date with forthcoming changes.
- B) The Corporate **Human Resources (HR) Strategy** was approved by Cabinet in December 2013 and is scheduled for review by the end of 2017. 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) 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. There are a series of **HR policies** which support a variety of aspects of staff management, all of which are regularly reviewed and accessible via the council intranet.

- 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 a competency framework which was rolled out across the authority in 2013 and was updated in 2016. This process also includes group PDRs for specific staff groups where deemed appropriate. However staff can still request an individual PDR. All staff can access a **Corporate Training Plan** which includes a variety of courses to support personal development. This process is used to support service **succession planning**, which can be evidenced through the smooth transition on the recent retirement of a number of senior managers and the ability to be able to make internal appointments to replace them where appropriate.
- F) The Authority has processes in place to manage and support staff who cannot attend work owing to illness. The Sickness Absence Policy was comprehensively reviewed in 2016 and replaced by an **Attendance Management Policy** which was published in June 2016. Good attendance is a key element of our performance culture, and the authority aims to create a working environment that promotes the health and well-being of employees. The policy promotes a fair, consistent and supportive approach to managing attendance and encourages a culture of good attendance. The authority takes proactive steps to manage recurring short-term absence including return to work interviews and trigger points. However, there is also sensitivity for the needs of longer term, chronically sick and disabled employees, and there is provision to make reasonable adjustments to duties and the work environment in order to assist employees in achieving good levels of attendance. Attendance management has been identified as an area which is lower in comparison to other authorities in Wales and as a result it is being closely monitored to identify improvement. Monthly reports are provided to senior managers in to enable them to manage attendance in their service area. Early intervention in areas with a significant issue has proved beneficial, and a fixed term dedicated HR officer is now in post to provide focused support for attendance management. The authority utilises an external company for **occupational health** support (Health Management Ltd) which offers pre employment screening and referrals. The authority also provides an employee assistance and employee benefits scheme through **Care First**. This gives employees access to a variety of support, from counselling, to information and advice on work and personal issues. Care First also provides a **Care First Zest** which is a website and mobile app offering employees and elected members free access to an interactive health and wellbeing portal which includes a food and exercise diary, personal training programme and wellbeing checks. Maintaining health and wellbeing has been shown to help strengthen immunity, wellbeing and supports personal resilience.
- G) The Authority has a **scheme of delegation** which clearly defines the mandate for decision making within all levels of the organisation. This is supported by **Standing Orders and financial regulations** which are regularly reviewed.
- H) The authority has for a number of years, invested in Care First Employee Assistance Programme. The service is confidential and all Care first information specialists are trained and experienced advice workers who can ensure accurate information is provided immediately on a wide range of issues which affect daily life.
- I) Information is cascaded to staff through Team Brief, email, the intranet and staff newsletter. In December 2016 the team brief and staff newsletter were reviewed and merged. A new website was launched in March 2017 which is compatible with tablets and smart phones. The Staff are invited to share their ideas through the Staff Council, Improving Conwy and the 'Have your say' area of the intranet. The Staff Council has not met frequently in the last year, and is currently under review. In addition to Committee papers, Members are given a fortnightly Member Information pack on recent activity across the Authority. Team meetings are regularly held by all services. In order to improve communication below Head of Service level, there is a Managers' Forum to support a more informed and inclusive approach and promote good governance, communication and compliance amongst all staff. A communication forward work programme has been developed to organise information published and a communication and engagement strategy is to be developed in 2017/18.

## E2 Review of Effectiveness

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.

- B) The Strategic Director for Economy and Place left the Authority in April 2016 and a new Director will took up post in June 2016. After the retirement of the Statutory Head of Education, an interim Head was appointed in July 2016. A permanent Statutory Head of Education was appointed in March 2017. Recruitment to both senior management positions were managed internally by Corporate HR. This significant change at senior management level has been managed appropriately with no impact on service delivery. The changes have been clearly communicated and all staff have been made aware of changing line management arrangements.
- C) The Authority has a schedule in place to develop and monitor the capacity and capability of members and officers to ensure they are effective. Developing our staff is an objective in the Corporate Plan. The % of staff who have had a PDR is regularly monitored and reported to Senior Managers and to Members.

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

- D) The PDR performance shows an increase but remains just below the corporate target of 80% but is within the tolerance. 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. Whilst there are good arrangements in place for employee support, staff attendance is not as high as other authorities in Wales.

For the period April 2016 – March 2017, the total days lost to sickness absence per FTE staff member for this period was 11.67. This represents an overall deterioration of performance of 1.06 days per FTE from 2015/16 when the year-end outturn was 10.61 days per FTE.

**39,477 sick days were taken. This is an increase of 3,375 days when compared to 2015/16.**

12 of 24 reporting units bettered the Council's estimate of 10 days per FTE.  
10 of 24 reporting units achieved or bettered their service specific estimates

205 Improvement notices were issued.

- E) 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. Following the local elections on 4<sup>th</sup> May 2017, those Members that were re-elected will be given the opportunity to produce an annual report for the 2016/17 period. However, these reports are not obligatory and in the Local Government White Paper 'Reforming Local Government, Resilient and Renewed' Welsh Government questioned their effectiveness.

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

There are good systems in place to support and develop both Elected Members and staff. An internal audit follow up on Human Resources undertaken in January 2017 rated the service as high assurance. The roles and responsibilities of Members and Officers are clearly defined – particularly in relation to the role of the Leader and Chief Executive, who meet regularly to discuss and review the Authority’s progress. The Elected Member and Corporate staff induction is now well embedded, and regularly reviewed to ensure it encompasses key changes, ensuring that all new starters are aware of governance processes within the authority and the support available to development them in their professional role. The Corporate HR Strategy provides direction on workforce development, which will be vital to support staff through the modernisation change management process. The PDR results show a slight increase, and although still below target, is within the corporate tolerance, and continues to be regularly monitored.

### **E4 Recommendations for Improvement**

**R6 Complete the review of the Staff Council**

**R7 Continue to monitor & manage staff attendance in order to improve attendance rates.**

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

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

### F1 Current Arrangements

- A) The Authority uses an integrated performance management system, **CAMMS**, to support service planning, risk management, audit and project management. CAMMS facilitates the greater linkage and integration of service outcomes, project actions and risk management, supporting the requirement that risk management is an integral part of decision making and actions. The **Performance Management Framework**, (PMF) was reviewed to during 2016/17 to reflect the cultural shift required to embed the Well-being of Future Generations (Wales) Act 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 citizen outcomes and therefore the Authority's contribution to improving the County of Conwy both to meet the needs of the present, without compromising the needs of future generations. 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. An open invitation is extended to all Elected Members to attend a service performance view should they so wish. A **Corporate Performance Report** is produced every six months and an **Annual Report** accounting for performance and benchmark with other Authorities is published by 31<sup>st</sup> October each year.
- B) The Authority has a **Risk Management Policy** and **Procedural Manual** in place. They were reviewed and approved by SMT in 2016/17, to reflect the changes required under the Well-being of Future Generations (Wales) Act 2015. 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 Strategic Director or Head of Service and lead elected member. The register is maintained and managed through the Improvement and Audit Group, the Strategic Leadership Team and Senior Management Team. The 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. Following CIPFA training, the Authority has now commenced a rolling programme of **Enhanced Risk Management**, which involves a detailed review of each Corporate Risk to assess the effectiveness of risk controls and actions and appropriate accountability in order to provide a level of assurance for the management of each risk.

- C) A **Programme and Project Managers Forum (PPM)** meets on a quarterly basis. Attendees include identified Programme and Project Managers from across the Authority as well as Project Support Officers and Officers wishing to develop their skills. The role of the Forum is to share knowledge and best practice and provide Project and Programme Managers with the corporate knowledge (i.e. governance, standing orders etc) that they require to implement their Projects and Programmes. The Project & Programme Management Framework has been reviewed to reflect the Well-being of Future Generations (Wales) Act and changes within CAMMs. It is due to be presented for formal approval by SMT in summer 2017.
- D) 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. Council approved a revised set of **Contract Procedure Rules (CPRs)** in December 2014 and a revised **Corporate Procurement Strategy** was approved in February 2016. The procurement strategy aims 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 corporately and the relevant **Overview and Scrutiny Committees** where highlight reports can be referred for further scrutiny and challenge.
- E) There are robust arrangements for effective **financial control** through the 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 2017 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 for overseeing that sound governance arrangements are in place and are embedded in the Authority. This includes co-ordinating the review of the Annual Governance Statement and the implementation of any areas for improvement. The Strategic Director of Finance and Efficiencies is a member of the Strategic Leadership Team (SLT) and reports to the Chief Executive. As a member of SLT the Strategic Director Finance and Efficiencies is able to develop and implement strategy and to resource and deliver the Authority's strategic objectives, ensuring they are sustainable, in the public interest, and aligned to the overall financial strategy. The 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.
- F) The Authority has an **Information Management Strategy 2013 -2017**. This is currently being reviewed and a revised strategy will be ready for 2018. 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 Governance Group (IGG) The purpose of

the group is to provide strategic direction for information management. The terms of reference for this group are currently being reviewed. The IGG is chaired by the Head of Regulatory Services and Housing, who as of 1<sup>st</sup> June 2016 also became the Council's SIRO (Senior Information Risk Owner). A Corporate ICT strategy was approved in December 2013 and is currently being revised for 2017-2022.

- 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. The Authority has a **Research and Information Unit** which provides statistical data and needs analysis to support and inform decisions.

## F2 Review of Effectiveness

- A) The 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.
- B) 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) conclude that there is good internal control. A recent WAO Audit on 'Good Governance when determining significant service changes' (April 2017) stated that *"Political leaders and senior officers have a sound ownership and understanding of the Council's priorities, and they work well together. The high level of trust and co-operation between councillors and staff is a notable feature of the Council. The Council's senior managers have a clear vision of what they are seeking to achieve. Councillors and staff regard senior managers as being highly effective in promoting a 'Team Conwy' approach. The 'Team Conwy' approach sets the tone for a Council-wide culture that focuses on core activities that require improvement and current arrangements appear to work well when considering service change. The staff we spoke to about service change felt that the 'Team Conwy' approach continued to generate a sense of pride in the work of the Council and a strong culture in which they feel accountable for service performance"*.
- C) The **Modernisation Programme** continues to implement 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 implementing corporate work streams for Citizens, Communication, Assets, ICT, Business Processes and Communications & Change Management.
- D) 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 2016/17 in the sum of £8,873m. The Authority is actively planning to deliver further savings and is faced with a resource shortfall of £14,282m in 2017/18 and is preparing for a potential resource shortfall of £9,207m for 2018/19 and £6,549m for 2019/20. The Authority is exploring alternative delivery models

where appropriate, and will review governance requirements to reflect changes as and when necessary.

- E) External regulators are invited to provide support and challenge to the Authority's corporate risk assessment process biannually. 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. 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 findings of all the audits undertaken during the financial year are summarised in their Annual Improvement Report (AIR). The WAO AIR 2016/2017 was received in May 2017 and concluded that "The Council is meeting its statutory requirements in relation to continuous improvement." There were no recommendations for improvement and there are action plans in place to address proposals for improvement noted in individual audits.
- F) Heads of Service provide assurance in their professional capacity for their service area through the presentation of reports, and biannual service reviews that provide assurance of risk management, the implementation of external and internal recommendations and progress on performance. Effectiveness is challenged through reviews undertaken both internally (Scrutiny, Internal Audit, Service Performance Reviews, and the Improvement and Audit Group) and through reports published by external auditors and inspectors. Each May all Heads of Service and their Strategic Director also sign a Statement of Assurance.
- G) 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. For 2016/17 this process was used to inform the draft Corporate Plan development.

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

The Authority has a clear strategic direction which is based upon citizen focused outcomes and delivery is interlinked with risk management. The regular meetings with our external auditors to invite challenge to our corporate risk register are evidence of the importance of this governance process within the Authority. Sound processes are in place to ensure the economic, effective and efficient use of resources and for securing continuous improvement in the way that functions are exercised. The Authority is also keeping abreast of developments and making necessary preparations for new and future legislative requirements. The WAO Annual Improvement Report 2016/17 concluded that "The Council is likely to comply with the Local Government Measure (2009) during 2017-18".

### **F4 Recommendations for Improvement**

**R8** Review the Information Strategy.

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

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

### G1 Current Arrangements

- A) All agendas and reports are available on the Council Website unless they contain exempt information. This includes any information on 'declarations of interest' that are made at meetings. The Authority has launched a new web management system and web redesign that is more resident focused and accessible from tablets and smart phones. The Corporate Plan includes a summary plan, and this has been reviewed to make the draft summary plan for 2017-2022 more citizen focussed and accessible in format. Every year an annual report on performance is published on the website which includes a summary report and in 16/17 a short animation was published to make the information more accessible to the public. The Authority are reviewing the Corporate Communication Strategy and considering alternative ways to present key priorities and to explain what the Authority does.
- B) There are four **Overview and Scrutiny Committees**: Principal, Partnerships, Customers and Communities. As of May 2017 they will be replaced with a **Finance & Resources**, (chaired by the leader of the biggest political party not represented on the Executive), **Education & Skills, Social Care & Health and Economy & Place Overview & Scrutiny Committees**. Their role is to review, scrutinise and hold to account the performance of the Cabinet, check whether existing policies are effective and help to shape new policies; review or investigate matters of particular concern either within the Council or within the community. In June 2016 Scrutiny and Cabinet Members received an overview of the Well-being of Future Generations (Wales) Act 2015 and the implications this has on how they scrutinise and approve reports, to ensure that the decision meets the needs of the present without compromising the needs of future generations. This has been incorporated into the new Member induction process. A Scrutiny "Call-In" process for decisions which have been made but not yet implemented is incorporated in the Constitution to enable the Overview and Scrutiny Committees to consider whether the decisions being taken are appropriate. In 2016/17 one 'call-in' was enacted. In compliance with the Local Government (Wales) Measure 2011, a **Democratic Services Committee** was established in May 2012. The role of the committee is to designate the Head of Democratic Services (who is responsible for overview and scrutiny support, members' services and committee services) and to keep under review the provision of staff, accommodation and other resources made available to the Head of Democratic Services to ensure that these are adequate. The **Members' Register of Interests** is also published on the Council's website. The webcasting of some Committee meetings ceased in September 2016 when funds to pilot this ceased. A webcast is a transmission of audio and video over the internet. Cameras in the council chamber capture the live information which is then accessible on the Council's website to anyone who would like to view it. The number of hits was monitored and reported to the Democratic Services Committee. Owing to costs, Members recommended that audio broadcasting be investigated further. However, there are proposals within the Welsh Government White Paper 'Resilient & Renewed' to make broadcasting of Council meetings a statutory requirement. Therefore, the Authority is considering the matter further.
- C) The **Audit & Governance Committee** meets at least quarterly, to consider the effectiveness of the Council's internal control; risk management and governance arrangements; considers internal and external audit reports and action plans relating to all recommendations; monitors the relationships between auditors and staff; and monitors the responses to audit and inspection recommendations.

It also has responsibility for approving the annual Statement of Accounts and its associated reports (which include this statement). The process for monitoring outstanding audit recommendations includes the reporting of both internal and external actions which have not been signed off.

- D) An **Improvement and Audit Group** ensures that identified risks and external and internal audit recommendations for improvement are being appropriately addressed. These measures incorporate principles of performance management and internal control. The group comprises the Strategic Director Finance and Efficiencies, Head of Audit and Procurement Services, Audit Manager, Corporate Performance and Improvement Manager; Corporate Performance and Improvement Officer, Head of Education and Social Services Section Manager, Quality Standards.
- E) The Council has an objective and professional relationship with its external auditors and statutory inspectors, as evidenced by the Annual Improvement Report<sup>3</sup>. 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.

## **G2 Review of Effectiveness**

- A) An annual report of Scrutiny performance is published each year to review and reflect on the scrutiny function. There is an Audit & Governance Committee Forward Work Programme and pre-Audit & Governance Committee briefings are held as a matter of course with the Chair, Vice Chair and Finance and Resources Cabinet Member to discuss agenda items and support effective challenge.
- B) The Good Governance Report when determining significant service changes Report on the Authority published in May 2017 by Wales Audit Office reviewed the effectiveness of corporate governance and concluded that the Council has good governance arrangements in place but needs to improve the consistency of equality impact assessments and the transparency of service savings.
- C) The Head of Audit Annual Report for 2016/17 concludes that CCBC has satisfactory internal control, risk management and governance processes in place to manage the achievement of the Authority's objectives.
- D) The review of effectiveness is informed by the work of the CEO and Strategic Directors who have responsibility for the development and maintenance of the governance environment and culture. The Head of Internal Audit is required to produce an Annual Report giving an opinion on the adequacy and effectiveness of the 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 & Governance Committee.
- E) The Head of Audit Annual Report was presented to the Audit & Governance Committee in July 2017 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 31<sup>st</sup> March 2017. The findings in respect of follow up audits conducted during 2016/17 were reported to Audit Committee on a quarterly basis and demonstrated that of 185 improvement actions made by Internal Audit, 72 were outstanding or subject to ongoing work,

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<sup>3</sup> [www.conwy.gov.uk/accountability](http://www.conwy.gov.uk/accountability) or [www.wao.gov.uk](http://www.wao.gov.uk)

which represents an implementation rate of 61%. However, 47 of the recommendations were identified as work in progress and when actioned in full will increase the implementation rate to 86%. In relation to the implementation of critical and major recommendations it was confirmed that 100% of critical and major recommendations had been implemented.

- F) All audits performed during 2016/17 have resulted in positive levels of assurance with the exception of reviews of Corporate Safeguarding and Mobile Telephones, which resulted in **Limited Assurance** ratings. Follow-up audits will be carried out during 2017/18 to verify compliance with the recommendations made.
- G) There were no significant events identified in respect of 2016/17 which merited reference in the Head of Audit's Annual Report.

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

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

### **G4 Recommendations for Improvement**

There are no recommendations for improvement.

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

- 8.1** The Council has good governance arrangements in place, but is not complacent. The need to continually review arrangements and to consider best practice elsewhere is necessary to ensure good governance is maintained, which is reflected by the use of the updated CIPFA principles as a framework for our self-assessment. Using this process, the Annual Governance Statement includes areas where further improvements need to be made.
- 8.2** The majority of the governance issues identified in the Annual Governance Statement action plan for 2015/16 have been completed. Those outstanding have been carried forward and included in this statement. Progress against the improvement measures required will be co-ordinated and monitored by the Improvement and Audit Group and reported to Audit & Governance Committee. In addition, all improvement actions identified by our external regulators and the Internal Audit Service are supported by detailed action plans with timescales for implementation, which are monitored by the Improvement and Audit Group, the Internal Audit Service and Audit & Governance Committee.

## 9 Assurance Summary

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

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

- 9.2 Based on the review, assessment and on-going monitoring work undertaken during 2016/17 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.
- 9.3 We propose over the coming year to take steps to address the governance issues identified in this statement to further improve our governance arrangements. We are satisfied that these steps will address the need for improvement identified in our review of effectiveness and we will monitor our implementation and operation as part of our next annual review.

**Signed**

**Signed**

**Date** 04/09/2017

**Date** 04/09/2017

**Iwan Davies**  
**Chief Executive**

**Cynghorydd/Councillor Gareth Jones**  
**Leader of the Council**

## **Summary of Recommendations**

- R1** Implement the recommendations from the Ombudsman report.
- R2** Implement the action plan developed from the PSIAS external assessment of Internal Audit.
- R3** Complete the review of the communication and engagement strategy.
- R4** Develop actions and identified service leads to improve the consistency and quality of Equality Impact Assessments.
- R5** That the recommendations from the internal audit of corporate safeguarding are implemented.
- R6** Complete the review of the Staff Council
- R7** Continue to monitor & manage staff attendance in order to improve attendance rates.
- R8** Review the Information Strategy

## **Ongoing Recommendations from previous AGS**

- 0R2** To review the Council's arrangements for the Town and Community Council Forum to meet the coastal and rural needs.
- 0R4** Group Leaders should work to encourage more Elected Members to undertake appropriate training and PDRs.