

*Statement of  
Accounts  
for the  
Financial Year  
2009/2010*

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# **STATEMENT OF ACCOUNTS 2009/10**

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## **INTRODUCTION**

Conwy County Borough Council is a unitary authority providing all major local government services such as education, social services, leisure, housing, planning and highways.

The County Borough of Conwy has a population of around 112,000. Over 80% of the population lives along the coastal belt that includes the towns of Abergele, Colwyn Bay and Llandudno. The remainder of the population is dispersed across the area extending to Dolwyddelan in the south-west and Llangwm and Dinmael in the south-east. Around a third of Conwy's residents speak Welsh and around a half of the population of the County Borough were born in Wales.

## **Political Governance**

Conwy County Borough Council has 59 Councillors elected to represent 38 electoral divisions. The current political make-up of the Council is:-

- 20 Conservative
- 14 Independents
- 14 Plaid Cymru
- 7 Labour and
- 4 Liberal Democrats

## **Council**

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

## **Cabinet**

The Cabinet comprises ten Councillors including the Council Leader who chairs meetings of the Cabinet. Each of the Cabinet Members has a specific portfolio of responsibility for areas of the Council's services.

## EXPLANATORY FOREWORD

1. The Council's Statement of Accounts is intended to provide clear information about the financial impact of the Council's activities during the period covered, in a format which is easily understood.
2. The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting 2009 (SORP), which provides guidelines on the minimum levels of information to be provided, and the Best Value Accounting Code of Practice (BVACOP).
3. These accounts consist of the following financial statements:-

**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) Annual Governance Statement**

This statement provides a continuous review of the effectiveness of the Council's governance framework including the system of internal control and risk management systems, so as to give assurance on their effectiveness and/or to produce a management action plan to address identified weaknesses.

**c) 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.

**d) The 'core' Financial Statements**

1. The Income & Expenditure Account

This statement summarises the income and expenditure incurred on the day to day running of all the Council's activities. For 2009/10, the Authority showed a deficit on the Income and Expenditure Account of £32.948m (2008/09 - £116.865m). Some caution is required in interpreting this statement as the cost of services shown includes items which are not directly funded by the Council Tax payer. In particular this includes depreciation and impairment on the fixed assets owned by the Authority and the estimated cost of the shortfall on the pension scheme.

This does not however reflect the full financial position of the Council, which is clarified by the following statement.

2. Statement of Movement on the Council Fund Balance

This statement needs to be read together with the Income and Expenditure Account. It shows adjustments to be made to the balance on the Income & Expenditure account in order to explain how the cost of services has been financed from general government grants and by local taxpayers. This shows that the total Council fund balance has decreased by £359k. This is made up of a £210k decrease in schools balances and a £149k decrease in the balance generally available.

3. Statement of Total Recognised Gains and Losses

This statement brings together the balance on the Income & Expenditure account with other gains and losses made by the Authority during the year such as those

arising from a revaluation of fixed assets. The statement shows the total movement in the Authority's net worth for the year, which is a decrease of £78m.

#### 4. Balance Sheet

This shows the Council's financial position as at 31 March 2010, where there was a net deficit of -£52.8m. The statement summarises the Council's assets and liabilities, the balances and reserves at the Council's disposal, its long-term indebtedness and the fixed and net current assets used in the Council's operations.

#### 5. Cash Flow Statement

This explains the financial position in cash terms and shows that the Council's cash position had reduced by £340k.

### 4. **Funding Council Services**

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

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

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

#### 4.1 **Review of the Year – Revenue Expenditure**

The Council's net revenue budget for 2009/10 was originally set at £181.7m (£177.7m in 2008/09) and took account of known and estimated pay awards and price increases.

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

The budget was closely monitored and controlled during the year and reported to Cabinet, in accordance with approved Council procedures. During the course of the financial year budgetary pressures were identified due to recessionary effects on Regulatory Services income and interest earned on investments. Overspends in Social Services Adult Services were detected, offset by savings elsewhere in the Social Services budget. An overspend in respect of winter maintenance costs in Infrastructure Services was financed from the Demand Led Risk Reserve and Council Fund balance. Furthermore, the Council has made provision for known liabilities where required by statute for future liabilities, including the costs of implementing the new staff pay and grading structure back dated to 1 April 2009.

Actual net expenditure totalled £181.565m, and it is pleasing to note that the Council achieved an overall net spend within the budget, despite the normal variations of over and under spends in individual services. The main components of the revenue budget for 2009/10 and how these compare with the actual outturn are shown in the following table, together with notes explaining the main variances:-

Col 1	Col 2	Col 3	Col 4	Col 5	NOTES
SERVICE	ORIGINAL ESTIMATE	APPROVED POSITION AT FEBRUARY	FINAL OUTTURN	VARIANCE (Col 4 - Col 3)	
	2009/10 £'000	2009/10 £'000	2009/10 £'000	2009/10 £'000	
<b>Resource Base</b>					
Revenue Support Grant	(112,547)	(112,547)	(112,547)	0	
NNDR Grant	(30,633)	(30,633)	(30,633)	0	
Council Tax	(38,485)	(38,485)	(38,385)	100	1
<b>Sub-Total</b>	<b>(181,665)</b>	<b>(181,665)</b>	<b>(181,565)</b>	<b>100</b>	
<b>Activities</b>					
Contribution from b/f balance	0	(149)	(149)	0	
Contribution from Reserves					
- Council Tax Reserve	0	0	(100)	(100)	1
- Treasury Management Reserve	0	(200)	(200)	0	
Education Service	70,184	70,184	70,180	(4)	
Social Services	44,696	45,019	44,979	(40)	2
Infrastructure-Highways/Private Sector Housing	11,095	11,333	11,361	28	3
Environmental Services	12,643	12,668	12,668	0	
Community Development Services	6,905	7,440	7,440	0	
Regulatory Services	4,077	4,424	4,424	0	
Theatres & Conference Centre	1,136	1,150	1,150	0	
Support Services	10,849	10,373	10,346	(27)	4
Levies	5,889	5,889	5,843	(46)	5
Treasury Management Activities & Other Corporate costs & services	14,191	13,534	13,623	89	6
<b>Total</b>	<b>181,665</b>	<b>181,665</b>	<b>181,565</b>	<b>(100)</b>	

### Notes

1. Losses on collection higher than assumed, shortfall financed by use of earmarked reserve
2. Adult Services additional income from clients
3. Costs associated with the severe winter greater than predicted
4. Additional premises' energy costs offset by other savings
5. Reduction in outturn costs of levies (National Parks & Coroners)
6. Additional contribution to JE reserve (report dated 9 February 2010 refers)

The general Council Fund balance is a measure of the uncommitted reserves which the Council holds to meet cash flow requirements and unforeseen future events. The Council fund balance was at a level of £2.85m at the year end, which is deemed to be a minimum prudent amount. Other reserves are shown in Note 25 to the Accounts.



5. **Pension Liability – Financial Reporting Standard 17 (FRS17)**

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 2010 and the reserve needed to fund that liability.

The Pension Fund liability that is disclosed within the Balance Sheet is the total projected deficit that exists over the expected life of the fund. This deficit will change on an annual basis dependent on the performance of investments and the actuarial assumptions that are made in terms of current pensioners, deferred pensioners and current employees. In 2009/10 there was a disproportionate increase in the value of liabilities of the fund due to the prevailing economic situation and this has led to a marked increase in net liabilities.

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

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

6. **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 2009/10 was £27.963m. The following is a summary of the service areas which incurred capital investment in 2009/10 and how it was financed:-

<b>Capital Expenditure</b>	<b>2009/10 Actual £'000</b>
<b>Capital Expenditure by Service:</b>	
Education	6,639
Environmental & Technical Services	3,587
Infrastructure & Transport	4,230
Private Sector Housing	3,590
Community Development - Regeneration	1,638
Community Development - Leisure Services	1,001
Community Development - Libraries	88
Social Care	1,511
Planning & Countryside	157
Information Technology	356
Engineering & Design	1,818
Theatres	339
Housing Retained Contracts	634
Other	2,331
Net Accruals	44
<b>Total Capital Expenditure</b>	<b>27,963</b>

<b>Capital Financing</b>	<b>2009/10 Actual £'000</b>
<b>Financed By:</b>	
Supported Borrowing	7,587
Prudential Borrowing	3,533
Capital Receipts	1,965
Capital Grants	14,193
Capital Reserves	685
<b>Total Capital Financing</b>	<b>27,963</b>

Capital expenditure can be financed through Supported Borrowing whereby the costs are funded through the Revenue Support Grant, and Prudential Borrowing where the costs are funded by savings within the Council's revenue budget.

Major projects undertaken during 2009/10 were as follows:-

- Eirias Park Events Centre
- Colwyn Bay Streetscape Enhancements
- Refurbishment of Colwyn Bay Leisure Centre changing rooms
- Pentrellyncymer Outdoor Education Centre
- Extra Care Housing Schemes
- Conwy Cob to RSPB Cycle Track
- Flood Alleviation Works
- Recycling Initiatives
- School Building Improvements & Kitchen refurbishments
- CCTV
- Replacement of deteriorating Streetlighting
- Remediation of Road Bridges and resurfacing of County Road Network

Expenditure on Private Sector house improvements and grants was £3.59m and on Education Services was £6.639m.

The Council's long term debt outstanding at 31 March 2010 was £102.868m, being a reduction of £11m due to repayment of debt and consequent internal borrowing.

The Limits to Borrowing Activity in 2009/10, 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:-

	£
Authorised Limit for External Debt	206.566m
Operational Boundary for External Debt	196.566m

## 7. **Private Finance Initiative (PFI)**

The most significant impact on the 2009/10 accounts is the accounting treatment of the PFI contract. The accounting requirements for the PFI and similar contracts are no longer based on the UK accounting standard FRS 5 but on International Financial Reporting Standards (IFRS). The requirements are based on IFRIC 12 Service Concession Arrangements and apply to contracts in existence at 31 March 2009, therefore prior period adjustments are needed for these.

As a result of this change in accounting treatment the assets under the Three Schools PFI project are now included on Conwy's Balance Sheet together with a Long Term Liability in respect of future payments due under the terms of the contract. Note 2 to the Statement of Accounts identifies the changes to the Balance Sheet as at 31 March 2009 to include the PFI contract, whilst the Income & Expenditure Statement, Statement of Movement on the Council Fund Balance and Statement of Recognised Gains & Losses show the original Statement of Accounts 2008/09 figures alongside the re-stated figures allowing for this change.

## 8. **National Non-Domestic Rates (NNDR)**

A review of the accounting arrangements for NNDR has led CIPFA/LASAAC to direct Authorities to account for NNDR as agents of the Welsh Assembly Government. This has resulted in Conwy's accounts no longer carrying arrears, prepayments and a bad debt provision in respect of NNDR, with all these items being netted off as a Welsh Assembly cash debtor. This has resulted in a re-statement of debtors and creditors as at 31 March 2009 for comparative purposes, and is shown in Note 2 to the accounts.

## 9. **Revaluation of Assets**

A programme of Asset valuation is planned to ensure that all fixed assets are revalued at least every five years, and assets were revalued during the latter part of the financial year 2009/10 by the Council's Engineering & Design Services, with an effective date of valuation of 31 March 2010. This has resulted in an increase in value of certain assets and a reduction (impairment) of others. Impairment is charged to the service in the Income & Expenditure Account and amounted to £29.929m in 2009/10. Note 16 to the accounts shows the changes to asset values.

## 10. **International Financial Reporting Standards (IFRS)**

There will be fundamental changes to the way the accounts are prepared and presented under International Financial Reporting Standards (IFRS) when fully implemented for the Statement of Accounts 2010/11.

The main changes relate to the following:

- Accounting for components of Fixed Assets
- Review of operating and finance leases
- Accrual of Employee Benefits
- Order and content of the core financial statements

# **CONWY COUNTY BOROUGH COUNCIL**

## **ANNUAL GOVERNANCE STATEMENT**

**2009/2010**

### **1. INTRODUCTION**

- 1.1** Corporate governance is the system by which organisations are directed and controlled. Corporate governance concerns the way in which the affairs of Council are handled by elected members and officers and how we engage with stakeholders and partners.
- 1.2** 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 issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) in 2001.
- 1.3** The governance assurances contained in this statement are structured around each of the core governance principles contained in the above Framework.

### **2. SCOPE OF RESPONSIBILITY**

- 2.1** Conwy County Borough Council (“the Authority”) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Wales Programme for Improvement (WPI) was introduced in 2002; and was updated in 2005. The Welsh Assembly Government has issued updated Guidance on securing continuous improvement via the Wales Programme for Improvement Guidance 2010. Presentations were made to elected members and the Council’s Senior Management Team (SMT) to discuss the Guidance during the consultation phase.
- 2.2** The Guidance has been developed to support the implementation of The Local Government (Wales) Measure 2009. The Guidance outlines the proposed changes to the Wales Programme for Improvement. There are 2 parts to the Guidance:
- Improvement and Business Planning
  - Community Planning
- The Guidance brings together shorter term improvement activity with longer term community planning and is based on fundamental principles that improvement is more than quantifiable gains or organisational internal effectiveness.
- 2.3** In discharging this overall responsibility, the Authority is responsible for putting in place proper arrangements for the governance of its affairs to facilitate the effective exercise of the Council’s functions, which includes arrangements for the effective management of risk.
- 2.4** The Authority will continue to review its arrangements against best practice and implement changes to improve the overall governance arrangements.

### **3. THE PURPOSE OF THE GOVERNANCE FRAMEWORK**

- 3.1** The governance framework comprises the systems, processes, culture and values by which the Authority is directed and controlled through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate cost effective services.
- 3.2** The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed: to identify and prioritise the risks to the achievement of the Authority's policies, aims, and objectives; to evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage risks efficiently, effectively and economically.
- 3.3** It is anticipated that local authorities in Wales will have to produce an Annual Governance Statement for 2010/2011. However, Conwy has decided to produce an Annual Governance Statement for the financial year 2009/2010 rather than a Statement on Internal Control because it is felt that a governance statement better reflects and represents the governance and internal control arrangements in force throughout 2009/2010.
- 3.4** The governance framework has been in place at the Council for the year ended 31<sup>st</sup> March 2010 and up to the date of approval of the annual statement of accounts and accords with proper practice.

### **4. THE COUNCIL'S GOVERNANCE FRAMEWORK**

- 4.1** The Council's governance framework comprises the Authority's policies, procedures and operations that are in place to:
- establish and monitor the achievement of objectives;
  - identify, assess and manage risks to achieving those;
  - facilitate policy and decision making;
  - ensure the economical, efficient and effective use of resources;
  - ensure compliance with established policies, procedures, laws and regulations;
  - safeguard the Council's assets and interests from losses of all kinds; and
  - ensure the quality, integrity, availability, confidentiality and reliability of information, accounts and data.

Maintaining the framework is an on-going process to which the Authority is committed in order to ensure continuous improvement and the development of good practice. The key elements of the Council's governance framework are described under the various headings below

### *The Constitution*

- 4.2** The Council's Constitution provides the framework for its decision making processes and sets out the detailed procedures, protocols and codes by which elected members and officers operate to achieve the Council's objectives in an efficient, transparent and accountable manner.
- 4.3** The Constitution includes fundamental Articles, Procedure Rules, Standing Orders, Financial Regulations and the Scheme of Delegated Powers, together with Codes of Conduct for both elected members and officers. It is regularly reviewed and updated, and is available in hard copy form and on the Council's Website.
- 4.4** Under the Constitution, the Leader and Cabinet, which includes up to 9 other Councillors appointed by the Leader, forms the executive decision-making body of the Authority. Their decisions must be in line with the Council's overall objectives and are subject to examination by four overview and scrutiny committees. Key decisions, such as setting the Council's budget, approving specified key policies and making senior appointments are made by Council. This process is laid down in the Constitution.
- 4.5** Any amendments to the Constitution (other than minor or consequential changes that may be approved by the Monitoring Officer in consultation with the Chairman of the Council and Chairman of the Constitution and Maladministration Committee) are determined by the Council following consideration by the Council's Constitution and Maladministration Committee.

### *Standards Committee*

- 4.6** The Council has established a Standards Committee to promote high standards of conduct and behaviour by elected members. The Committee comprises three elected members, one community councillor and a majority of co-opted people who are independent of the Authority. The role of the Committee includes:
- assisting, advising and monitoring compliance with the elected members' Code of Conduct;
  - arranging to train elected members on matters relating to the Code;
  - granting dispensations to elected members from requirements relating to interests set out in the Code;
  - Dealing with complaints of breach of the Code of Conduct submitted to it by the Public Services Ombudsman;
  - 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.

### *Audit Committee*

**4.7** The Audit Committee is a fully constituted committee of the Council comprising a politically balanced membership of elected members. This Committee has responsibility for:

- approving the Statement of Accounts;
- agreeing the nature and scope of the annual Internal audit plan;
- receiving External audit & Internal audit reports;
- reviewing the adequacy of governance arrangements;
- receiving the Annual Letter produced by our External Auditors;
- considering internal audit and risk management arrangements;
- monitoring implementation of recommendations made by External and Internal Audit;
- monitoring the implementation of rules dealing with the registration of gifts and hospitality and declarations of interest by both elected members and officers; and
- approving the Treasury Management Strategy and Prudential Indicators annually and receiving monitoring reports regarding Treasury Management performance.

**4.8** The Authority has a sound control environment which is well established and is mainstreamed within the Authority's business arrangements. The groups of officers responsible for overseeing and monitoring the control environment are the Executive Group and the Senior Management Team. In addition the Report Review Group reviews democratic reports prior to submission.

### *The Executive Group*

**4.9** The Executive Group meets twice a month and until December 2009 comprised the Chief Executive, the two Corporate Directors, the Monitoring Officer, the Section 151 Officer, together with the Statutory Head of Education. Following the departure of the Corporate Director – Development and Improvement in December 2009, the Executive Group membership was changed to include the Chief Executive, the Corporate Director – Resources, the Monitoring Officer, the Section 151 Officer, Statutory Head of Education and Director of Social Services.

**4.10** The Chief Executive was temporarily suspended from his post in March 2010 and remained absent for the remainder of the financial year. Elected members acted immediately to implement the following:

- The Corporate Director – Resources was appointed to acting Chief Executive/Head of Paid Service;
- The Head of Financial Services and Section 151 Officer was appointed as an acting Corporate Director;
- The Head of Legal and Democratic Services and Monitoring Officer was appointed as an acting Corporate Director;
- Acting up arrangements have been put in place to provide appropriate support and leadership in respect of their substantive posts.

- 4.11** The areas of responsibility of the above officers were documented and issued to elected members and staff, giving direction and clarity to the interim arrangements.

***Senior Management Team***

- 4.12** The Senior Management Team (SMT) meets monthly and comprises all Heads of Service, together with the Chief Executive and the Corporate Directors. All major management and strategic issues flow through this group, and draft plans and policies affecting the organisation are included within the agenda before being presented to the democratic process.

- 4.13** SMT takes key decisions on management issues across the Authority, and considers risk and policy development. In addition, the Team considers national, sub regional and local issues, together with cross Authority issues to reduce silo working and promote consistency. SMT also engages with Cabinet so that there is a common understanding and purpose to the work of the Authority.

***Report Review Group***

- 4.14** The Report Review Group (RRG) meets twice a month to oversee the reports scheduled to go to Cabinet, and considers 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.

- 4.15** The key elements of the governance framework within Conwy County Borough Council can be subdivided into the key areas detailed below.



## **5. THE KEY ELEMENTS OF THE GOVERNANCE FRAMEWORK**

### **5.1 ESTABLISHING AND MONITORING THE ACHIEVEMENT OF THE AUTHORITY'S OBJECTIVES**

#### *Community Strategy*

**5.1.1** The Conwy Community Strategy provides the strategic multi-agency framework for citizen outcomes and service improvement for the County. This involves all the Authority's departments and agencies providing services to Conwy.

**5.1.2** The Community Strategy consists of 5 strategic themes and covers the 10 year period 2004 to 2014. It is currently being reviewed and will be republished in 2011 with a greater focus on citizen outcomes. Well established procedures are in place for setting and monitoring the Authority's objectives in line with the Community Strategy, and the Authority has an appropriate policy and decision-making process. Priorities and long term aims are re-examined each year by Cabinet and senior officers.

#### *Corporate Plan*

**5.1.3** The Corporate Plan 2008 to 2012 clearly sets out Conwy CBC's vision of "Revitalising our Communities and putting Conwy at the centre of North Wales". The Corporate Plan has strong links to the Community Strategy and other strategic and partnership plans within the Authority and with the community as a whole. The themes are supported by a subset of 12 Corporate Plan Priorities. Its production followed well established processes that operate within Conwy. The Corporate Plan was developed in 2008 in line with the framework of the Community Strategy. The plan was developed after detailed analysis of demographic needs, and extensive consultation on key issues and actions. This included incorporating community consultation feedback undertaken by a variety of partnerships, workshops with partners, elected members and SMT. Objectives developed also included consideration of the national agenda, performance data and recommendations made from inspection reports.

#### *Corporate Plan Delivery Scheme*

**5.1.4** Annual targets are set for Corporate Plan Objectives which are outlined in the Corporate Plan Delivery scheme. The scheme also details the lead officer, Cabinet Member, Scrutiny and resource allocation. This information is then cascaded to service areas via their own Annual Operational Plans. Twice yearly Service Performance Reviews (SPRs) are undertaken with each service area and are attended by the Cabinet Portfolio Member, Cabinet Business Manager, Senior Manager and Corporate Performance and Improvement Manager. Twice yearly Corporate Performance Reports reflect the progress reported in the SPRs whilst reviewing the Corporate Plan Delivery Scheme, Corporate Risk Register, Performance Indicators, Improvement Agreement, Regulatory Plan and Service achievements and issues. The Corporate Performance reports are presented to SMT, Executive Members, Principal Overview and Scrutiny Committee and Cabinet.

#### *Programme and Project Management*

**5.1.5** The Authority follows a programme and project management framework, based on PRINCE 2. Project Managers are trained to either foundation or practitioner level and are supported by a corporate team of project support within the Corporate Improvement and Development Team. Projects which represent a significant impact or risk to the Authority are monitored via the Corporate or Service Improvement Boards. The Boards have key links to Scrutiny and the Scrutiny Chairs and Vice Chairs are members of the Boards.

The Authority is piloting the Ffynnon performance management software and is now able to submit performance measures and the Improvement Agreement via Ffynnon. Further progress can be made on the development of the risk register when the long awaited upgrade to the system is installed. Dates for the upgrade have been delayed several times by the provider.

### *Performance Management*

- 5.1.6** The key elements of corporate governance are detailed in the Corporate Performance Management Framework. This is currently being updated to reflect changes in working practice and the new Welsh Assembly Guidance which has been issued.
- 5.1.7** The Authority publishes an Annual Report. The report comments on performance against the objectives, financial position and performance indicators from the previous financial year. It is prepared and published in accordance with statutory requirements. The Annual Report 2008/2009 which forms part of the Authority's 2009/2010 Improvement Plan contains a detailed commentary on performance during the year which is linked to stated key objectives.
- 5.1.8** The Annual Letter for 2009 states that the Authority's Improvement Plan 2009/10 meets statutory requirements and provides a balanced view of its performance in 2008/2009.

## **5.2 FACILITATION OF POLICY AND DECISION MAKING**

### *Code of Corporate Governance*

- 5.2.1** The Authority is committed to the principles of good corporate governance and has drafted a Local Code of Corporate Governance based on the framework set out by the Chartered Institute of Public Finance and Accountancy (CIPFA)/Society of Local Authority Chief Executives and Senior Managers (SOLACE). The Code of Corporate Governance will form part of the Constitution and apply to all aspects of the Authority's business.

### *Accountability and Transparency in Decision Making*

- 5.2.2** Arrangements are in place to enable informed and transparent decisions to be taken which are subject to effective scrutiny and risk management through:
- Key and major decisions being taken in public (subject to exceptions permitted by law);
  - Information relating to those decisions being made available to the public;
  - Rules and procedures that govern how decisions are made are in place, are regularly reviewed and being publicly available; and
  - Appropriate legal, financial, human resources and other professional advice being considered as part of the decision making process.
- 5.2.3** In addition, the Authority has ensured that arrangements are in place to hold decision makers to account. These include:
- Four Scrutiny Committees with arrangements for calling in decisions;
  - an Audit Committee;
  - the development of a partnership governance toolkit;
  - project and programme governance;
  - the Constitution;
  - a corporate customer complaints system;
  - a system for dealing with complaints of misconduct against elected members; and
  - an Anti-fraud and Corruption Strategy and Whistle Blowing Policy.

### *The Constitution*

**5.2.4** The Authority's Constitution 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. The Constitution sets out the responsibilities and procedures for decision making and are designed to ensure that all decisions will be made in accordance with the following principles:

- Proportionality (i.e. the action must be proportionate to the desired outcome);
- Due consultation and the taking of professional advice from officers;
- Respect for human rights;
- A presumption in favour of openness;
- Clarity of aims and desired outcomes;
- Consideration of alternative options;
- Recording reasons for the decision, including details of any alternative options considered and rejected.

### *The Monitoring Officer*

**5.2.5** The Monitoring Officer, officers in Legal and Democratic Services and other senior officers of the Authority have a key role to play in helping to ensure that the principles enshrined in the Constitution, such as sustainable decision making, robust scrutiny, the rules of natural justice, standards of conduct, efficiency, transparency and high standards of corporate governance, are delivered in practice through the Authority's administrative process.

### *The Council*

**5.2.6** The Council met on 10 occasions during 2009/2010 to fulfill its policy and decision making role.

### *The Cabinet*

**5.2.7** The Cabinet carries out functions that are not the responsibility of any other part of the Authority. Members of the Cabinet are assigned specific portfolio areas that assist the Cabinet in monitoring the activities of the authority. The Cabinet is the Authority's key executive decision making body and makes decisions within the policy framework approved by Council. When major decisions are to be discussed, this will generally be open for the public to attend except where personal or confidential matters are being discussed. The Cabinet has to make decisions which are in line with the Authority's overall policies and budget. If it wishes to make a decision which is outside the budget or policy framework, this must be referred to the Council as a whole to decide.

### *Scrutiny Committees*

**5.2.8** The Wales Audit Office Overview and Scrutiny End Project report issued in December 2009 concluded that "Overall the Council has established effective arrangements to support overview and scrutiny. Very good progress appears to have been made in raising the standard of scrutiny and to increasing its impact. The Council is in a strong position to build on its success to date and maintain its journey of improvement."

### *Standards Committee*

- 5.2.9** The Standards Committee monitors and reviews the operation of the Codes and Protocols under the Constitution to ensure that the aims and principles of the Constitution are given full effect. The Monitoring Officer is responsible for making recommendations for ways in which the Constitution can be amended or improved. Changes to the Constitution must be made by the full Council, subject to the Monitoring Officer having authority to make minor amendments to the Constitution as indicated in paragraph 4.5 above.

### *Regulatory Committees*

- 5.2.10** In addition the Authority has three regulatory committees which met as follows:
- The Planning Committee met monthly;
  - the Audit Committee met six times; and
  - the Licensing and Regulation Committee met six times during the year.

### *Scheme of Delegation*

- 5.2.11** In addition to the above, in order to allow the Authority to make the many decisions that are required on a daily basis, responsibilities for certain decisions are delegated to senior officers which are identified under the Scheme of Delegation to Officers in Part 8 of the Constitution.

## **5.3** *ENSURING COMPLIANCE WITH ESTABLISHED POLICIES, PROCEDURES, LAWS AND REGULATIONS.*

- 5.3.1** All officers have a responsibility to ensure compliance with established policies, procedures, laws and regulations. Training and awareness sessions are provided for officers as necessary and appropriate induction sessions are arranged for all new staff.

### *The Monitoring Officer*

- 5.3.2** The Authority's Head of Legal and Democratic Services is designated as the Monitoring Officer within Conwy. It is the function of the Monitoring Officer to ensure compliance with the Constitution and established policies, procedures, laws and regulations. The Legal service has achieved Lexcel accreditation and has Legal Officers who specialise in specific areas of Authority activity. The Monitoring Officer monitors activity to ensure compliance with laws and regulations. On the basis of the monitoring that has been undertaken during the year the Monitoring Officer is able to confirm that these arrangements are operating satisfactorily.

### *Contract Standing Orders and Financial Regulations*

- 5.3.3** Financial Regulations, Financial Codes of Practice, Contract Standing Orders, Policies and Procedures and Codes of Conduct are all in place and available to staff in paper and electronic formats.

### *Financial Management*

- 5.3.4** The Head of Financial Services is the Responsible Financial Officer and takes responsibility for the arrangements under Section 151 of the Local Government Act 1972. The financial management of the Authority is conducted in accordance with the Financial Regulations set out in the Constitution.

### *Internal Audit*

**5.3.5** The Authority has an Internal Audit function that operates to the standards set out in the CIPFA guidance for Internal Audit in Local Government. The Head of Audit and Procurement Services reports impartially and in his own name on the adequacy and effectiveness of the internal control environment, including risk management and corporate governance arrangements. The scope of Internal Audit covers all business activities of the Authority, and Internal Audit has unrestricted access to all internal personnel, records, and assets, in order to conduct its business effectively.

### *Standards Committee*

**5.3.6** The Authority has a Standards Committee in place to monitor standards and elected member conduct, as indicated in paragraph 4.6, and a well-established Audit Committee, as indicated in paragraph 4.7 above.

### *External Regulators*

**5.3.7** The Authority is subject to external audit by KPMG and the Wales Audit Office (WAO) and is subject to further external inspection and review by a number of agencies. The work delivered on behalf of the Auditor General is illustrated as follows:

- KPMG - Audit of the Accounts, conclusion on arrangements for securing value for money, audit of the improvement plan, local performance work, local government studies, audit of grant claims;
- WAO - Inspection, other WAO work including work undertaken as part of the Auditor General's forward programme for the Audit Committee of the Welsh Assembly Government.

**5.3.8** The Authority has an active and constructive approach to the reports and recommendations made by external agencies with regular meetings being held between senior officers of the Authority and external inspectors. The latest Annual Letter confirmed that "the Council has developed a framework that covers the key areas for ensuring robust management of its responses to regulators' recommendations". The Authority established an Improvement and Audit Group in 2008 which performs a key role in ensuring appropriate and timely implementation of external and internal audit recommendations.

### *Policies and Strategies*

**5.3.9** The Authority has various corporate strategies and policies in place to support compliance with our agreed procedures. These strategies include the Corporate People Strategy, Procurement, Health and Safety, and Complaints.

### *Elected Member Training and Development*

**5.3.10** One of the Corporate Plan Objectives is "We will make sure our staff and elected members know what is expected of them and what they need to deliver, and are supported to work together as a team to provide the service that meets our customers needs". The Authority has therefore established a Member Development Working Group which has developed a Members' Development Strategy and a rolling programme of elected member training which includes a thorough induction programme. As a result of these efforts, the Authority was awarded the WLGA Charter for Member Support and Development in August 2009. A process of Personal Development Reviews has also been developed and during 2009/10 all Cabinet Members piloted the process. In addition, Cabinet Members are identified as Corporate Lead Members on all relevant Corporate Plan objectives and corporate risks. All Cabinet Members are invited to attend their relevant Service Performance Reviews.

### *Staff Training and Development*

**5.3.11** The Authority achieved Investors in People (IIP) accreditation in 2008 for a period of 3 years. During 2009/2010 progress was made in reviewing the existing Performance and Development Review scheme with the exercise scheduled to complete during 2010/2011.

### **5.4** *IDENTIFYING, ASSESSING AND MANAGING THE RISKS TO THE AUTHORITY'S OBJECTIVES.*

#### *Risk Management*

**5.4.1** The Authority has a Risk Management Strategy and Policy in place which was reviewed and updated during 2009/2010. It incorporates the framework for managing risks throughout the Authority and includes the roles and responsibilities for risk management.

**5.4.2** The Cabinet and Scrutiny Committees are mindful that risk is considered as a key element of their decision-making and each report to those bodies contains a section commenting on risk issues. The Chief Executive is the Risk Management Champion within the Authority, and is supported by senior officers who have driven the process to date.

**5.4.3** Each Head of Service is the responsible officer for risk management within respective services.

**5.4.4** The Authority has an established Corporate Risk Register. Each risk is assigned to a corporate lead officer and lead elected member. The register is maintained and managed through the Improvement and Audit Group, the Executive Group and the SMT. The risks are reported to elected members formally through the democratic process. The Register is considered regularly by Heads of Service as part of the SMT meetings and by Cabinet, Principal Scrutiny and Audit Committee. 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. In addition, the corporate risks are considered during the Business Planning Framework process that supports the Authority's resource allocation process.

#### *Risk Management Training*

**5.4.5** The Annual Letter for 2008/2009 identified that the Authority responded pro-actively to the recommendations made in the KPMG report on risk management arrangements issued in October 2008. During 2009/2010, the Authority engaged additional capacity to evaluate the risk management strategy, deliver on the recommendations for improvement and implement further risk management training to Cabinet, Principal Overview and Scrutiny and Audit Committee members, senior management, operational managers and key staff throughout the Authority.

**5.4.6** The Head of Audit and Procurement Services concluded in the Annual Assurance Statement presented to Audit Committee on the 24<sup>th</sup> May 2010 that progress has been made during 2009/2010 to fully integrate risk management into the day to day business of the Authority and that there are satisfactory risk management processes in place to manage the achievement of the Authority's objectives.

#### *Budget Setting*

**5.4.7** When the Authority sets its budget elected members take account of the level of risk and uncertainty regarding its budgetary estimates and prevailing circumstances. The budget process is underpinned by risk awareness as a core principle of business and financial planning.

### *Service Performance Reviews*

- 5.4.8** Service risk registers were reviewed and updated during 2009/2010 as part of the service performance reviews conducted by every service to identify and consider the key risks affecting the delivery of services as identified in paragraph 5.1.4.

### *Business Continuity*

- 5.4.9** The Authority has plans for major emergencies such as flooding and a possible pandemic in place and has also developed a comprehensive suite of Business Continuity Plans to ensure the Authority can continue to provide critical services at a time of crisis and ensure recovery of normal service delivery once the crisis is over.
- 5.4.10** Progress to improve IT Disaster Recovery arrangements has previously been constrained by a lack of funding. A formal revenue bid was prepared and submitted as part of the Business Planning Framework in November 2009 and was successful. Consequently, plans are in progress to engage and consult with suppliers to identify and confirm the appropriate detailed capabilities and services that will be required. It is anticipated that the overall provision will be a combination of some in-house resilience capacity and provision of external service.

### *Emergency Planning and Health and Safety*

- 5.4.11** An active and established Emergency Planning Unit helps to manage external risks to the Authority and works collaboratively on a north Wales regional basis.
- 5.4.12** The Authority has an active central Health and Safety Unit who provide advice and training to all services on Health and Safety issues. Fire risk assessments to all premises are performed on a rolling programme basis.

### *Anti Fraud and Corruption Strategy*

- 5.4.13** The Authority 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. Whistle blowing arrangements are in place and any irregularities identified are investigated by Internal Audit or the appropriate officers within the services.

## **5.5 SECURING CONTINUOUS IMPROVEMENT.**

- 5.5.1** The Annual Letter issued in December 2009 by WAO concluded that the Council had proper arrangements in place during 2008/2009 for securing economy, efficiency and effectiveness in its use of resources. The Authority has continued to improve its arrangements during 2009/2010 in response to the recommendations made by External Audit. Services are externally inspected by External Audit and other external agencies and both External and Internal Audit have a role in commenting on economy, efficiency and effectiveness.

### *Improvement Boards*

- 5.5.2** Scrutiny Committees and project board arrangements play a vital role in securing continuous improvement across all services. The Authority introduced Improvement Boards during 2007/2008 to drive service modernisation, organisational development, partnership working and to challenge the use of resources within the Authority. The four Boards met regularly during 2008/2009 and contributed to the Council's objective of ensuring best value and continuous improvement.

**5.5.3** After the appointment of the new Chief Executive a review of the Improvement Boards was undertaken during 2009/2010 and a decision was made to reduce the number of Boards to two. The role of the Improvement Boards still has the same emphasis, but projects and programmes have been aligned according to either their service or corporate function. Scrutiny committees have also been aligned to the two Boards accordingly. The Boards meet every other month to receive highlight, stage end and lessons learnt reports on the various corporate projects. All projects are developed and monitored within the Corporate Project Management Framework which is based on the PRINCE 2 Methodology.

#### *Key Themes*

**5.5.4** In addition, the Service Performance Reviews (SPRs) aim to support continuous improvement at a service level and monitor the achievement of corporate objectives. The Authority has developed an internal review process aimed at monitoring improvement across nine key themes adopted by Conwy as a result of the Corporate Assessment and Improvement Project (CAIP). CAIP was acknowledged for its good practice by the WLGA Excellence Wales Awards in 2009. The 9 key themes assessment is conducted by panels of staff and elected members and makes recommendations on ways to improve performance, outputs and outcomes within the Authority. This has been a significant 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 Cabinet and accepted recommendations are monitored through service Annual Operational Plans. The second review of the 9 key themes was completed in 2009/2010. A Cabinet decision has now been taken to establish new themes. The themes are based on the areas of Corporate Assessment with the WAO question hierarchy of corporate governance and will be launched in 2010/2011.

#### *Finance*

**5.5.5** The Authority constantly seeks ways of ensuring the economical, effective and efficient use of resources and strives for continuous improvement in the way its functions are exercised

**5.5.6** The Head of Financial Services or his representative assesses all reports and developments that contain financial consequences.

#### *Joint Working*

**5.5.7** The Authority is actively involved in joint working with partners such as the Police, the Local Health Board, other Local Authorities, the voluntary sector, Fire Services, RSLs and Higher Education. The Authority has appointed a Partnership Co-ordination Manager and provides administrative support to the Conwy LSB, Health and Wellbeing Partnership Board, Joint Community Safety Partnership and the Children and Young People Partnership.

**5.5.8** The Authority is represented on the North Wales Regional Partnership Board and has taken the lead on some North Wales Collaboration Projects such as Telecare and CCTV. The Authority has a jointly appointed Head of Highways and Infrastructure with Denbighshire County Council (DCC). In addition, joint working with DCC Licensing is operating successfully and further collaboration is progressing well with DCC with regard to other aspects of Regulatory Services.

#### *Partnerships*

**5.5.9** A Partnership Governance Toolkit was developed for the Conwy Local Service Board and Strategic Partnerships and endorsed by Cabinet on 10<sup>th</sup> November 2010. The toolkit will ensure that our officers, elected members and partners are clear in the aims and purpose of any partnership working and understand our respective responsibilities and obligations.

**5.5.10** The overall responsibility for Partnerships was transferred to the Head of Community Development Services in September 2009 at the time of the



appointment to the post of Partnership Co-ordination Manager. The responsibilities of the post are to manage and co-ordinate the strategic approach to partnership working.

**5.5.11** A Partnership Governance and Improvement Plan was supported and approved by Cabinet on 9<sup>th</sup> March 2010. There are 3 stages to the plan:

- Partnership scoping and significantly assessing all partnerships;
- Improving governance and performance;
- Internal and External Auditing arrangements of partnerships.

The plan will ensure that the Authority has a complete picture of the partnership landscape in order to support improvements to partnership governance, performance and accountability.

**5.5.12** The Internal Audit Service performed a joint review with WAO of partnership working as part of the planned audit work for 2009/10. This piece of work resulted in WAO providing training to managers and staff across all services in the use of Results Based Accountability (RBA). The RBA methodology is being used to develop the Outcome Agreement Framework and will be used by strategic partnerships in the future to ensure improved performance and better outcomes.

#### *Benchmarking Performance*

**5.5.13** The Authority contributes to a number of benchmarking clubs, across a range of services, that allow comparison of performance, costs and best practice. PIs are regularly monitored and reported and analysis is provided to identify both improvements and deterioration in performance and to plan the Council's direction of change to ensure that as many PIs as possible are in the top quartile. A Research and Information unit has been established to ensure that there is corporate support and expertise for research and information. The unit provides consistent and up to date demographic information and provides an annual analysis of the Council's performance in Wales against the National Performance Indicators. A statistics website for the County is being developed and will be launched in 2010/2011.

#### *E-Government*

**5.5.14** The Authority has taken a pro-active approach to the e-government agenda, and in addition has also implemented business systems such as Human Resources/Payroll system, and a Social Care System. The Authority is also using the e-government agenda to drive forward improvements in transactional efficiencies through the Council's Website. During 2009/2010 the Authority undertook an e-tendering and e-auction pilot exercise in respect of 78 home to school transport contracts. This resulted in estimated savings of £77k in respect of the 2010/2011 budget.

#### *Procurement*

**5.5.15** The Authority is committed to modernising its procurement processes and has strong links with both the Welsh Assembly Government, through its Value Wales Team, and neighbouring public sector bodies. The Authority is a member of the North Wales Procurement Partnership that operates for the six North Wales Authorities. This partnership was set up to deliver a regional procurement team to accelerate and increase procurement savings by jointly procuring a selection of goods and services.

**5.5.16** During 2009/2010, the Corporate Procurement function was expanded to provide an increased level of support to services, advising on procurement exercises particularly those involving price/quality evaluations or requiring adherence to EU directives. The Authority is committed to further strengthening the role of the unit to ensure compliance with the regulatory framework and to reduce procurement risks.

#### *Staff Training*

**5.5.17** The Authority is committed to ensure services are delivered by individuals with the capacity and skills to enable continuous improvement. Conwy gained the Investors in People award for the whole Authority in September 2008, and as the assessment report highlighted, is committed to developing and training its workforce.

#### *Efficiencies*

**5.5.18** The Authority has responded positively to the Wales Programme for Improvement in relation to achieving, measuring and demonstrating efficiency gains, and is further developing its processes to build on the positive comments included in the Annual Letter published by the Wales Audit Office and KPMG in December 2009.

**5.5.19** In late 2009, the Authority embarked on a review of its office accommodation stock as part of its efforts to address the huge economic and financial pressures currently being experienced and to improve customer experience for the citizens of Conwy, as well as improve the working environments for our key asset; our staff. A range of proposals were developed and the Authority is continuing to develop further options as a consequence of the changing financial landscape and other opportunities that have presented themselves more recently in order to address the organisation's challenges.

**5.5.20** During 2009/2010 work continued on the corporate Asset Management Plan for the majority of Conwy's operational assets, in order to link it with corporate policies. In addition, the Highways and Infrastructure Service has completed many of the Highways Asset Management Plan actions during 2009/10 and continue to implement and advance Asset Management processes.

#### *Awards and Achievements*

**5.5.21** The Council is progressing well towards achieving its corporate objectives and has made significant improvement in a number of areas which include:

- A positive Annual Letter issued in December 2009 confirming Conwy as an improving authority;
- The Local Government Association is preparing a series of case studies covering Health and Well Being interventions for employees in local authorities and Conwy has been selected as one of ten good practice examples due to "the effectiveness of the rapid access to physiotherapy scheme;"
- A successful Youth Council day with Cabinet;
- The development of a flood risk plan for Morfa Rhuddlan analysing human reactions;
- Lexcel accreditation for Legal Services;
- Conwy Catering Services won the Local Authority Caterers Association Welsh Regional Award;
- WLGA Charter for Member Support and Development awarded;
- The provision of more flexible mental health respite services;
- The hosting of two job events to support the wider community;
- The opening of two Extra Care Housing Schemes;

- The merger of the assessment of Housing Benefit and Council Tax Benefits with Free School Meals and School Uniform Grants which resulted in an increase in benefit take up and a better service to the taxpayer;
- The approval of funding to develop CCTV across North Wales;
- The achievement of a number of blue flag, seaside and green coast awards and two Green Flag awards;
- Increasing the number of allotments available;
- Green Dragon Level 3 accreditation;
- Wales in Bloom 1<sup>st</sup> place award and Gold Award for Colwyn Bay;
- Wales in Bloom 1<sup>st</sup> place and Silver Gilt for Llandudno;
- Britain in Bloom Silver Gilt for Colwyn Bay;
- In the Excellence Wales Awards we were commended for organisational development under the heading of “Our Authority(Transforming our Organisation) and for the “Our Citizens and Communities (Building an inclusive Society); and
- In the Excellence Wales Awards we also gained a certificate of recognition for the Conwy Tidal Flood Risk Study, which was called “Our Future (Responding to Climate Change).”

## **5.6 THE FINANCIAL MANAGEMENT OF THE AUTHORITY AND THE REPORTING OF FINANCIAL MANAGEMENT.**

**5.6.1** The Authority has designated the Head of Financial Services as Chief Finance Officer in accordance with Section 151 of the Local Government Act 1972. The financial management of the Authority is conducted in accordance with the Financial Regulations set out in the Constitution.

**5.6.2** The Authority operates a priority and risk-led budgeting process that aims to direct revenue and capital resources towards strategic priorities and risks. A Capital Programme Monitoring Group oversees the development of this process in respect of capital resources. The Capital Programme Monitoring Group operates within the principles contained within the approved Capital Governance Framework.

### ***Budget Setting and Monitoring***

**5.6.3** Sound procedures are in place covering the financial management of the Authority and the reporting of financial management information which is incorporated into the Business Planning Framework. The Authority has a set of Guiding Financial Principles to support its Summary Medium Term Financial Plan, and has developed strategic budgetary forecasts that go beyond the forthcoming financial year.

**5.6.4** The Authority operates a scheme of delegated budgets supported by central and departmental finance units. These are underpinned by professional protocols setting out the responsibilities and lines of reporting for service Accountants.

**5.6.5** Budget monitoring reports, indicating full year forecasts, are reported to Cabinet and the Executive Group on a monthly basis, and the Principal Overview and Scrutiny Committee on a quarterly basis. These reports identify reasons for variances and set out any corrective action that is proposed. Detailed monitoring reports are prepared monthly for service managers and Heads of Service to assist budget holders in the discharge of their financial responsibilities.

**5.6.6** A number of project specific Project Boards have been established to monitor the progress and estimated spend on key strategic projects.

### *Treasury Management*

- 5.6.7** Treasury Management is conducted in accordance with a Treasury Management Annual Strategy and Plan, and borrowing is in accordance with the Prudential Code. The Authority has responded pro-actively to the Prudential Code, and prudential indicators are reported to elected members. The Authority has developed a policy setting out the conditions under which prudential borrowing can be utilised.

### *Grants*

- 5.6.8** The Authority attracts a large number of grants to finance projects and initiatives. Some grants are long standing while others are more recent and reflect policies from the Welsh Assembly Government. The Authority is mindful of the sustainability issues arising out of all grant support. Consequently a grants protocol has been developed to ensure that a consistent approach is adopted by the Authority for all grants, with a particular emphasis on applying for and accepting new sources of finance.

## **5.7** *PERFORMANCE MANAGEMENT*

### *Performance Management Framework*

- 5.7.1** The Authority has had a Performance Management Framework in place since 2005 which covers the process and timeline for implementing the key elements of performance management namely:

- Corporate Objectives
- Service Annual Operational Plans
- Personal Development Reviews
- Risk Management
- Project Management
- Performance Measures
- Regulation and Inspection
- Financial Planning
- Scrutiny arrangements

The Performance Management Framework is now being updated in light of the publication of the new Wales Programme for Improvement.

### *Corporate Improvement and Development Team*

- 5.7.2** The Authority has an established Corporate Improvement and Development Team (CIDT) that undertakes a range of duties aimed at supporting and coordinating the improvement agenda within Conwy. The Team also supports the reporting of performance consistently across all services. The Team was directed by the Corporate Director of Improvement and Development until her departure in December 2009 and subsequently by the Chief Executive.

### *Corporate Information and Complaints*

- 5.7.3** A Corporate Information and Complaints Service provide a proactive approach to analysis and interpretation of complaints and compliments. A consultation database is also being developed and is available on the Council intranet. It will be rolled out to all partners to use as a web based tool during 2010/2011.

***Corporate Plan & Improvement Agreement***

- 5.7.4** The Corporate Plan is a strategic document that outlines how we will secure continuous improvement in the way in which we exercise our functions. It is supported by a Corporate Plan Delivery Scheme which details the specific actions, progress made, resources, lead officer and lead cabinet member and assigned scrutiny and overview committee for each objective.
- 5.7.5** The Authority has also been working to complete the objectives laid out in its Improvement Agreement with the Welsh Assembly Government. The full grant allowance was achieved for 2008/2009 and performance figures are near completion for 2009/2010.
- 5.7.6** Improvement Agreements are now to be replaced by Outcome Agreements and the Authority is working to develop the Outcome Action Plans in line with the objectives of the Corporate Plan.

***Internal and External Challenge***

- 5.7.7** The Principal Overview and Scrutiny Committee monitors the performance of services through reviewing performance measurement data, including performance indicators, and the Improvement Agreement on a 6 monthly basis.
- 5.7.8** Service Performance Reviews were held in May and October during 2009/2010 across the Authority.
- 5.7.9** The Authority has established an internal Performance and Policy Network which meets on a quarterly basis to enable business and performance officers within different services to share notable practice.
- 5.7.10** Progress reports detailing improvements made in responding to external regulator recommendations are presented to the Audit Committee twice a year. Progress in implementing Internal Audit recommendations are reported quarterly.
- 5.7.11** During 2009/2010 WAO undertook a number of audits which are summarised in the table below. The reports were considered by the Audit Committee. The Auditor and Directorate Representative attend these meetings to present the findings and agreed action plan.

<b>DATE</b>	<b>AREA</b>	<b>SUMMARY COMMENTS</b>
Sept 2009	Local Government Measure - Pilot	The Council's present arrangements provide the foundations to support progress against its priorities. However, in the face of future challenges, unless timely well informed decisions are made that clarify intended outcomes and focus available resources, significant sustained improvement in key areas is unlikely.
Dec 2009	Carbon & Energy Management	There is a strong appetite amongst members and officers to introduce carbon reduction measures, but the Council needs to harness and direct the enthusiasm that will make it happen.
Dec 2009	Overview and Scrutiny End Project	Overall the Council has established effective arrangements to support overview and scrutiny. Very good progress appears to have been made in raising the standard of scrutiny and to increasing its impact. The Council is in a strong position to build on its success to date and maintain its journey of improvements. The commitment of its officers and members to ensuring that the project achieved its objectives is to be commended.

Jan 2010	Buildings Management – Making the Connections	The Authority has certain land and buildings management arrangements in place to support improvements in efficiency and service delivery to meet the needs and expectations of users for the 21 <sup>st</sup> century, but there are clear opportunities for improvement which could be gained through drafting a robust Asset Management Plan for the period 2009-2014
Jan 2010	Homelessness – joint review with Internal Audit	The Housing Strategy and Homelessness teams in CCBC need to work more closely together to develop an effective strategy for dealing with homelessness and to make the best of their relationships with Cartrefi Conwy and other registered social landlords.

### *Improvement and Audit Group*

**5.7.12** During 2008/2009 the Improvement and Audit Group was established. The main purpose of the group is to support and inform the Wales Programme for Improvement process with external regulators. It ensures that identified risks are being appropriately addressed by the implementation of effective measures to mitigate risks. These measures incorporate principles of performance management and internal control. The group comprises the Head of Audit and Procurement Services, Audit Manager, Corporate Performance and Improvement Manager; Improvement Review Co-ordinator, Section 151 Officer (currently acting Corporate Director) and the Monitoring Officer (currently acting Corporate Director). There is a programme of monthly meetings to:

- assist with work flow;
- support the service performance review process and identify emerging risks;
- review draft external regulator reports and related action plans produced by the services;
- consider progress in implementing external regulator recommendations; and
- consider the Annual Governance Statement, framework and related action plan.

## **5.8 FORMING, ENGAGING AND MAINTAINING EFFECTIVE RELATIONSHIPS WITH LOCAL PEOPLE AND STAKEHOLDERS**

### *The Corporate Plan and Community Consultation*

**5.8.1** The Council has created mechanisms for an ongoing dialogue with Local People and stakeholders. The Corporate Plan was developed in 2008 in line with the framework of the Community Strategy. The plan was developed after detailed analysis of demographic needs, and extensive consultation on key issues and actions. This included incorporating community consultation feedback undertaken by a variety of partnerships, workshops with partners, elected members and SMT. Objectives developed also included consideration of the national agenda, performance data and recommendations made from inspection reports.

**5.8.2** Community involvement in this process is vital and Conwy County Borough Council has developed an ongoing dialogue of feeding back progress and discussing future needs via the Meet the Council days, Conwy Bulletin, publication of Annual Reports and the ongoing development of Locality Action plans with local elected members. Community involvement has been key in the development of specific projects, thus ensuring that the community is not just involved in objective setting, but is also a partner in the development of projects to deliver the objectives set. This includes ongoing community dialogue on significant projects such as Primary School modernisation, Extra Care Housing, Waste Recycling, Llandudno Junction Master plan, Colwyn Bay SRA, Street Scene forums, Intergenerational work, and Flood Risks.

### *Corporate Information and Complaints*

- 5.8.3** A Corporate Information and Complaints Service provides a proactive approach to analysis and interpretation of complaints and compliments. During 2009/2010 work was ongoing in respect of introducing improvements into the corporate monitoring database, which have yet to be finalised. In addition, a review of Corporate Complaints procedures commenced during 2009/2010, but was temporarily put on hold pending finalisation of the single complaints procedure for all public services bodies in Wales by the Public Services Ombudsman for Wales. An annual report is produced to identify the number and type of complaints the Authority has dealt with during the year.

### *Locality Action Plans*

- 5.8.4** Work is ongoing to develop locality action plans. This has involved discussions with local Town Councils and elected members on the development of action plans to improve their local area. The action plans, when completed, will form an element of the revised Community Strategy.

### *Youth Council*

- 5.8.5** A Youth Council has been established and there have been successful joint meetings with the Authority's Cabinet.

### *Customer Consultation*

- 5.8.6** The appointment of a Customer Service Development Manager has shown a significant improvement in a corporate co-ordinated approach to Community Engagement. Whilst further work is required on the Consultation Database, a Customer Consultation Framework has been drafted for approval. Investigations into the feasibility of a Customer Relations Management system are ongoing and work to establish a 'tell us once' process has begun.

### *Staff Council*

- 5.8.7** The Authority established a Staff Council which met for the first time in March 2009. It consists of nominated staff from across the Authority with the aim of providing a communication link between staff and the executive management of the Authority. The Staff Council acts in a consultative capacity to give staff the opportunity to take part in the development of corporate policies and procedures and enables management to share key corporate information with staff. Staff also have an opportunity to challenge the progress of service improvement within the Authority by volunteering to take part in the nine key themes initiative. The initiative allows junior staff and elected members the opportunity to undertake a self assessment on the governance improvements within the Authority. This initiative has now been reviewed and six key governance themes will be assessed during 2010/2011.

### *Communication Strategy*

- 5.8.8** A corporate communication group has been established led by the Chief Executive. The group has developed a Corporate Communication Strategy which was approved by Cabinet in January 2010 and is now being implemented. The Authority is also taking the lead in developing communication and relationships with other organisations at a senior level. The Council's Partnership Co-ordination Manager is responsible for supporting Conwy Local Service Board and co-ordinates the other strategic thematic partnerships. Senior managers are represented on all the boards. Through these boards, the Authority ensures that communication and collaboration are kept high on partner agendas. The Chief Executive and Leader also sit on the North Wales Regional Partnership Board to develop collaboration across the region.

### *Annual Performance Report*

- 5.8.9** In order to meet our statutory obligations, an annual report is produced and published each October detailing the Authority's performance during the previous financial year.

## **6. REVIEW OF EFFECTIVENESS**

### *Corporate Assessment and Improvement Project*

- 6.1** Conwy CBC undertook a comprehensive and inclusive Corporate Assessment and Improvement (CAI) review during 2005/2006 following a disappointing report from the WAO that recommended a Section 10 Corporate Governance Inspection. A subsequent inspection by the WAO during 2006/2007 concluded that “the Council has adopted a positive, constructive and Authority-wide approach that with greater refinement and more effective and accountable leadership will drive continuous improvement in services”. The Council submitted the CAI project for consideration of an award in the ‘Our Authority’ category through the Excellence Wales process and received a commendation from the judging panel in respect of ‘Transforming our Organisation’ in 2009.

### *WAO Annual Letter 2008/2009*

- 6.2** The Council's external auditors (KPMG and the Wales Audit Office) review the activities of the Council and audit the annual accounts. Conclusions and significant issues arising are reported to elected members and management in their key reports. In the latest annual letter produced in December 2009, the WAO concluded that “the Council’s corporate arrangements provide foundations to support effective governance and progress against priorities, but that timely, well-informed decisions will be necessary to sustain improvement in the future.
- 6.3** The Annual Letter also commented that ‘the Council’s Improvement Plan 2009/2010 meets statutory requirements and provides a balanced view of its performance in 2008/2009’.

### *Internal Audit Service*

- 6.4** The Internal Audit service is a directly employed in-house service, providing a continuous review in accordance with the Authority’s obligations under the Code of Practice for Internal Audit in Local Government in the UK. Internal Audit acts as an assurance function providing an independent and objective opinion to the organisation on the control environment by evaluating its effectiveness in achieving the organisation’s objectives.
- 6.5** The Internal Audit Service continually work with managers in assessing the control environment and enhancing controls where necessary. There is in place a four year risk based strategic internal audit plan which examines all key financial systems. Internal Audit’s objectives include:
- Independently reviewing and appraising systems of control throughout the Authority;
  - Recommending improvements in systems procedures, controls and productivity in achieving the corporate aims and objectives;
  - Working in partnership with External Auditors ensuring effective audit cover and optimising available audit resources;
  - Working within the Authority’s Counter Fraud and Anti Corruption Strategy and undertaking fraud and irregularity investigations as necessary;
  - Reporting to SMT on a quarterly basis in respect of management issues identified during the course of irregularity investigations to enable internal control issues to be addressed.



### *Head of Audit Annual Statement of Assurance*

- 6.6** 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 bringing 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 Code of Practice for Internal Audit in Local Government in the UK to enable the Council to take assurance from this opinion.
- 6.7** The Annual Assurance Statement for 2009/10 contains the following opinion "Conwy County Borough Council has satisfactory internal control, risk management and corporate governance processes to manage the achievement of the organisation's objectives". However, internal audit assurance cannot be absolute and the weaknesses identified are only those that were apparent in respect of the areas reviewed during the year and are not a comprehensive statement of all the weaknesses that exist or of all the improvements that may be required. The assurance is limited in respect of the 44 audit projects removed from the annual plan during 2009/2010 and in particular the number of financial audits not completed during the year due to resource issues.

### *Self Assessment*

- 6.8** A large number of projects were commissioned within a project management structure to address a number of key actions falling out of the original CAI report. The Report identified nine key themes and these have been reviewed as part of an Authority wide initiative aimed at a self assessment of delivering short, medium and long term benefits to the Authority in all aspects of corporate governance, and will address many of the internal control aspects contained within the Annual Governance Statement. The nine key themes initiative has run for 2 years and it is evident that the themes have now been completed. Following a review of the initiative six new key themes will be used for the self assessment during 2010/2011. The six key themes will be based on the WAO Corporate Assessment Hierarchy for the Wales Programme for Improvement

### *The Constitution*

- 6.9** The Authority's Constitution was thoroughly reviewed during 2009/2010 and amendments approved by Council. The Constitution is regularly reviewed to ensure it meets statutory requirements and the changing working environment.
- 6.10** The Monitoring Officer carries out a continuous review of all legal and ethical matters, receiving copies of all agendas, minutes, reports and associated papers, commenting when necessary, or taking appropriate action, should it be required.
- 6.11** The Standards Committee is responsible for standards and probity, and receives regular reports from the Monitoring Officer.
- 6.12** The Audit Committee carries out an overview of the activities of the Council's internal and external audit functions. Elected members are provided with copies of all reports produced by Internal Audit, the Wales Audit Office, and KPMG. They approve the annual plans for each, and receive regular progress reports throughout the year. The Head of Audit and Procurement submits the Annual Statement of Assurance to this committee. The External Auditors submit a Report to Those Charged with Governance, and an Annual Letter. However, 2009/2010 represents a change in approach by our external regulators with the introduction of the Local Government Measures.

### *Risk Management*

- 6.13** The Risk Management Strategy was revised during 2009/2010 and Risk Management has improved further during the year with appropriate training undertaken for a range of staff and elected members.
- 6.14** Risk was a significant feature of the budget setting considerations for the Council during 2009/2010 when setting the budget and Council Tax for 2010/2011.

### *Financial Management*

- 6.15** The Authority has a recent history of managing its spending plans within the approved budget, successive Annual Letters produced by the WAO and latterly the WAO and KPMG consider the overall control environment to be generally sound, with robust systems of internal financial control and financial management arrangements in operation. A recent audit by KPMG of Financial Management Arrangements in Conwy, published in October 2008, concluded that 'Conwy has established financial management arrangements which help to achieve the strategic and operational objectives of the Authority'.

### *Business Planning and Reporting*

- 6.16** The Authority has adopted a Business Planning Framework and carries out regular monitoring and review of progress against agreed actions as detailed within the services' Annual Operational Plans. Monitoring of our progress against corporate objectives is also conducted at midyear and reported to the Executive Group, SMT, Cabinet, and the Principal Overview and Scrutiny Committee. Strategic planning sessions are held with the Cabinet and senior officers to identify and agree Key Strategic Deliverables and targets as identified within our Corporate Plan. Regular monitoring enables us to review our progress against targets set within statutory and local performance measures. We report on progress in our Annual Report and report on planned improvement activity in our annual review of the Corporate Plan.

## **7. PROGRAMME OF IMPROVEMENT FOR GOVERNANCE ISSUES**

- 7.1** The Council is not complacent. This Annual Governance Statement has identified areas where further improvements need to be made. What follows is a summary of the areas where the Council will focus its efforts during 2010/11.
- 7.2** It is intended that each of the actions identified within this improvement programme will be included in future Service Performance Reviews. Progress against the improvement measures required will be co-ordinated and monitored by the Improvement and Audit Group and reported to Audit Committee.
- 7.3** In order to ensure continuous improvement of the governance and control environment, the following actions are deemed to be the Authority's more pressing priorities:-
- (i)** Develop the review process to inform the Authority of progress in relation to the new 6 key themes adopted by the Authority.
  - (ii)** Review the Performance Management Framework in light of the new WPI guidance.
  - (iii)** Establish a register of evidence to support the Annual Governance Framework.

- (iv)** Develop a more detailed Financial Strategy that looks ahead and identifies financial issues beyond the forthcoming financial year.
- (v)** Submit the draft Code of Corporate Governance through the democratic process for consideration and approval.
- (vi)** Develop a new People Strategy to provide an overarching workforce plan to support our strategic and business outcomes in the future.
- (vii)** Complete the review of the Performance and Development Review Scheme for staff.
- (viii)** Finalise development of a statistics website for the County for launch during 2010/2011
- (ix)** Implement the Partnerships Governance and Improvement Plan.
- (x)** Finalise the development of the Consultation Database to be rolled out for the use of all partners as a web based tool during 2010/2011.
- (xi)** Complete the local area action plans in respect of 5 areas.
- (xii)** Continue to modernise the way we deliver our services to ensure effective use of our financial resources
- (xiii)** To finalise the exercise to link the Asset Management Plan to corporate policies.
- (xiv)** To respond to the challenging financial landscape for the public sector, by making informed decisions with regard to what services we can continue to finance in the future.

## **8. ASSURANCE SUMMARY**

**8.1** From the review, assessment and on-going monitoring work undertaken we have reached the opinion that key systems are operating soundly and that there are no fundamental control weaknesses. Further evidence to support this conclusion comes from:-

- the Internal Audit Annual Statement of Assurance for 2009/2010;
- the latest Annual Letter to the Council (December 2009); and
- the preliminary Corporate Assessment Report July 2010.

**8.2** There is also evidence that the on-going process for identifying, evaluating and managing the key risks and the programme of improvement outlined in section 7 is appropriate. No significant internal control issues have been identified, and 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.

**Signed**

**Signed**

**Date**            **22/09/2010**

**Date**            **22/09/2010**

**K.W. Finch**  
**Acting Chief Executive**

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

# STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

## THE AUTHORITY'S RESPONSIBILITIES

The Council is required to: -

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

### AUTHORITY'S CERTIFICATE

I approve the Statement of Accounts of Conwy County Borough Council at 31 March 2010.

SIGNED: .....

Councillor Andrew Hinchliff  
Chair of Audit Committee

DATED: 22/09/2010

**THE SECTION 151 OFFICER'S RESPONSIBILITIES**

As Chief Finance Officer, the Section 151 Officer is responsible for the preparation of the Council's Statement of Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("The Code"), is required to present a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2010.

In preparing this statement of accounts, the Section 151 Officer has: -

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

**SECTION 151 OFFICER'S CERTIFICATE**

I certify that the Statement of Accounts presents a true and fair view of the financial position of Conwy County Borough Council at 31 March 2010 and its income and expenditure for the year then ended.

SIGNED: .....

A H Kirkham  
Head of Financial Services

DATED: **22/09/2010**

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

We have audited the accounting statements and related notes of Conwy County Borough Council for the year ended 31 March 2010 under the Public Audit (Wales) Act 2004. Conwy County Borough Council's accounting statements comprise the Income and Expenditure Account, Statement of Movement on Council Fund Balance, Statement of Total Recognised Gains and Losses, Balance Sheet and Cash Flow Statement. The accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to Conwy County Borough Council in accordance with Part 2 of the Public Audit (Wales) Act 2004 and for no other purpose, as set out in the Statement of Responsibilities prepared by the Auditor General for Wales.

Our audit work has been undertaken so that we might state to Conwy County Borough Council, as a body, those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to any one other than Conwy County Borough Council, as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Responsible Financial Officer and the independent auditor**

The Responsible Financial Officer's responsibilities for preparing the statement of accounts, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2009 are set out in the Statement of Responsibilities for the Statement of Accounts.

Our responsibility is to audit the accounting statements and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the accounting statements and related notes give a true and fair view, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2009 of the financial position of Conwy County Borough Council as at 31 March 2010 and its income and expenditure for the year then ended.

We review whether the Governance Statement reflects compliance with 'Delivering Good Governance in Local Government: Framework' published by CIPFA/SOLACE in June 2007. We report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information we are aware of from our audit. We are not required to consider, nor have we considered, whether the Governance Statement covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the local government body's corporate governance procedures or its risk and control procedures.

We read other information published with the accounting statements and related notes and consider whether it is consistent with the audited accounting statements and related notes. This other information comprises the Explanatory Foreword and the accounts of the Welsh Church Act Fund and Ymddiriedolaeth Addysg Llanrwst. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounting statements and related notes. Our responsibilities do not extend to any other information.

The maintenance and integrity of the Conwy County Borough Council web site is the responsibility of Conwy County Borough Council; the work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditor accepts no

responsibility for any changes that may have occurred to the statement of accounts since it was initially presented on the web site.

### **Basis of audit opinion**

We conducted our audit in accordance with the Public Audit (Wales) Act 2004 , the Code of Audit Practice issued by the Auditor General for Wales, and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by Conwy County Borough Council in the preparation of the accounting statements and of whether the accounting policies are appropriate to Conwy County Borough Council's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounting statements and related notes.

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

In our opinion the accounting statements and related notes give a true and fair view, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2009, of the financial position of Conwy County Borough Council as at 31 March 2010 and its income and expenditure for the year then ended.

Ian Pennington (Senior Statutory Auditor)  
for and on behalf of KPMG LLP, Statutory Auditors  
*Chartered Accountants*  
3 Assembly Square  
Britannia Quay  
Cardiff Bay  
CF10 4AX

22 September 2010



# **STATEMENT OF ACCOUNTING PRINCIPLES AND POLICIES**

## 1. **General**

The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in Great Britain 2009 (SORP 2009), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), and the guidance notes issued by CIPFA relating to the application of Accounting Standards (SSAPs and FRSs).

The Income and Expenditure Account has been prepared in accordance with the Best Value Accounting Code of Practice (BVACOP) issued by CIPFA, incorporating the concept of reporting total cost services.

## 2. **Provisions**

Provisions are made under FRS 12, where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing or amount of the transfer is uncertain.

## 3. **Reserves**

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

## 4. **Fixed Assets**

### 4.1 Measurement

The Council's Fixed Assets have been valued on bases appropriate to their classification and in accordance with Statement of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors.

Operational assets are included at either existing use value or depreciated replacement cost.

Vehicles and Equipment are shown at depreciated historic cost as a proxy for current cost.

Intangible assets are shown at depreciated historic cost.

Infrastructure and community assets are shown at depreciated historic cost.

Non-operational land and buildings and other non-operational assets are included at market value.

Assets in the course of construction are included at historic cost until such time as they are completed when they are valued in accordance with the accounting policies and transferred to the appropriate category of assets.

A programme of Asset Valuation is planned to ensure that all fixed assets are revalued at least every five years, and assets were revalued during the latter part of the financial year 2009/10 by the Council's Engineering & Design Services, with an effective date of valuation of 31 March 2010. A programme is in place to review impairment of the value of assets held on an annual basis.

#### 4.2 Disposals

When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account

Assets to be disposed of during the year are re-valued to keep pace with market conditions prior to disposal. In special circumstances, such as sale of land for Social Housing, the asset may be disposed of at below market value, thereby incurring a loss on sale.

Similarly, gains on sale will only arise in the rare circumstances that an asset is sold for more than it is worth, e.g. where someone with a special interest is willing to pay more than market value.

Assets which have been acquired under Operating Lease arrangements are not included in the Balance Sheet (as the ownership is not vested in the Council) but are disclosed in the Notes. Annual rentals for operating leases are charged to service revenue accounts.

#### 5. **Charges to Revenue for Fixed Assets**

In accordance with guidance given by CIPFA, the Council operates an Asset Register and charges services for the use of the assets contained therein. The capital charge comprises depreciation which is detailed below.

#### 6. **Depreciation**

Assets other than Land are depreciated over their useful lives. Depreciation is calculated on a "Straight-line" basis using the following estimated lives.

	<b><u>Years</u></b>
Buildings	1 - 91
Vehicles, Plant, Furniture and Equipment	1 - 10
Infrastructure Assets/Community Assets	1 – 40

#### 7. **Intangible Assets**

Intangible Assets are payments of a Capital nature which do not result in a tangible asset. Examples are Software Licences, Trademarks and Patents. The Council's Intangible Assets for the financial year 2009/10 included expenditure on a new IT Service Desk Application system, software and an integrated management system. Intangible assets will be charged to revenue over the economic life of the asset. The life range for Intangible Assets is a maximum of 10 years.

8. **Capital Receipts**

Income from the disposal of fixed assets is credited to the usable capital receipts reserve, and accounted for on an accruals basis. Usable capital receipts can only be used to finance new capital investments (or be set aside to reduce the borrowing requirements). Amounts in excess of £10,000 are categorised as capital receipts. Receipts are appropriated to the Reserve from the Statement of Movement on the Council Fund Balance.

9. **Government Grants**

Revenue Grants are credited to Service Revenue in the Income and Expenditure Account to match relevant expenditure. Government Grants and Contributions relating to fixed assets are credited to a Government Grants Deferred Account, and released to the Service Revenue Accounts in line with depreciation charged, or in the year of spend for no added value capital spend.

10. **Leases**

The Authority has a number of Operating Leases and these are charged to revenue in the year during which costs are incurred, and the Authority is also lessor for a number of commercial premises, and income is credited to revenue.

11. **Private Finance Initiative (PFI)**

PFI contracts are agreements to receive services, where the responsibility for making available the fixed assets 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 fixed assets can pass to the Council at the end of the contract for no additional charge, the Council carries the fixed assets used under the contract on the Balance Sheet.

The original recognition of these fixed assets 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.

Fixed assets recognised on the Balance Sheet are revalued and depreciated in the same way as fixed assets owned by the Council.

The amounts payable to the PFI operators each year are analysed into five elements, and the 2009/10 figures are included in brackets:-

- Fair value of the services received during the year – debited to the relevant service in the Income and Expenditure Account (£2.357m).
- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to Interest Payable and Similar Charges in the Income and Expenditure Account (£2.701m).
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to Interest payable and Similar Charges in the Income and Expenditure Account (£108k).
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (£1.017m).
- Lifecycle replacement costs – recognised as fixed assets on the Balance Sheet (£74k).

## **PFI Credits**

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

### 12. **Debtors and Creditors**

The Accounts of the Council are maintained on an accruals basis in accordance with the Code and SSAP 2; that is all sums due to or from the Council during the year are included whether or not the payment or receipt has been made in the year.

### 13. **Provisions for Bad and Doubtful Debts**

The provision for bad debts identifies a proportion of the Council's debtors at the year end that should have their carrying value adjusted to the probable recoverable amount.

### 14. **Stocks and Work-in-Progress**

Stocks and Work-in-Progress included in the Balance Sheet are valued at the lower of historic cost or net realisable value, in accordance with the provisions of the Code and SSAP 9.

### 15. **Allocation of Central Administrative Charges/Support Services**

The cost of the major Central Support Services i.e. Finance, Information Technology, Legal Services, Personnel and Engineering & Design Services, have been fully allocated to Service Department Accounts and to the Accounts relating to the Corporate and Democratic Core, in accordance with the Best Value Accounting Code of Practice.

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

<b>Support Services</b>	<b>Basis of Recharge</b>
Finance - Accountancy	Time
- Payroll	Payslips produced
- Creditor Payments	Number of invoices paid
- Audit	Audit Days
- Debtors	Number of invoices raised
- Cashiers	Number of transactions receipted
- Administration	Time
- Management	Time
Legal	Time
Personnel	Time and staff employed
Information Technology	Allocation, Time and equipment in use
Engineering & Design Services	Fee basis (Capital Schemes) and Floor Area for office accommodation

#### 16. **Pension Costs**

FRS 17 accounts for retirement benefits as they are earned by employees, even when payable many years in the future. The net asset or liability represents the employer's commitment to increase contributions to make up any shortfall or its ability to benefit via reduced contributions.

Since 2008/09 as a result of an amendment to FRS 17, the quoted securities held as assets in the defined benefit pension scheme are valued at bid price rather than mid market price.

#### 17. **Investment**

The day to day Treasury Management operations involve the short-term investment of any surplus funds which the Council may hold on any particular day. These funds are invested for periods ranging from overnight up to 364 days. Longer term investments (greater than one year from inception to repayment) are used only when the Council's liquidity requirements are safeguarded and when the opportunity arises to lock in to a good value investment with a secure return. Investments are shown in the Balance Sheet as carrying value (including accrued interest), which approximates fair value due to the short term maturities. Further details are given in Note 32. Accrued interest is added to the carrying value of investments and shown as part of current assets.

18. **Interest earned on balances held**

Interest earned on the short-term investment of surplus funds as described above, has been credited to the Delegated School Balances, the PFI fund and other minor funds, based on the average balance throughout the year. The remaining net interest is credited to the Council Fund.

19. **Revenue Expenditure Funded from Capital under Statute**

These are payments of a Capital nature for which no fixed asset is created e.g. grants in respect of privately owned properties. All such expenditure has been charged to service revenue in one year, the net revenue expenditure of the Authority has been offset by grants and contributions crediting revenue, with the net amount being offset by a contribution via the Statement of Movement on Council Fund Balance.

20. **Basis for Provision for the Redemption of Debt**

The Council maintains a debt portfolio containing fixed and variable rate loans covering a variety of periods from a mixture of financial institutions as analysed in Note 32. In accordance with Statutory Regulations, the Authority is required to set aside a Minimum Revenue Provision for the repayment of debt, an analysis of the amounts concerned is shown in Note 7.

21. **Value Added Tax**

With the exception of VAT incurred for certain vehicle acquisitions and hospitality, the Council is able to reclaim VAT incurred. The Accounts have, therefore, been prepared exclusive of this tax except where it is irrecoverable.

22. **Comparative Figures**

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

23. **Capital Expenditure Charged to the Council Fund**

Capital expenditure charged to the Council Fund is disclosed in the Statement of Movement on the Council Fund.

24. **Contingent Liabilities**

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control.

Contingent liabilities are not recognised within the Accounts as an item of expenditure, but are referred to in Note 27 to the Core Statements.

25. **Exceptional Items**

Exceptional items are ones that are material in terms of the Authority's overall expenditure and not expected to recur frequently or regularly.

Exceptional items are included in the cost of the service to which they relate or on the face of the Income and Expenditure Account if that degree of prominence is necessary to give a fair presentation of the accounts.

26. **Foreign Currency**

It is the Council's policy not to invest or borrow in any currency other than sterling. Where it is necessary to transact in foreign currency it is converted at the time.

27. **Prior Period Adjustments**

Prior period adjustments are those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years. Note 2 to the core statements shows the adjustments in 2009/10.

28. **Events after the Balance Sheet date**

Events may occur between the Balance Sheet date and the date the accounts are authorised for issue which might have a bearing upon the financial results of the past year. These events will be reflected in the Statement of Accounts if they provide additional evidence of conditions that existed at the Balance Sheet date and materially affect the amounts to be included.

Such events could materially alter an estimate, substitute a materially different actual figure for an estimate or reflect a permanent impairment or betterment in the financial position, but only where the originating event took place prior to the year-end and the amounts are considered material to the accounts.

29. **Long Term Contracts**

The costs of long term contracts are charged to revenue in the year they are incurred.

30. **Financial Liabilities**

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the income and expenditure account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. This means that the amount presented in the balance sheet is the outstanding principal repayable, and interest charged to the income and expenditure account is the amount payable for the year in the loan agreement.

31. **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**

These are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. This means that the amount presented in the balance sheet is the outstanding principal receivable, and interest credited to the income and expenditure account is the amount receivable for the year in the loan agreement.

**Available-for-Sale Assets**

These are measured at fair value, reflecting the Authority's loan percentage given.

32. **Cash Flow statement**

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

33. **National Non-Domestic Rates (NNDR)**

The Council as the billing authority acts as an agent of the Welsh Assembly Government (WAG) when collecting NNDR, this has been reflected in the Cash Flow statement.

The accounts recognise a creditor or debtor for cash collected from NNDR debtors as agent of WAG but not paid to WAG, or overpaid to WAG, at the Balance Sheet date.



## INCOME AND EXPENDITURE ACCOUNT

	Note	Gross Expenditure 2009/10 £'000	Gross Income 2009/10 £'000	Net Expenditure 2009/10 £'000	Restated Net Expenditure 2008/09 £'000	Net Expenditure 2008/09 £'000
Central Services to the Public		10,672	(8,172)	2,500	417	(946)
Cultural, Environmental and Planning Services		48,313	(18,590)	29,723	25,473	25,473
Education Services		130,632	(24,370)	106,262	85,577	83,324
Highways, Roads and Transport Services		23,462	(12,760)	10,702	8,888	8,888
Housing Services		42,407	(38,644)	3,763	2,587	2,587
Social Services		55,604	(16,091)	39,513	35,156	35,156
Corporate and Democratic Core		6,772	(163)	6,609	4,953	4,953
Non Distributed Costs		801	(1,750)	(949)	692	692
<u>Discontinued Operations</u>						
Housing Revenue Account		0	0	0	8,151	8,151
Exceptional Item: LSVT		0	0	0	112,754	112,754
<b>Net Cost of Services</b>		<b>318,663</b>	<b>(120,540)</b>	<b>198,123</b>	<b>284,648</b>	<b>281,032</b>
Loss/(Gain) on disposal of fixed assets (Council Fund)				495	(66)	(66)
(Gain) on disposal of fixed assets (HRA)				0	(696)	(696)
Precepts of Local Precepting Authorities and Levies	5			16,567	15,720	15,720
Surplus or Deficit of Trading Undertakings or other operations	4	7,186	(5,859)	1,327	1,189	1,189
Interest Payable and similar charges - Council Fund				8,551	8,801	6,011
Interest Payable and similar charges - HRA				0	854	854
Interest and Investment Income - Council Fund				(1,296)	(2,111)	(2,111)
Interest and Investment Income - HRA				0	(51)	(51)
Pension Interest Costs				19,246	19,702	19,702
Expected Return on Pension Assets				(12,318)	(16,876)	(16,876)
<b>Net Operating Expenditure</b>				<b>230,695</b>	<b>311,114</b>	<b>304,708</b>
General Government Grants	2			(117,698)	(116,382)	(111,267)
Non Domestic Rates Redistribution	11			(30,633)	(29,792)	(29,792)
Council Tax	10			(49,472)	(46,784)	(46,784)
<b>Net Deficit for the year</b>				<b>32,892</b>	<b>118,156</b>	<b>116,865</b>

## STATEMENT OF MOVEMENT ON THE COUNCIL FUND BALANCE

	2009/10		Restated 2008/09	2008/09
	£'000		£'000	£'000
Net Deficit for the year	32,892		118,156	116,865
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the Council Fund Balance for the year <b>NOTE 1</b>	(32,533)		(117,716)	(116,425)
<b>Net in Year Council Fund Deficit</b>		<b>359</b>	<b>440</b>	<b>440</b>
Balance brought forward – Council Fund	(3,005)		(3,005)	(3,005)
– Schools	(4,752)	(7,757)	(5,192)	(5,192)
Deficit – Council Fund	149		0	0
– Schools	210	359	440	440
Balance carried forward – Council Fund	(2,856)		(3,005)	(3,005)
– Schools	(4,542)	(7,398)	(4,752)	(4,752)

## **STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

	<b>2009/10</b>	<b>Restated 2008/09</b>	<b>2008/09</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Deficit on the Income and Expenditure Account adjusted for undervalue on disposal of asset</b>	<b>32,892</b>	<b>118,135</b>	<b>116,844</b>
<b>Undervalue of Asset</b>	<b>0</b>	<b>21</b>	<b>21</b>
<b>Deficit on the Income and Expenditure Account</b>	<b>32,892</b>	<b>118,156</b>	<b>116,865</b>
(Surplus) arising on the Revaluation of Fixed Assets	(55,023)	(335)	(335)
(Surplus) on the Revaluation of Available for Sale Financial Assets	(1,359)	0	0
Actuarial (Gains) or Losses on pension fund assets and liabilities	101,937	38,928	38,928
Other (Gains) required to be included	0	(6)	(6)
<b>Total recognised (gains) or losses relating to the year</b>	<b>78,447</b>	<b>156,743</b>	<b>155,452</b>
Prior year adjustment ( as detailed in note 2.2)	7,381	0	0
<b>Total gains and losses recognised since last annual report</b>	<b>85,828</b>	<b>0</b>	<b>0</b>

## BALANCE SHEET

	Note	31 March 2010 £' 000	31 March 2009 Restated £'000	01 April 2008 Restated £'000
<b><u>Tangible Assets</u></b>				
<b>Operational Assets</b>				
	16			
Council Dwellings		0	0	144,129
Other Land and Buildings		259,465	231,396	226,057
Vehicles, Plant, Furniture & Equipment		10,140	8,367	6,864
Infrastructure Assets		48,545	48,364	36,654
Community Assets		3,744	3,328	2,918
		<b>321,894</b>	<b>291,455</b>	<b>416,622</b>
<b><u>Non-Operational Assets</u></b>				
Surplus Assets, held for disposal		7,795	851	851
Investment Properties		6,866	4,500	4,500
Assets under Construction		3,294	9,797	18,511
		<b>17,955</b>	<b>15,148</b>	<b>23,862</b>
<b><u>Intangible Assets</u></b>				
		1,094	992	500
<b>Total Tangible and Intangible Assets</b>		<b>340,943</b>	<b>307,595</b>	<b>440,984</b>
Long-Term Investments	32	1	1,052	6,362
Long-Term Debtors	19	775	644	677
Available for Sale Financial Assets		1,359	0	0
		<b>2,135</b>	<b>1,696</b>	<b>7,039</b>
<b>Total Long-Term Assets</b>		<b>343,078</b>	<b>309,291</b>	<b>448,023</b>
<b><u>Current Assets</u></b>				
Stocks and Works-in-Progress	20	755	695	910
Debtors	21	25,946	23,614	19,639
Investments	32	17,456	34,903	40,491
Payments in Advance		1,820	799	2,009
Cash and Bank		641	479	341
		<b>46,618</b>	<b>60,490</b>	<b>63,390</b>
<b><u>Current Liabilities</u></b>				
Creditors	22	(12,946)	(14,035)	(14,219)
Borrowing Repayable Within 12 months	32	(7,827)	(18,005)	0
Receipts in Advance		(5,917)	(4,720)	(5,236)
Bank Overdraft		(3,910)	(3,408)	(3,057)
		<b>(30,600)</b>	<b>(40,168)</b>	<b>(22,512)</b>
<b>Net Current Assets/(Current Liabilities)</b>		<b>16,018</b>	<b>20,322</b>	<b>40,878</b>
<b>Total Assets Less Current Liabilities</b>		<b>359,096</b>	<b>329,613</b>	<b>488,901</b>
<b><u>Long Term Liabilities</u></b>				
Borrowing repayable within a period in excess of 12 months	32	(95,315)	(96,392)	(142,593)
Provisions	24	(11,888)	(8,973)	(10,366)
Government Grants Deferred	23	(78,644)	(73,358)	(63,238)
Capital Grants Unapplied		(802)	(1,079)	(3,167)
Net Pensions Liabilities	31	(195,303)	(93,150)	(55,186)
Long-Term Liability: PFI	15	(29,936)	(31,007)	(31,954)
		<b>(411,888)</b>	<b>(303,959)</b>	<b>(306,504)</b>
<b>Total Assets Less Liabilities</b>		<b>(52,792)</b>	<b>25,654</b>	<b>182,397</b>

## **BALANCE SHEET (continued)**

	Note	31 March 2010 £'000	31 March 2009 Restated £'000	01 April 2008 Restated £'000
<b>Financed by:</b>				
Deferred Capital Receipts	26	23	28	39
Capital Adjustment Account	25	56,743	87,771	207,712
Financial Instruments Adjustment Account	25	(992)	(1,047)	(941)
Revaluation Reserve	25	54,973	25	0
Pensions Reserve	25	(195,303)	(93,150)	(55,186)
Usable Capital Receipts Reserve	25	3,626	5,465	6,460
Available For Sale Financial Assets Reserve	25	1,359	0	0
Capital Reserve	25	3,256	1,971	1,658
Equal Pay Back Pay Account	25	(5,800)	(5,800)	(5,800)
		<b>(82,115)</b>	<b>(4,737)</b>	<b>153,942</b>
Revenue Balances:				
Council Fund	25	2,856	3,005	3,005
Housing Revenue Account	25	189	189	2,141
Reserves	25	26,278	27,197	23,309
		<b>29,323</b>	<b>30,391</b>	<b>28,455</b>
<b>Total Net Worth/ (Deficit)</b>		<b>(52,792)</b>	<b>25,654</b>	<b>182,397</b>

## CASH FLOW STATEMENT

	2009/10 £'000		2008/09 £'000	
Revenue Activities Net Cash Inflow (Note 33)		(10,871)		(36,575)
<b>SERVICING OF FINANCE</b>				
<b>Cash Outflows</b>				
Interest Paid		5,738		6,984
<b>Cash Inflows</b>				
Interest Received		(1,061)		(3,306)
<b>CAPITAL ACTIVITIES</b>				
<b>Cash Outflows</b>				
Purchase of Fixed Assets	20,920		27,731	
Revenue Expenditure funded from Capital Under Statute	7,020	27,940	6,658	34,389
<b>Cash Inflows</b>				
Sale of Fixed Assets	(122)		(1,917)	
Capital Grants and Contribution Received	(14,949)		(17,986)	
Long Term Investments	(1,000)	(16,071)	(5,070)	(24,973)
<b>MANAGEMENT OF LIQUID RESOURCES</b>				
Increase(Decrease) in Short Term Deposits		(17,447)		(5,588)
Net Increase/(Decrease) in Other Liquid Resources (NNDR)		1,107		1,289
<b>Net Cash Outflow Before Financing</b>		<b>(10,665)</b>		<b>(27,780)</b>
<b>FINANCING</b>				
<b>Cash Outflows</b>				
Repayment of Amounts Borrowed		18,005		47,801
<b>Cash Inflows</b>				
New Loans Raised		(7,000)		(19,808)
<b>(Increase)/Decrease in Cash and Cash Equivalents</b>		<b>340</b>		<b>213</b>

The Cash Flow Statement and Note 33 have been restated to reflect the indirect method of preparation, and also reflect the restated Balance Sheet included in the Accounts.

## NOTES TO THE CORE STATEMENTS

### Notes to the Income and Expenditure Account

#### 1. Breakdown of amounts additional to surplus/deficit on the Income and Expenditure Account required by Statutory / Non-Statutory practices to be Debited & Credited to Council Fund for the year

	2009/10	Restated	2008/09
	£'000	2008/09	£'000
		£'000	£'000
<b>Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the Council Fund Balance</b>			
Debt repaid by WAG following Stock Transfer	0	25,799	25,799
Depreciation and impairment of fixed assets – Council Fund	(42,024)	(14,556)	(13,639)
Depreciation and impairment of fixed assets – HRA	0	(145,792)	(145,792)
Government Grants Deferred amortisation matching depreciation and impairments – Council Fund (Note 23)	3,087	4,645	4,645
Government Grants Deferred amortisation matching depreciation and impairments – HRA	0	(80)	(80)
Government Grants Deferred No Added Value – Council Fund	337	1,085	1,085
Government Grants Deferred No Added Value – HRA	0	1,289	1,289
Amounts treated as revenue expenditure in accordance with the SORP but which are classified as capital expenditure by statute (i.e. Revenue Expenditure Funded from Capital under Statute) – Council	(1,538)	(1,250)	(1,250)
Amounts treated as revenue expenditure in accordance with the SORP but which are classified as capital expenditure by statute (i.e. Revenue Expenditure Funded from Capital under Statute) – HRA	0	(1,444)	(1,444)
Net gain or loss on sale of fixed assets (CF)	(495)	66	66
Net gain or loss on sale of fixed assets (HRA)	0	696	696
Amount by which finance costs calculated in accordance with the SORP are different from the amount of finance costs calculated in accordance with statutory requirements	55	(105)	(105)
Net charges made for retirement benefits in accordance with FRS 17 - Council Fund	(13,114)	(11,868)	(11,868)
Net charges made for retirement benefits in accordance with FRS 17 – HRA	0	(142)	(142)
		<b>(53,692)</b>	<b>(140,740)</b>
<b>Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the movement on the Council Fund Balance</b>			
Provision for repayment of debt – Council Fund	6,998	6,379	5,418
Provision for repayment of debt – HRA	0	103	103
PFI Equalisation entry	0	0	(665)
Capital Expenditure charged to the Council Fund Balance	677	1,629	1,629
Capital Expenditure charged to the HRA	0	150	150
Employer's contribution payable to the Gwynedd & Flintshire Pension Funds and retirement benefits payable direct to pensioners – Council Fund	12,898	12,757	12,757
Employer's contribution payable to the Gwynedd & Flintshire Pension Funds and retirement benefits payable direct to pensioners – HRA	0	217	217
		<b>20,573</b>	<b>19,609</b>
<b>Transfers to or from the Council Fund Balance that are required to be taken into account when determining the movement on the Council Fund Balance for the year</b>			
Statutorily required transfer of the surplus or deficit for the year on the Housing Revenue Account calculated in accordance with statute to the HRA Balance	0	(1,952)	(1,952)
Contribution from Earmarked Reserves (excluding Schools)	(4,811)	(4,219)	(4,219)
Contribution to Earmarked Reserves CF (excluding Schools)	5,397	8,709	10,709
Contribution to Earmarked Reserves HRA (excluding Schools)	0	168	168
		<b>586</b>	<b>4,706</b>
<b>Net additional amount required by statutory and non-statutory proper practices to be debited or credited to the Council Fund Balance for the Year</b>		<b>(32,533)</b>	<b>(116,425)</b>

## 2. Prior Year Adjustments of Balance Sheet

### 2.1 Balance Sheet as at 01.04.2008

	Statement of Accounts 2007/08 Balance 31.3.2008	PFI Adjustments	NNDR Adjustments	Balance 01.04.2008
	£'000	£'000	£'000	£'000
<b><u>Operational Assets</u></b>				
Council Dwellings	144,129			144,129
Other Land and Buildings	178,229	47,828		226,057
Vehicles, Plant, Furniture & Equipment	6,864			6,864
Infrastructure Assets	36,654			36,654
Community Assets	2,918			2,918
	<b>368,794</b>	<b>47,828</b>	<b>0</b>	<b>416,622</b>
Non-Operational Assets	23,862			23,862
Intangible Fixed Assets	500			500
Long-Term Financial Assets – Investments	6,362			6,362
Long-Term Debtors	22,641	(21,964)		677
	<b>53,365</b>	<b>(21,964)</b>	<b>0</b>	<b>31,401</b>
<b><u>Total Long-Term Assets</u></b>	<b>422,159</b>	<b>25,864</b>	<b>0</b>	<b>448,023</b>
<b><u>Current Assets</u></b>				
<b><u>Short-Term Financial Assets</u></b>				
Cash In Hand	341			341
Stocks & WIP	910			910
Debtors	19,954		(315)	19,639
Investments	40,491			40,491
Payments In Advance	2,009			2,009
	<b>63,705</b>		<b>(315)</b>	<b>63,390</b>
<b><u>Current Liabilities</u></b>				
<b><u>Short-Term Financial Liabilities</u></b>				
Creditors	(14,219)			(14,219)
Borrowing Repayable Within 12 months	0			0
Receipts in Advance	(5,551)		315	(5,236)
Bank Overdraft	(3,057)			(3,057)
	<b>(22,827)</b>		<b>315</b>	<b>(22,512)</b>
<b>Net Current Assets/(Current Liabilities)</b>	<b>40,878</b>		<b>0</b>	<b>40,878</b>
<b>Total Assets Less Current Liabilities</b>	<b>463,037</b>	<b>25,864</b>	<b>0</b>	<b>488,901</b>
Pensions Liability	(55,186)			(55,186)
Long-Term Financial Liabilities – Borrowing	(142,593)			(142,593)
Provisions	(10,366)			(10,366)
Government Grants Deferred	(63,238)			(63,238)
Capital Grants Unapplied	(3,167)			(3,167)
Long Term Liability - PFI	0	(31,954)		(31,954)
	<b>(274,550)</b>	<b>(31,954)</b>	<b>0</b>	<b>(306,504)</b>
<b>Total Assets Less Liabilities</b>	<b>188,487</b>	<b>(6,090)</b>	<b>0</b>	<b>182,397</b>
Pension Reserve	(55,186)			(55,186)
Equal Pay Back Pay Account	(5,800)			(5,800)
Deferred Capital Receipts	39			39
Usable Capital Receipts Reserve	6,460			6,460
Capital Adjustment Account	206,469	1,243		207,712
Revaluation Reserve	0			0
Financial Instruments Adjustment Account	(941)			(941)
Capital Reserve	1,658			1,658
	<b>152,699</b>	<b>1,243</b>	<b>0</b>	<b>153,942</b>



	<b>Statement of Accounts 2007/08 Balance 31.3.2008</b>	<b>PFI Adjustments</b>	<b>NNDR Adjustments</b>	<b>Balance 01.04.2008</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b><u>Revenue Balances</u></b>				
County Fund	3,005			3,005
HRA	2,141			2,141
Reserves	30,642	(7,333)		23,309
	<b>35,788</b>	<b>(7,333)</b>	<b>0</b>	<b>28,455</b>
<b>Total Equity</b>	<b>188,487</b>	<b>(6,090)</b>	<b>0</b>	<b>182,397</b>

## 2. Prior Year Adjustments of Balance Sheet

### 2.2 Balance Sheet as at 31.03.2009

	Statement of Accounts 2008/09 Balance 31.3.2009	PFI Adjustments	NNDR Adjustments	Re-stated Balance 31.3.2009
	£'000	£'000	£'000	£'000
<b><u>Operational Assets</u></b>				
Council Dwellings	0			0
Other Land and Buildings	184,470	46,926		231,396
Vehicles, Plant, Furniture & Equipment	8,367			8,367
Infrastructure Assets	48,364			48,364
Community Assets	3,328			3,328
	<b>244,529</b>	<b>46,926</b>	<b>0</b>	<b>291,455</b>
Non-Operational Assets	15,148			15,148
Intangible Fixed Assets	992			992
Long-Term Financial Assets – Investments	1,052			1,052
Long-Term Debtors	23,944	(23,300)		644
	<b>41,136</b>	<b>(23,300)</b>	<b>0</b>	<b>17,836</b>
<b>Total Long-Term Assets</b>	<b>285,665</b>	<b>23,626</b>	<b>0</b>	<b>309,291</b>
<b><u>Current Assets</u></b>				
<b><u>Short-Term Financial Assets</u></b>				
Cash In Hand	479			479
Stocks & WIP	695			695
Debtors	24,245		(631)	23,614
Investments	34,903			34,903
Payments In Advance	799			799
	<b>61,121</b>		<b>(631)</b>	<b>60,490</b>
<b><u>Current Liabilities</u></b>				
<b><u>Short-Term Financial Liabilities</u></b>				
Creditors	(14,035)			(14,035)
Borrowing Repayable Within 12 months	(18,005)			(18,005)
Receipts in Advance	(5,351)		631	(4,720)
Bank Overdraft	(3,408)			(3,408)
	<b>(40,799)</b>		<b>631</b>	<b>(40,168)</b>
<b>Net Current Assets/(Current Liabilities)</b>	<b>20,322</b>			<b>20,322</b>
<b>Total Assets Less Current Liabilities</b>	<b>305,987</b>	<b>23,626</b>	<b>0</b>	<b>329,613</b>
Pensions Liability	(93,150)			(93,150)
Long-Term Financial Liabilities – Borrowing	(96,392)			(96,392)
Provisions	(8,973)			(8,973)
Government Grants Deferred	(73,358)			(73,358)
Capital Grants Unapplied	(1,079)			(1,079)
Long Term Liability - PFI	0	(31,007)		(31,007)
	<b>(272,952)</b>	<b>(31,007)</b>	<b>0</b>	<b>(303,959)</b>
<b>Total Assets Less Liabilities</b>	<b>33,035</b>	<b>(7,381)</b>	<b>0</b>	<b>25,654</b>
Pension Reserve	(93,150)			(93,150)
Equal Pay Back Pay Account	(5,800)			(5,800)
Deferred Capital Receipts	28			28
Usable Capital Receipts Reserve	5,465			5,465
Capital Adjustment Account	85,819	1,952		87,771
Revaluation Reserve	25			25
Financial Instruments Adjustment Account	(1,047)			(1,047)
Capital Reserve	1,971			1,971
	<b>(6,689)</b>	<b>1,952</b>	<b>0</b>	<b>(4,737)</b>

	<b>Statement of Accounts 2008/09 Balance 31.3.2009</b>	<b>PFI adjustments</b>	<b>NNDR adjustments</b>	<b>Re-stated Balance 31.3.2009</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Revenue Balances</b>				
County Fund	3,005			3,005
HRA	189			189
Reserves	36,530	(9,333)		27,197
	<b>39,724</b>	<b>(9,333)</b>	<b>0</b>	<b>30,391</b>
<b>Total Equity</b>	<b>33,035</b>	<b>(7,381)</b>	<b>0</b>	<b>25,654</b>

Prior year adjustments of the core financial statements are required due to the changes in accounting treatment relating to PFI and NNDR as described in the Foreword and Statement of Accounting Principles and Policies. The PFI changes are required to be back dated to 01 April 2008.

The required re-statements are shown in the Income and Expenditure Account, Statement of Movement on the Council Fund Balance and Statement of Total Recognised Gains and Losses. The tables on pages 56 to 59 show the prior year adjustments of the Balance Sheet relating to the PFI and NNDR changes.

### 2.3 Prior Year Adjustment – General Government Grants

Certain Government grants are of a general nature and not specific to a service. The following grants are classified as 'General' in the Income and Expenditure Account (re-stated) 2008/09 and 2009/10:-

	<b>2009/10 £'000</b>	<b>2008/09 £'000</b>
Revenue Support Grant	112,547	111,267
PFI grant applicable to capital financing costs	3,793	3,752
Improvement Agreement Grant	1,184	1,189
Deprivation Grant	174	174
<b>Total</b>	<b>117,698</b>	<b>116,382</b>

In 2008/09 the Improvement Agreement Grant and Deprivation Grant were shown as Corporate Income.

3. **Exceptional Items**

3.1 There are no exceptional items to be disclosed in 2009/10.

The exceptional item in 2008/09 was as follows:-

3.2 As a result of the Housing Stock Transfer the following exceptional items are reflected in the Income and Expenditure Account:-

	<b>£'000</b>
Impairment	138,553
Receipt of WAG Grant	(33,112)
Net Premium	7,313
<b>Total</b>	<b>112,754</b>

3.3 As part of the transfer agreement, Cartrefi Conwy raised an invoice to the Authority for £142.1m for the cost of upgrade work to bring the housing stock up to Welsh Housing Quality Standards by 2012. The Authority also raised an invoice to Cartrefi Conwy for £142.1m for the transfer of assets.

3.4 The Council has paid £900,501 in respect of its own stock transfer costs. It also paid £1,110,681 in respect of Cartrefi Conwy's costs. All these costs have been reimbursed by Cartrefi Conwy.

#### 4. Trading Operations

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

		<b>2009/10</b>	<b>2008/09</b>
		<b>£'000</b>	<b>£'000</b>
The Council owns and operates the Great Orme Tramway generating income from ticket sales. The objective is to maximise the operating surplus to provide an ongoing maintenance programme.	Turnover	(710)	(620)
	Expenditure	689	590
	<b>(Surplus)</b>	<b>(21)</b>	<b>(30)</b>
	<b>(Surplus) (after FRS17 adjustment)</b>	<b>(37)</b>	<b>(40)</b>
The Council owns and operates a major theatre/conference centre/arena complex and a second theatre, generating income from lettings and ticket sales. The Arena was opened in 2006/07. The trading objective is to break even on the costs of performances and conferences and to make a contribution towards the maintenance of the fabric of the building. The summary below shows all associated expenditure and income.			
Venue Cymru - Theatre - Conference Centre - Arena	Turnover	(4,750)	(4,167)
	Expenditure	6,116	5,362
	<b>Deficit</b>	<b>1,366</b>	<b>1,195</b>
	<b>Deficit (after FRS17 adjustment)</b>	<b>1,279</b>	<b>1,131</b>
Theatr Colwyn	Turnover	(144)	(157)
	Expenditure	268	284
	<b>Deficit</b>	<b>124</b>	<b>127</b>
	<b>Deficit (after FRS17 adjustment)</b>	<b>117</b>	<b>122</b>
<b>Total</b>	<b>Deficit</b>	<b>1,469</b>	<b>1,292</b>
	<b>Deficit (after FRS17 adjustment)</b>	<b>1,359</b>	<b>1,213</b>
	Revenue Provision	(32)	(24)
	<b>Deficit per Income &amp; Expenditure Account</b>	<b>1,327</b>	<b>1,189</b>

5. **Precepts and Levies**

The precepts and levies paid during the year are as follows: -

	<b>2009/10</b>	<b>2008/09</b>
	<b>£'000</b>	<b>£'000</b>
<b>Precepts</b>		
Community Councils	1,382	1,327
North Wales Police Authority	9,604	8,976
<b>Levies</b>		
North Wales Fire Authority	5,155	4,997
National Park Authority	341	337
North West and North Wales Sea Fisheries Committee	63	62
Local Drainage Boards	22	21
<b>Total</b>	<b>16,567</b>	<b>15,720</b>

6. **Agency Services**

The Council has entered into agreements under which it carries out tasks on behalf of another organisation for which it is fully reimbursed. One agreement relates to Trunk Road Maintenance and Improvement Works on behalf of the Welsh Assembly Government, and a second agreement relates to payments to Homes for Nursing Care on behalf of Local Health Boards.

Expenditure on these activities was as follows: -

	<b>2009/10</b>	<b>2008/09</b>
	<b>£'000</b>	<b>£'000</b>
Trunk Roads	6,560	7,319
Nursing Care	1,333	1,408
<b>Total</b>	<b>7,893</b>	<b>8,727</b>

7. **Minimum Revenue Provision (MRP)**

Local Authorities are required by Statute to set aside from revenue a minimum provision for the repayment of external debt. The MRP has been calculated as follows:-

	<b>Housing</b>	<b>Housing</b>	<b>Council</b>	<b>Council</b>	<b>Total</b>	<b>Total</b>
	<b>2009/10</b>	<b>2008/09</b>	<b>Fund</b>	<b>Fund</b>	<b>2009/10</b>	<b>2008/09</b>
	<b>£'000</b>	<b>£'000</b>	<b>2009/10</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2008/09</b>
			<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Capital Financing Requirement at 1 April	0	26,109	116,732	113,263	116,732	139,372
Revenue Provision	0	103	6,988	5,439	6,998	5,542
Section 40(6)	0	0	0	0	0	0
Commutation Adjustments	0	0	0	(21)	0	(21)
<b>Total Revenue Provision</b>	<b>0</b>	<b>103</b>	<b>6,998</b>	<b>5,418</b>	<b>6,998</b>	<b>5,521</b>

The system has been significantly revised by the Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2008, in conjunction with the publication of statutory guidance on MRP which introduces more flexibility into the system and a requirement to set aside a prudent revenue provision.

Prior to 2009/10 the MRP was set at 2% of the opening Capital Financing Requirement (CFR) for housing debt and 4% for council fund debt.

## 8. Officers' Emoluments

This disclosure note complies with the SORP 2009 requirements. Officers' emoluments are therefore split between Senior Officers who have an influence on the overall running of the Authority (Table 2) and other employees in receipt of remuneration of £60,000 or more.

The number of employees whose total remuneration was £60,000 or more in addition to the post holders shown in Table 2 is as follows:-

**Table 1**

Band	2009/10 Number		2008/09 Number	
	Non-Schools	Schools	Non-Schools	Schools
£60,000 - £64,999	3	6	3	9
£65,000 - £69,999	0	5	0	2
£70,000 - £74,999	0	0	2	2
£75,000 - £79,999	0	1	0	4
£80,000 - £84,999	0	3	0	0
£85,000 - £89,999	0	0	1	1
£90,000 - £94,999	0	1	0	1
£95,000 - £99,999	0	0	0	0
£100,000 - £104,999	0	1	0	0
£170,000 - £174,999	0	0	1	0

Remuneration includes all sums paid to or receivable by an employee (including normal emoluments and redundancy payments), expense allowances chargeable to tax and the money value of benefits.

For the avoidance of doubt, officers included in the Senior Officers' Emoluments disclosure (Table 2) are not included in the table above.



**Senior Officers' Emoluments 2009/10 – Salary between £60,000 and £150,000 per annum**

**Table 2**

<b>Post Title</b>	<b>Salary</b>	<b>Expense Reimbursement</b>	<b>Total Remuneration excl Pension Contributions</b>	<b>Employers Pension Contributions</b>	<b>Total Remuneration</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Chief Executive	111,863	13,105	124,968	22,484	147,452
Corporate Director-Resources	90,137	3,890	94,027	18,118	112,145
Corporate Director-Improvement & Development (Apr - Dec)	76,956	1,200	78,156	14,616	92,772
Statutory Head of Education Services	67,293	2,683	69,976	13,526	83,502
Head of Financial Services	67,293	2,215	69,508	13,526	83,034
Head of Legal & Democratic Services	67,293	2,172	69,465	13,526	82,991
Statutory Head of Social Services	67,293	2,067	69,360	13,526	82,886
Head of Service – Children & Family	67,293	2,024	69,317	13,526	82,843
Head of IT Services	62,260	3,535	65,795	12,514	78,309
Head of School Improvement	62,884	2,558	65,442	12,640	78,082
Head of Corporate Personnel Services	62,884	1,619	64,503	12,640	77,143
Head of Service – Provider Services	61,452	2,750	64,202	12,352	76,554
Head of Service - Environmental Services	61,452	2,624	64,076	12,352	76,428
Head of Audit & Procurement Services	60,023	1,618	61,641	12,065	73,706

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

9. **Members' Allowances**

During 2009/10 the sum of £1,047,505 was paid to Members in the form of Members' Allowances. The equivalent sum in 2008/09 was £1,003,961 and the year on year increase was £43,544 due to Allowances in the scheme being increased in line with appropriate indexation at the beginning of the year.

10. **Council Tax**

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

The Council Tax Base for 2009/10 was calculated as follows: -

<b>Band</b>	<b>Equivalent Number of Dwellings after Discount</b>	<b>Band D Adjustment</b>	<b>Band D Equivalent</b>
A*	12	5/9	6.67
A	3,993	6/9	2,662.17
B	6,722	7/9	5,228.22
C	12,867	8/9	11,437.38
D	10,521	1	10,521.00
E	7,773	11/9	9,499.72
F	4,400	13/9	6,354.83
G	1,716	15/9	2,860.00
H	382	18/9	763.00
I	125	21/9	292.25
			<b>49,625.24</b>
<b>Council Tax Base after allowing for losses on collection</b>			<b>49,226.88</b>

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

	<b>2009/10</b>	<b>2008/09</b>
	<b>£'000</b>	<b>£'000</b>
Council Tax raised	49,472	46,784

11. **National Non-Domestic Rates (NNDR)**

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

For 2009/10 the rate set by the Welsh Assembly Government for Wales was 0.409p per £1 of rateable value of the non-domestic properties (2008/09: 0.466p). At 31 March 2010 there were 4,923 properties on the local valuation list in Conwy, representing a rateable value of £78,205,599 (2008/09: £64,417,056). The net income accruing to the Council from the NNDR is as follows:-

	<b>2009/10</b>	<b>2008/09</b>
	<b>£'000</b>	<b>£'000</b>
National Non-Domestic Rate raised	25,742	25,405
Less Cost of Collection Allowance	(249)	(247)
Less sum paid to the National Pool	(25,493)	(25,158)
	0	0
Receipts from the National Pool	30,633	29,792
<b>Net Income from the National Non-Domestic Rates</b>	<b>30,633</b>	<b>29,792</b>

12. **Leases**

The Prudential Code for Capital Finance in Local Authorities dictates that the Council make a comparison between the cost of borrowing and leasing as a method of funding expenditure on vehicles, plant and certain other items of equipment. In the financial year 2009/10 the comparison exercise indicated that, in the case of all items, borrowing was the preferred choice.

The operating lease payments charged in the financial year 2009/10 in respect of vehicles, plant and equipment amounted to £259,418 (2008/09: £463,451) and in respect of short term lease properties amounted to £795,595 (2008/09: £742,767). The known obligations in relation to operating leases outstanding at 31 March 2010 amounted to £780,779.

The Authority was committed at 31 March 2010 to making payments of £769,161 under operating leases in 2010/11, comprising the following elements:

	<b>Other Land and Buildings</b>	<b>Vehicles, Plant and Equipment</b>
	<b>£'000</b>	<b>£'000</b>
Leases expiring in 2010/11	740	24
Leases expiring between 2011/12 and 2014/15	0	5
Leases expiring during or after 2015/16	0	0
<b>Total</b>	<b>740</b>	<b>29</b>

Where the Authority is a lessor, the aggregate rentals receivable in the year is £1.006m (£0.712m 2008/09).

### 13. **Transactions with Related Parties**

In accordance with FRS 8, the Council has a duty to disclose any material transactions with a 'related party'. This is to ensure that financial statements contain disclosures necessary to draw attention to the possibility that the reported financial position and results may have been affected by the existence of related parties and by material transactions with them.

#### **Central Government**

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

#### **Precepts and Levies**

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

The Corporate Director - Resources acts as the Treasurer to the North Wales Fire Authority; the levy to the North Wales Fire Authority paid during the year was £5,154,755 (2008/09: £4,997,245).

#### **Charitable and Voluntary Organisations**

The Council appoints Members, Corporate 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, Corporate Directors and Heads of Service. During 2009/10 a total of £410,010 (2008/09: £439,095) was paid to these bodies by way of grants and the purchasing of services.

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

The Council is a member of the LGA/WLGA, to which subscriptions of £94,625 were paid in 2009/10 (£93,691 in 2008/09).

#### **Corporate Directors and Heads of Service**

Heads of Service and Corporate Directors were sent a declaration of interest with related parties return for the year 2009/10.

A Corporate Director is the treasurer of Craig y Don Playschool, to which the Authority paid £10,219 (£8,618 in 2008/09).

**Members**

Members were sent a declaration of interest with related parties return for the year 2009/10.

A total of £86,314 was paid by the Council in 2009/10 under such dealings (2008/09: £129,446).

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

**Other**

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

14. **Disclosure of Fees Payable to the Wales Audit Office (WAO) and KPMG**

	<b>2009/10</b>	<b>2008/09</b>
	<b>£</b>	<b>£</b>
External Audit Services & Performance Audit	293,000	284,000
Statutory Inspection	69,882	90,745
Grant claims and returns related to previous financial year	125,351	140,421
	<b>488,233</b>	<b>515,166</b>

The estimated fee for certification of grant claims and returns related to 2009/10 is £110,000, and is not included above.

15. **Three Schools PFI Project**

The project comprised of 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 2009-10 was £6.3m (net of £2k availability and performance deductions) for the period April 2009 to March 2010 inclusive. (Unitary Charge in the financial year 2008/09 was £6.1m net of £5k availability and performance deductions). The full year charge in 2010/11 is estimated to be approximately £6.4m at a price base of 1 April 2010 (assuming RPI of 2.5%).

The outstanding undischarged obligation arising from the PFI transaction is approximately £141.1m (£147.1m in 2008/09), 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 at nil consideration.

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

	<b>£'000</b>
1 April 2008	47,828
Movement 2008/09	(902)
31 March 2009	46,926
Movement 2009/10	8,526
31 March 2010	55,452

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

	<b>Finance Lease Creditor</b>	<b>Lifecycle Timing Differences</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
1 April 2008	(31,523)	(431)	(31,954)
Movement 2008/09	962	(15)	947
31 March 2009	(30,561)	(446)	(31,007)
Movement 2009/10	1,016	55	1,071
31 March 2010	(29,545)	(391)	(29,936)

### **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	2,849	934	2,616	6,399
Within 2 to 5 Years	12,559	4,419	9,532	26,510
Within 6 to 10 Years	19,333	6,458	9,507	35,298
Within 11 to 15 Years	22,545	9,344	5,988	37,877
Within 16 to 20 Years	24,660	8,390	2,035	35,085

### **Notes to the Balance Sheet**

#### 16. **Fixed Assets**

Details of the values of assets held at 31 March 2010, together with details of acquisitions and disposals are shown overleaf.

Methods of calculating Depreciation are outlined in Note 6 of the Statement of Accounting Principles and Policies.

#### **Reconciliation to Capital Expenditure**

	<b>2009/10 £'000</b>	<b>2008/09 £'000</b>
Additions (as Page 73 & 74)	20,944	27,807
Revenue Expenditure funded from Capital under Statute	7,019	6,658
<b>Total</b>	<b>27,963</b>	<b>34,465</b>

#### **Valuations**

All capital expenditure considered to extend the life of assets is treated as enhancement and is shown as additions to fixed assets in the Statement of Movements in Net Value together with no added value capital spend, whilst added value in excess of the capital expenditure is shown as Revaluations. All capital expenditure considered not to extend the life of assets is written off to the Income and Expenditure Account, with a compensating transfer to the Capital Adjustment Account.

The Council's land and buildings were valued as at 31 March 2010 under the management of the County Valuer, BSc(Hons) Dip Surv MRICS.



**Tangible & Intangible Assets Statement of Movement in Net Value**  
**Operational Assets**

	<b>Council Dwellings</b>	<b>Other Land and Buildings</b>	<b>Vehicles, Plant, Furniture &amp; Equipment</b>	<b>Infrastructure Assets</b>	<b>Community Assets</b>	<b>Intangible Assets</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost or Valuation</b>							
At 1 April 2009	-	195,348	24,853	72,703	4,472	1,196	298,572
PFI Adjustments	-	51,547	-	-	-	-	51,547
Subtotal	-	246,895	24,853	72,703	4,472	1,196	350,119
At 1 April 2009 restated	-	246,895	24,853	72,703	4,472	1,196	350,119
Additions	-	8,974	3,494	4,672	411	233	17,784
PFI Lifecycle Additions	-	19	-	-	-	-	19
Disposals	(24)	(98)	(81)	-	-	-	(203)
Reclassifications	-	(722)	-	-	9	-	(713)
Transfers from work in progress	-	8,360	585	134	279	-	9,358
Revaluations	24	40,161	-	-	-	-	40,185
Depreciation to net off asset on revaluation	-	(10,714)	-	-	-	-	(10,714)
At 31 March 2010	-	292,875	28,851	77,509	5,171	1,429	405,835
<b>Depreciation and Impairment</b>							
At 1 April 2009	-	(10,878)	(16,486)	(24,339)	(1,144)	(204)	(53,051)
PFI Adjustments	-	(4,622)	-	-	-	-	(4,622)
Subtotal	-	(15,500)	(16,486)	(24,339)	(1,144)	(204)	(57,673)
At 1 April 2009 restated	-	(15,500)	(16,486)	(24,339)	(1,144)	(204)	(57,673)
Charge for 2009-2010	-	(4,775)	(2,281)	(4,625)	(283)	(131)	(12,095)
Disposals	-	-	56	-	-	-	56
Impairment	-	(29,389)	-	-	-	-	(29,389)
Revaluations	-	5,540	-	-	-	-	5,540
Depreciation to net off asset on revaluation	-	10,714	-	-	-	-	10,714
At 31 March 2010	-	(33,410)	(18,711)	(28,964)	(1,427)	(335)	(82,847)
<b>Balance Sheet amount at 31 March 2010</b>	-	259,465	10,140	48,545	3,744	1,094	322,988
<b>Balance Sheet amount at 1 April 2009</b>	-	184,470	8,367	48,364	3,328	992	245,521
<b>Balance sheet amount at 1 April 2009 Restated</b>	-	231,395	8,367	48,364	3,328	992	292,446
<b>Nature of Asset Holding</b>							
PFI	-	55,452	-	-	-	-	55,452
Owned	-	204,013	10,140	48,545	3,744	1,094	267,536

## Non-Operational Assets

	<b>Surplus Assets</b>	<b>Investment Properties</b>	<b>Work in Progress (WIP)</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost or Valuation</b>				
At 1 April 2009	851	4,500	9,797	15,148
Additions	-	306	2,855	3,161
Disposals	(220)	(248)	-	(468)
Reclassifications	1,827	(1,114)		713
Transfers from work in progress	-	-	(9,358)	(9,358)
Revaluations	5,734	3,565	-	9,299
At 31 March 2010	8,192	7,009	3,294	18,495
<b>Impairments</b>	(397)	(143)	-	(540)
<b>Balance Sheet amount at 31 March 2010</b>	7,795	6,866	3,294	17,955
<b>Balance Sheet amount at 1 April 2009</b>	851	4,500	9,797	15,148
<b>Nature of Asset Holding</b>				
PFI	-	-	-	-
Owned	7,795	6,866	3,294	17,955

**Capital Commitments 2010/11 Onwards**

Major capital commitments entered into at 31 March 2010 were £1.043m.

<b>Council Fund Capital Programme Scheme</b>	<b>Contracted Future Cost  £'000</b>
Ysgol Bryn Elian Roof Works	70
Extra Care Housing – Day Care Centre, Morley Road, Llandudno	973
<b>Total</b>	<b>1,043</b>

17. **Capital Expenditure 2009/10**

Capital Expenditure in 2009/10 amounted to £27.963m, including net accruals of £44k. The following table gives an analysis of this expenditure and how it was financed.

<b>SUMMARY OF CAPITAL EXPENDITURE AND FINANCING (In year Spend Net of Accruals)</b>	<b>2009/10 £'000</b>	<b>2008/09 £'000</b>
Engineering & Design	1,818	647
Regeneration	1,638	1,751
Planning & Countryside Services	157	974
Education	6,639	8,431
Social Services	1,511	1,332
IT	356	724
Libraries	88	262
Theatres	339	81
Leisure	1,001	1,545
Private Sector Property Renovation	3,590	3,558
Infrastructure - Highways	4,230	4,467
Environmental and Technical Services	3,587	7,111
Housing Retained Contracts	634	3,009
CCTV & Crime Prevention	676	0
Other	1,655	482
Net Capital Accruals	44	91
	<b>27,963</b>	<b>34,465</b>
<b>FINANCED BY:-</b>		
Borrowing Requirement (Supported & Unsupported)	11,120	8,887
Grants and Contributions (Received and Accrued)	11,951	17,732
General Capital Grant	2,242	2,234
Major Repairs Allowance	0	1,289
Capital Receipts	1,965	2,583
Revenue and Other Reserves	685	1,740
	<b>27,963</b>	<b>34,465</b>

<b>Capital Expenditure and Financing</b>	<b>2009/10 Actual £'000</b>	<b>2008/09 Actual £'000</b>
Total Capital Expenditure	27,963	34,465
Resourced by:		
Capital Receipts	(1,965)	(2,583)
Capital Grants	(14,193)	(21,255)
Capital Reserves	(685)	(720)
Revenue	0	(1,020)
Supported/Unsupported Borrowing	(11,120)	(8,887)
<b>Total Resources</b>	<b>27,963</b>	<b>34,465</b>

<b>Capital Financing Requirement</b>	<b>2009/10 £'000</b>	<b>Restated 2008/09 £'000</b>	<b>2008/09 £'000</b>
<b>Opening balance 1 April</b>	<b>116,731</b>	<b>139,371</b>	<b>139,371</b>
Plus Supported/Unsupported Borrowing	11,120	8,887	8,887
Less Revenue Provision	(6,998)	(6,379)	(5,521)
PFI MRP	1,090	858	0
Less Debt Repaid on Stock Transfer	0	(26,006)	(26,006)
<b>Balance at 31 March</b>	<b>121,943</b>	<b>116,731</b>	<b>116,731</b>

## Principal Assets

The principal assets held by Conwy County Borough Council were as follows:-

		31 March 2010	31 March 2009
<b><u>Operational Assets</u></b>			
<b>- Other Land and Buildings</b>	Car Parks	22	22
	Crematoriums	1	1
	Depots	11	11
	Schools	68	68
	Education Other	12	12
	Farms	12	12
	Leisure Facilities	22	22
	Libraries	13	13
	Offices	21	20
	Outdoor Pursuits centre	3	3
	Public conveniences	43	43
	Residential	5	5
	Social Care Establishments	9	9
	Stores	7	7
	Swimming & Leisure Centres	8	8
	Tenanted Property	1	1
	Theatres	2	2
	Tourism	6	6
	Workshops/Industrial	20	20
Youth Centres	8	8	
<b><u>Non Operational Assets</u></b>			
	Awaiting Development	2	2
	Grazing Land	16	16
	Investment	10	11
	Surplus	15	15
<b><u>Community Assets</u></b>			
	Public Gardens and Parks	109	109
	Playing Fields	67	67
	Open Spaces	113	112
	Multi Use Games Area	22	22
	Cemeteries	13	13
	Allotments	6	6

Following the revaluation and reclassification of assets as at 31 March 2010, the prior year figures have been amended to reflect these new classifications.

18. **Revenue Expenditure Funded From Capital Under Statute**

Revenue expenditure funded from capital under statute represents expenditure, which 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: -

	Housing Revenue Account		Renovation Grants and Renewals Areas		Other		Total	
	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March	0	0	0	0	0	0	0	0
Transfer from Debtors	0	0	0	0	0	0	0	0
Expenditure in year	0	1,444	3,585	3,425	3,434	1,831	7,019	6,700
Grants	0	0	(3,330)	(3,240)	(2,151)	(766)	(5,481)	(4,006)
Written off to Revenue	0	(1,444)	(255)	(185)	(1,283)	(1,065)	(1,538)	(2,694)
<b>Balance at 31 March</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

'Other' revenue expenditure funded from capital under statute relates to Community Based Purposeful Routes, Colwyn Bay Masterplan, Commercial Property Improvement and Conservation Grants, Home Buyer Scheme, Modernisation Agenda Transition Team, Combined Equipment Store – Bryn Y Neuadd, Street Scene, Housing Capital – Retained Contracts, Penmaenmawr THI, together with other smaller schemes.

19. **Long-Term Debtors**

These represent the value of long-term debts due to the Council and are analysed as follows: -

	<b>31 March 2010</b>	<b>Restated 31 March 2009</b>	<b>31 March 2009</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
PFI Project	0	0	23,299
Mortgages	29	35	35
Private Street Works	124	121	121
Car Loans Repayable After 12 Months	524	386	386
Other	98	102	103
<b>Gross Long Term Debtors</b>	<b>775</b>	<b>644</b>	<b>23,944</b>
Less Bad Debt Provision	0	0	0
<b>Net Long Term Debtors</b>	<b>775</b>	<b>644</b>	<b>23,944</b>

Included within 'Other Long-Term Debtors' are soft loans to Sports Clubs and Museums which have been re-stated at fair value, with the resulting movement being held in the Financial Instruments Adjustment Account.

20. **Stocks and Work-in-Progress**

Stocks and Work-in-Progress are analysed as follows: -

	<b>31 March 2010</b>	<b>31 March 2009</b>
	<b>£'000</b>	<b>£'000</b>
Work-in-Progress	116	82
Main Store	188	165
Nursery Stock	62	67
Rock Salt	45	58
Other Stocks	344	321
Foundation Schools	0	2
<b>Total</b>	<b>755</b>	<b>695</b>



21. **Debtors**

The analysis below shows the gross amount owed to the Council and identifies a Bad Debt provision for sums that may not be recovered:-

<b>Analysis of Debtors</b>	<b>31 March 2010 £'000</b>	<b>Re-stated 31 March 2009 £'000</b>	<b>31 March 2009 £'000</b>
Government Departments and Other Public Bodies	12,672	11,441	11,318
Other Local Authorities	2,258	1,729	1,729
Insurance Companies	1,253	1,214	1,214
Car Loans Repayable within One Year	285	235	235
Council Taxpayers	2,090	2,576	2,576
National Non-Domestic Rates	0	0	1,126
Council Tenants	0	0	462
Other Debtors	8,365	7,446	6,984
<b>Gross Debtors</b>	<b>26,923</b>	<b>24,641</b>	<b>25,644</b>
Less Bad Debt Provision	(977)	(1,027)	(1,399)
<b>Net Debtors</b>	<b>25,946</b>	<b>23,614</b>	<b>24,245</b>

Details of the bad debt provisions are as follows: -

<b>Bad Debt Provisions</b>	<b>Balance at 31 March 2009 £'000</b>	<b>Used in the Year £'000</b>	<b>In Year Provision £'000</b>	<b>Balance at 31 March 2010 £'000</b>
Council Tax	229	418	446	257
Housing Revenue Account	157	157	0	0
General Debtors	591	6	135	720
Council Tax Court Costs	50	50	0	0
<b>Total</b>	<b>1,027</b>	<b>631</b>	<b>581</b>	<b>977</b>

22. **Creditors**

This represents monies owed by the Council. An analysis of the creditors is as follows: -

<b>Analysis of Creditors</b>	<b>31 March 2010 £'000</b>	<b>31 March 2009 £'000</b>
Government Departments and Other Public Bodies	536	1,241
Other Local Authorities	1,839	1,821
Trade Creditors	10,571	10,973
<b>Total</b>	<b>12,946</b>	<b>14,035</b>

23. **Deferred Government Grants and Contributions**

The balance on this account represents the value of capital grants and contributions which have been applied to finance the acquisition or enhancement of fixed assets held in the asset register, which are subject to depreciation. Grants received in respect of capital expenditure adding no value to fixed assets are credited to this account and released to revenue in the same year. The balance on this account will be released to revenue in line with depreciation on the related asset.

	<b>2009/10</b>	<b>2008/09</b>
	<b>£'000</b>	<b>£'000</b>
Balance at 31 March	73,358	63,238
Grants and Contributions Applied during year	8,879	17,115
Written to Revenue	(3,593)	(6,995)
<b>Balance at 31 March</b>	<b>78,644</b>	<b>73,358</b>

24. **Provisions**

The Council has a number of specific provisions with balances available for activities as summarised below:-

<b>Provisions</b>	<b>Balance at 31 March 2009</b>	<b>Expenditure</b>	<b>Income</b>	<b>Balance at 31 March 2010</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Insurance Excesses	1,558	218	288	1,628
Social Services	184	25	0	159
HRA	225	225	0	0
Equal Pay Provision	5,800	0	0	5,800
Job Evaluation	0	0	3,400	3,400
Corporate	120	6	0	114
EVR Provision	1,034	445	139	728
Other	52	44	51	59
<b>Total</b>	<b>8,973</b>	<b>963</b>	<b>3,878</b>	<b>11,888</b>

Further detail of the provisions held is as follows:-

	<b>Provision Amount</b>	<b>Anticipated Year of Expenditure</b>
	<b>£</b>	
<p><b><u>Insurance Provision</u></b> The insurance provision relates to excesses on third party claims</p>	1,627,757	2010/11 onwards
<p><b><u>Social Services Provisions</u></b></p>		
<p><b><u>Deferred Income</u></b> Anticipated shortfall in income from sale of properties</p>	159,494	2010/11
<p><b><u>Equal pay</u></b> Possible future settlement of Equal Pay claims arising as a result of the implementation of the Single Status agreement. This is an accounting entry not represented by cash.</p>	5,800,000	2010/11 onwards
<p><b><u>Job Evaluation Costs 2009/10</u></b> Back pay to be incurred in implementing the new Staff Terms and Conditions</p>	3,400,000	2010/11
<p><b><u>Corporate</u></b></p>		
<p><b><u>Travel and Subsistence</u></b> Travel and Subsistence March 2010</p>	113,573	2010/11
<p><b><u>Early Voluntary Retirement</u></b> Compensation &amp; Earliness costs paid to the Pension Fund</p>	728,411	2010/11 – 2012/13
<p><b><u>Other</u></b></p>		
<p><b><u>Active &amp; Creative Lifestyles</u></b> Gym Equipment loan repayment, Partnership Officer relocation</p>	11,545	2010/11 – 2011/12
<p><b><u>Education Services</u></b> Pending court case; vehicle loan repayment</p>	46,800	2010/11 – 2011/12

25. **RESERVES MOVEMENTS**

	Note	Balance at 31 March 2009 £'000	Balance Re-stated 31 March 2009 £'000	Contribution to Reserves £'000	Contribution from Reserves £'000	Asset Revaluations £'000	Surplus/ (Deficit) for the year £'000	Proceeds of Disposal £'000	Financing Fixed Assets £'000	Value of Assets Sold/ Disposals £'000	Balance at 31 March 2010 £'000
<b>CAPITAL RESERVES</b>											
Capital Adjustment Account	25.2	85,819	87,771				(35,025)	75	4,537	(615)	56,743
Revaluation Reserve	25.1	25	25			55,023		(75)			54,973
Financial Instruments Adjustment Account	25.3	(1,047)	(1,047)				55				(992)
Available for Sale Financial Assets	25.4	0	0			1,359					1,359
Capital Receipts Unapplied	25.5	5,465	5,465					126	(1,965)		3,626
Capital Reserve - Council Fund	25.6	1,769	1,769	2,273	(303)				(685)		3,054
Capital Reserve - Housing	25.6	202	202								202
		92,233	94,185	2,273	(303)	56,382	(34,970)	126	1,887	(615)	118,965
<b>REVENUE RESERVES</b>											
Specific Reserves	25.7	14,146	14,146	2,715	(4,279)						12,582
School Balances		4,752	4,752	499	(710)						4,541
PFI Unitary Charge Reserve (Cash Backed)		8,299	8,299	1,085	(229)						9,155
PFI Acquisition Reserve (Non-cash Backed)		9,333	0								0
Housing Revenue Account		189	189								189
Council Fund Balances		3,005	3,005		(149)						2,856
		39,724	30,391	4,299	(5,367)	0	0	0	0	0	29,323
<b>Total Capital &amp; Revenue Reserves</b>		<b>131,957</b>	<b>124,576</b>	<b>6,572</b>	<b>(5,670)</b>	<b>56,382</b>	<b>(34,970)</b>	<b>126</b>	<b>1,887</b>	<b>(615)</b>	<b>148,288</b>
<b>PENSIONS RESERVE</b>	31	<b>(93,150)</b>	<b>(93,150)</b>				<b>(102,153)</b>				<b>(195,303)</b>
<b>EQUAL PAY BACK PAY ACCOUNT</b>	25.8	<b>(5,800)</b>	<b>(5,800)</b>								<b>(5,800)</b>
Deferred Capital Receipts	26	28	28					(5)			23
<b>TOTAL</b>		<b>33,035</b>	<b>25,654</b>	<b>6,572</b>	<b>(5,670)</b>	<b>56,382</b>	<b>(137,123)</b>	<b>121</b>	<b>1,887</b>	<b>(615)</b>	<b>(52,792)</b>

## 25.1 Revaluation Reserve

The Revaluation Reserve records the revaluation gain associated with individual assets. The revaluation gain reflects depreciated current value less depreciated historic cost. The opening balance on the Revaluation Reserve at 1 April 2007 was zero. The revaluation gain is cleared to zero on disposal of an asset.

Relevant revaluation losses can only be applied to the Revaluation Reserve when there are sufficient revaluation gains relating to that particular asset.

## 25.2 Capital Adjustment Account (CAA)

The CAA holds the following entries associated with capital accounting:-

- Depreciation and impairment losses
- Amortisation of revenue expenditure funded from capital under statute
- Depreciated historical cost of assets on disposal or decommissioning
- Capital receipts applied and set aside
- Direct revenue financing of capital expenditure
- Revenue provision for repayment of debt
- Capital grants and contributions
- Compensatory adjustments from the Revaluation Reserve

The following shows the movement in 2009/10 on the Capital Adjustment Account:

	<b>2009/10</b>
	<b>£'000</b>
<b>Opening Balance 1 April 2009</b>	<b>85,819</b>
<b>Adjusted Opening Balance 1 April 2009</b>	<b>87,771</b>
Excess of depreciation and impairment over provision for repayment of External Debt	(35,025)
Revenue expenditure funded from capital under statute	(6,777)
Capital Financing : -	
Capital Receipts	1,966
Capital Reserve	685
Net Grants and Contributions applied	8,663
Net effect of asset disposals	(540)
<b>Closing Balance 31 March 2010</b>	<b>56,743</b>

### 25.3 Financial Instruments Adjustment Account (FIAA)

The FIAA holds the accumulated difference between the financing costs included in the Income and Expenditure Account and the accumulated financing costs required in accordance with regulations to be charged to the Council Fund Balance. The balance on the FIAA represents the following:-

	2009/10 £'000	2008/09 £'000
Premiums and Discounts	727	777
Stepped Loan interest	156	157
Soft Loans interest	109	113
<b>Balance at 31 March</b>	<b>992</b>	<b>1,047</b>

### 25.4 Available for Sale Financial Assets Reserve

This reserve holds the fair value of loans given to assist house purchases (Low Cost Home Ownership / Homebuy Scheme) which are repayable to the Council on the sale of the property. This is a balance recognised in the 2009/10 accounts for the first time.

### 25.5 Capital Receipts Unapplied

These are capital receipts which have not yet been used to incur additional capital expenditure. The 1989 Act stipulates the proportion of total capital receipts which are usable for this purpose. An analysis is shown below: -

	Housing 2009/10 £'000	Housing 2008/09 £'000	Other Services 2009/10 £'000	Other Services 2008/09 £'000	Total 2009/10 £'000	Total 2008/09 £'000
Balance at 31 March	2,196	3,155	3,269	3,305	5,465	6,460
Usable Receipts	24	911	102	1,018	126	1,929
Receipts Applied	(471)	(1,870)	(1,494)	(1,054)	(1,965)	(2,924)
<b>Balance at 31 March</b>	<b>1,749</b>	<b>2,196</b>	<b>1,877</b>	<b>3,269</b>	<b>3,626</b>	<b>5,465</b>

### 25.6 Capital Reserves

Funding of £3.256m is shown in the Balance Sheet representing funding for capital schemes which will progress in 2010/11 and beyond.

## 25.7 **Revenue Reserves**

Within the existing statutory and regulatory framework, it is the responsibility of the Section 151 Officer to advise the local authority about the level of reserves that should be held and to ensure that there are clear protocols for their establishment and use.

In accordance with the established Business Planning Framework, reserves and balances are formally reviewed at least annually, and kept under on-going review by the Section 151 Officer.

Revenue Reserves and Balances are held for four main purposes: -

- A working balance to help cushion the impact of uneven cash flows, and avoid unnecessary temporary borrowing.
- A contingency to cushion the impact of unexpected events.
- A contingency to financially protect the Authority against the impact of emergencies.
- A means of building up funds to meet known or predicted liabilities in a planned way.

Revenue Reserves held by schools under delegated schemes are committed to be spent on the Education service.

## 25.8 **Equal Pay Back Pay Account**

The Equal Pay Back Pay Account is used to hold an amount equal to the back pay which has been deferred from being charged to the Council Fund under Regulation 24a of the Local Authority (Capital Financing and Accounting) (Wales) Regulations 2003. This is an accounting entry and is not represented by cash.

26. **Deferred Capital Receipts**

Deferred Capital Receipts are amounts derived from sales of assets which will be received in instalments over agreed periods of time. They arise principally from mortgages on sales of council houses, which form part of mortgages under the heading of Long-Term Debtors.

27. **Contingent Liabilities**

**Policy on Recognition**

A Contingent Liability is recognised as a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the organisation's control. It can also be recognised as a present obligation that arises from past events but is not recognised because it is not probable that a transfer of economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability. There are currently no Contingent Liabilities to be recognised.

28. **Forward Commitments**

The Authority has the following forward commitments:-

Investment - Kent Reliance Building Society £1m.

Capital Contract – Maes Y Dre remedial work £750k from Housing Capital Receipts.

29. **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 2010 amounted to £101,138 and the income for the year was £5,408. (Fund Balances at 31 March 2009 amounted to £93,713 and income for the year 2008/09 was £8,054.)

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 101.
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 pages 109 to 110.



### 30. **The Euro**

The Authority is monitoring the situation as regards the introduction of the Euro, but to date has not entered into any commitments or incurred any costs on its introduction.

### 31. **Pensions**

#### 31.1 **Participation in Pension schemes**

The Council operates a funded defined benefits scheme for its staff (excluding teachers) under the Superannuation Act 1972, and is subject to the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 and the Local Government Pension Scheme (Administration) Regulations 2008. They are also supplemented by protections contained in the Local Government Pension Scheme (Transitional Provisions) Regulations 2008. Gwynedd Council manages the scheme on behalf of the Council. Employees of the former constituent authorities who retired at Local Government Reorganisation belong to the respective pension schemes for those councils.

Copies of the accounts of the Gwynedd Pension Fund are available on application to the Treasurer, Gwynedd Council, Shirehall, Caernarfon, LL55 1SH.

The Council accrued the sum of £85,918 of pension contributions at 31 March 2010.

#### 31.2 **Teaching Staff**

The Department for Education and Skills (DfES) administers the Teachers Pension Scheme on a notional basis. Under FRS 17 it is classified as a quasi-contribution scheme and there are no disclosures required regarding assets and liabilities, as the current cost is still equivalent to contributions payable for the year. Employer's contributions for 2009/10 were £4.1m representing 14.1% of pensionable pay (£4.0m in 2008/09 representing 14.1% of pay).

#### 31.3 **Participation in other schemes**

Conwy County Borough Council is responsible for the added years costs of some former employees of two of the predecessor authorities to Conwy County Borough Council who are members of the Clwyd pension scheme. These benefits are not funded, therefore there are no assets attributable to Conwy County Borough Council. The liabilities are included in the total liabilities attributable to the pension fund.

Based on the assumptions listed above, the present value of the liabilities at 31 March 2010 is £7.9m (£6.9m at 31 March 2009).

#### 31.4 **Actuarial Valuations**

The Local Government Pension Scheme provides pensions and other retirement benefits for employees based upon final salaries. The annual funding cost of these pensions is based on triennial actuarial valuations. The cost is financed by contributions from both the Council and its staff.

The latest full valuation of the scheme was carried out at 31 March 2008. The Council's employer's contribution rate for 2009/10 was 20.1%. The rate for 2010/11 is 20.1%.

### 31.5 Payments into the Fund

The discretionary pensions for which the Council pays are included in the total liabilities of the pension funds. Contributions to cover the unfunded liabilities are contained within the Income and Expenditure Account.

### 31.6 Amendment to SORP 2008

Under the 2008 SORP, the Council adopted the amendment to FRS 17. As a result quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid market price. The scheme administrator determined that the change in value is immaterial.

### 31.7 Transactions relating to retirement benefits

The costs of retirement benefits are recognised in the Net Cost of Services when they are earned rather than when the benefits are paid out as pensions. However, the charge made against Council Tax is based on the cash payable, so the real cost of pensions is reversed out in the Statement of Movements on the Council Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the Council Fund Balance during the year and the table includes both Clwyd and Gwynedd Funds as they relate to Conwy:

<b>Movements on Pension Reserve</b>	<b>2009/10</b>	<b>2008/09</b>
	<b>£'000</b>	<b>£'000</b>
Income and Expenditure Account		
- Net cost of services		
Current service Cost	(6,132)	(7,182)
Past service cost	(6)	(3,051)
Settlements and Curtailments	(48)	1,049
- Net Operating Expenditure		
Interest	(19,246)	(19,702)
Expected returns on scheme Assets	12,318	16,876
Net charge to I&E Account	(13,114)	(12,010)
Statement of Movement on Council Fund Balance		
Reversal of net charges in accordance with FRS 17	13,114	12,010
Actual Amount charged		
- employers' contributions	12,898	12,974

Actuarial losses of £101.9m (2008/09 losses of £38.9m) were included in the Statement of Total Recognised Gains and losses. The cumulative cost of Actuarial losses recognised is a loss of £143.4m.

### 31.8 Reconciliation of present value of scheme liabilities

<b>Liabilities</b>	<b>2009/10 £'000</b>	<b>2008/09 £'000</b>
1 April	278,852	288,236
Current Service Cost	6,132	7,182
Interest	19,247	19,702
Contributions by members	3,489	3,483
Actuarial Losses/ (Gains)	163,783	(26,974)
Past Service Cost	6	3,051
Curtailments	48	346
Estimated Unfunded Benefits	(1,487)	(1,457)
Estimated Benefits Paid	(8,436)	(7,628)
Liabilities discharged	0	(7,089)
31 March	461,634	278,852

### 31.9 Reconciliation of fair value of scheme assets

<b>Assets</b>	<b>2009/10 £'000</b>	<b>2008/09 £'000</b>
1 April	185,702	233,052
Expected return on Assets	12,317	16,876
Contributions by members	3,489	3,483
Contributions by Employers	11,414	12,623
Contributions for Unfunded Benefits	1,450	349
Actuarial Gains(Losses)	61,845	(65,902)
Unfunded benefits Paid	(1,450)	(1,457)
Benefits Paid	(8,436)	(7,628)
Assets Discharged	0	(5,694)
31 March	266,331	185,702

The estimated Employer's contribution for 2010/11 is £11.758m.

### 31.10 Scheme history

<b>Year ended</b>	<b>31/03/10</b>	<b>31/03/09</b>	<b>31/03/08</b>	<b>31/03/07</b>	<b>31/03/06</b>
Assets	266,331	185,702	233,052	224,255	202,590
Liabilities	461,634	278,852	288,238	302,722	299,378
Deficit	(195,303)	(93,150)	(55,186)	(78,467)	(96,788)
Difference between expected and actual gains(losses) on assets	23.22%	(36.08)%	(5.85)%	0.08%	13.52%
Experience gains(losses) on liabilities	(0.03)%	(0.011)%	(5.91)%	(0.15)%	(0.22)%

Of the total liabilities, £23.3m (£19.3m in 2008/09) is unfunded and £438.3m (£259.6m in 2008/09) is funded.

**31.11 The principal assumptions used by the actuary are as follows:-**

	<b>2009/10</b>	<b>2008/09</b>
Price Increases	3.8%	3.1%
Salary Increases	5.3%	4.6%
Pension Increases	3.8%	3.1%
Expected return on assets	7.2%	6.5%
Discount Rate	5.5%	6.9%
Take up of option to convert annual pension into lump sum	50.0%	50.0%
Rate of return on assets		
Equities	7.8%	7%
Bonds	5.0%	5.4%
Property	5.8%	4.9%
Cash	4.8%	4.0%

	Males 2009/10	Females 2009/10	Males 2008/09	Females 2008/09
Life expectancy at 65 in years				
Current Pensioners	20.8	24.1	19.6	22.5
Future Pensioners	22.3	25.7	20.7	23.6

For the 2009/10 Statement of Accounts a rate based on the current rate of return on a high quality corporate bond of equivalent currency and term to schemes liabilities has been used.

The return on bonds is assumed to be in line with redemption yields. However the scheme has an equity biased investment strategy and there is no corresponding measure for the return in equities or on assets such as property. The expected rate of return is therefore taken from a propriety asset model whose parameters are calibrated to market conditions on a monthly basis.

The Actuaries have made an assumption that 50% of pension fund members will exchange part of their pension for additional tax free cash at retirement.

**31.12 Value of Assets**

The assets of the scheme are split as follows:

<b>2009/10</b>					<b>2008/09</b>				
<b>Equities</b>	<b>Bonds</b>	<b>Property</b>	<b>Cash</b>	<b>Total</b>	<b>Equities</b>	<b>Bonds</b>	<b>Property</b>	<b>Cash</b>	<b>Total</b>
<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
205,409	40,015	16,006	4,901	266,331	136,144	26,109	14,919	8,530	185,702

## 32. **Nature and Extent of Risks Arising from Financial Instruments**

### 32.1 **Key Risks**

The Council's activities expose it to a variety of financial risks, the key risks are:

Credit risk – the possibility that other parties might fail to pay amounts due to the Council;

Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;

Re-financing risk – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms;

Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements;

#### **Overall Procedures for Managing Risk**

The Council's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework set out in the Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

- By formally adopting the requirements of the Code of Practice
- By approving annually in advance prudential indicators for the following three years
- By approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.

### 32.2 **Credit Risk Exposure**

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet either identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Ratings Services or, in the case of Building Societies, have assets in excess of £500m. The Annual Investment Strategy also imposes a maximum amount and time to be invested with a financial institution located within each category. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above.

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

		<b>Amount at 31 March 2010</b>	<b>Historical Experience of Default</b>	<b>Adjustment for market conditions at 31 March 2009</b>	<b>Estimated Maximum Exposure to Default And Uncollectability</b>
		<b>£'000</b>	<b>%</b>	<b>%</b>	<b>£</b>
Deposit with rated banks and Financial Institutions	-AAA	0	0.00	0.00	0
	-AA	8,346	0.03	0.03	2,504
	-A	2,010	0.08	0.08	1,608
	-BBB	4,000	0.24	0.24	9,600
Building Societies with assets in excess of £1bn	3,000	1.22	1.22	36,600	
Building Societies with assets in excess of £500m	0	0	0	0	
Trade Debtors	6,916	0	0	0	

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

Whilst the current credit crisis in international markets has raised the overall possibility of default the Council maintains strict credit criteria for investment counterparties.

The Council also uses non credit rated institutions (for instance smaller building societies or bank subsidiaries where the Parent Institution has a satisfactory rating). In these circumstances these investments have been classified as other counterparties.

The Council's trade debtors can be analysed by age as follows:-

	<b>31 March 2010 £'000</b>	<b>31 March 2009 £'000</b>
Not yet due	3,314	3,046
Two to three months (overdue)	838	816
Three to six months (overdue)	728	296
Six months to one year (overdue)	589	643
More than one year (overdue)	1,447	1,298
Total	6,916	6,099

### 32.3 Liquidity risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the Code of Practice. This seeks to ensure that cash is available when it is needed.

The Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need, and whilst the PWLB provides access to longer term funds, it also acts as a lender of last resort to councils (although it will not provide funding to a council whose actions are unlawful). The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

#### 32.4 Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team addresses the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt;
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs. The spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

In order to reflect the amortised value of the Financial Liabilities: borrowings accrued interest, interest adjustments regarding a stepped interest loan and the modification of loans adjusting for premiums and discounts have been included. The table below shows the amounts of these adjustments.

	<b>2009/10 £'000</b>	<b>2008/09 £'000</b>
Financial Liabilities : Borrowing	103,142	114,397
Less PWLB Interest Accruals	(664)	(761)
Market Loans Interest Accruals	(162)	(151)
Stepped Loan effective interest rate adjustment	(157)	(157)
Discount adjustment to modified loan	0	(270)
Add Premium adjustment to modified loan	709	816
<b>Debt Outstanding</b>	<b>102,868</b>	<b>113,874</b>

The debt outstanding is analysed below:-

Source of Loan	2009/10 Interest Rate Range %	Balance Outstanding	
		31 March 2010	31 March 2009
		£'000	£'000
Public Works Loan Board	4.55 - 9.50	64,868	82,874
Europaische Hypo Bank	4.32 - 4.625	21,000	21,000
Barclays Bank	4.90 - 4.95	10,000	10,000
Leicester City Council	0.3	2,000	0
Cambridge City Council	0.35	2,000	0
Gwent Police	0.3	3,000	0
<b>Total</b>		<b>102,868</b>	<b>113,874</b>

Maturity Profile	31 March 2010	31 March 2009
	£'000	£'000
Less than one year	7,000	18,005
Between 1 – 2 years	0	0
Between 2 – 5 years	0	0
Between 5 – 10 years	0	0
Over 10 years	95,868	95,869
<b>Total</b>	<b>102,868</b>	<b>113,874</b>

Statement of fair value of Long Term Borrowing:-

	31 March 2010		31 March 2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
PWLB Debt	64,868	88,637	82,874	109,734
Non PWLB Debt	31,000	33,487	31,000	34,452

The carrying amount is as stated in the Balance Sheet, representing the actual indebtedness of the Authority in terms of outstanding loans, together with interest and other adjustments as above. The fair values for financial liabilities have been determined by reference to the Public Works Loans Board (PWLB) redemption rules and prevailing PWLB redemption rates as at each balance sheet date, and include accrued interest. The fair values for non-PWLB debt has also been calculated using the same procedures and interest rates and this provides a sound approximation for fair value for these instruments.



All the investments below are approved investments under the Local Government Act 2003 and comply with the Welsh Assembly Government Investment Guidance issued on 1 April 2004. The investments are with the following institutions: -

<b>Financial Assets - Investments</b>	<b>31 March 2010 £'000</b>	<b>31 March 2009 £'000</b>
<b><u>Long-term</u></b>		
3½% War Stock	1	1
Chelsea Building Society	0	1,051
Sub Total	1	1,052
<b><u>Short-term</u></b>		
Rated Financial Institutions	14,456	26,812
Building Societies with assets in excess of £500m	3,000	8,091
<b>Total</b>	<b>17,457</b>	<b>35,955</b>

The maturity analysis of financial assets is as follows:

	<b>31 March 2010 £'000</b>	<b>31 March 2009 £'000</b>
Less than one year	17,456	34,903
Between one and two years	0	1,051
Between two and three years	0	0
More than three years	1	1
<b>Total</b>	<b>17,457</b>	<b>35,955</b>

All trade and other debtors (technically classed as financial instruments) are due to be paid in less than one year and are not shown in the table above.

## 32.5 Market Risk

32.5.1 **Interest rate risk** - The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Income and Expenditure Account will rise;
- borrowings at fixed rates – the fair value of the borrowing will fall;
- investments at variable rates – the interest income credited to the Income and Expenditure Account will rise; and
- investments at fixed rates – the fair value of the assets will fall.

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

32.5.2 **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 stock market prices.

32.5.3 **Foreign exchange risk** - The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

## Notes to the Cash Flow Statement

### 33. Reconciliation to Income & Expenditure Account

	<b>2009/10</b>	<b>2008/09</b>
	<b>£'000</b>	<b>Restated £'000</b>
Revenue Activities Net Cash Inflow	(10,871)	(36,575)
<b><u>NON-CASH MOVEMENT ON REVENUE ACCOUNT</u></b>		
Decrease/(Increase) in Stock	(60)	215
Decrease/ (Increase) in Debtors/Payments In Advance	(4,402)	(2,436)
Increase/(Decrease) in Creditors/Receipts In Advance	181	(453)
Depreciation/Impairment	42,024	160,348
Government Grants Deferred/No Added Value spend grants	(3,425)	(6,939)
Revenue expenditure funded from capital under statute	1,538	2,694
FRS17 Pension Adjustment	216	(964)
Contribution to/(from) provision	2,971	(1,393)
Contribution to/(from) bad debt provision	(422)	446
(Gain)/loss on disposal of fixed assets	495	(762)
Deferred Liabilities	(1,071)	(947)
Reserves to finance capital net of accruals	517	27,585
Capital grants debtor movements	(1,345)	1,166
Unapplied capital grants and contributions movement	1,874	(1,321)
Premiums/discounts to revenue	(316)	15
IFRS finance costs	(53)	105
Capital expenditure funded from revenue contribution	(677)	(1,779)
HRA deficit/surplus	(18)	0
Contribution to reserves	(5,397)	(8,877)
Contribution from reserves	5,349	8,860
Debt repaid stock transfer	0	(25,799)
<b><u>ITEMS CLASSIFIED SEPARATELY ON CASHFLOW STATEMENT</u></b>		
Interest Paid	5,738	6,984
Interest Received	(1,061)	(3,306)
Net Increase/(Decrease) in Other Liquid Resources (NNDR)	1,107	1,289
<b>DEFICIT ON REVENUE ACCOUNT</b>	<b>32,892</b>	<b>118,156</b>

34. **Reconciliation of Movements in Cash and Cash Equivalents**

	<b>Balance at 31 March 2010 £'000</b>	<b>Balance at 31 March 2009 £'000</b>	<b>Movement During Year £'000</b>
Bank Overdraft	(3,910)	(3,408)	(502)
Cash In Hand	641	479	162
<b>Increase in Cash and Cash Equivalents</b>	<b>(3,269)</b>	<b>(2,929)</b>	<b>(340)</b>

**Reconciliation of Movement in Cash to the Movement in Net Debt**

	<b>Balance at 31 March 2009 £'000</b>	<b>Net Cash Flow £'000</b>	<b>Balance at 31 March 2010 £'000</b>
Cash balances	(2,929)	(340)	(3,269)
Short Term Investments	34,903	(17,447)	17,456
Debt Due within one Year	(18,005)	11,005	(7,000)
Debt Due after one Year	(95,868)	0	(95,868)
	<b>(81,899)</b>	<b>(6,782)</b>	<b>(88,681)</b>

35. **Government Grants**

The Authority received revenue support grant (RSG) of £112.5m from the Welsh Assembly for 2009/10 (2008/09 - £111.3m).

Other major specific/special grants received are shown below:-

	<b>2009/10 £'000</b>	<b>2008/09 £'000</b>
<b><u>Revenue</u></b>		
<b>Welsh Assembly Government:</b>		
Better Schools Fund	857	832
Concessionary Fares	2,521	2,564
Cymorth – the Children and Youth Support Fund	1,606	1,591
Deprivation Grant	174	174
Fairer Charging (Social Services)	690	623
Flying Start Revenue Grant	882	846
Implementation of the Strategy for Older People	79	113
LABGI	0	74
Local Transport Services	396	412
Mental Handicap Strategy Grant	1,804	1,795
Mental Health Carers Grant Scheme	191	192
Performance Management Development Fund	227	216
Performance Incentive Grant /Improvement Agreement Grant	1,184	1,189
PFI	5,528	5,685
Post-16 Provision in Schools	4,502	4,338
Schools Special Grant	345	342
Social Care Workforce Development Programme	349	348
Supporting People	7,148	6,659
Sustainable Waste Management Grant	2,339	1,197
Youth Justices Board	535	494
DWP – Housing Benefits Grant	36,317	33,561
Joint Working Grant	407	407
Promoting Independence and Well-being	210	215
<b>Sub-Total</b>	<b>68,291</b>	<b>63,867</b>
<b><u>Capital</u></b>		
<b>Welsh Assembly Government:</b>		
General Capital grant	2,242	2,234
School Buildings Improvement Grant	4,489	6,026
Major Repairs Allowance	0	1,289
Specific Capital Grant	400	500
Conwy Package (Transport Schemes)	1,568	1,880
Local Road Maintenance Grant	649	659
Flying Start	233	234
Telecare Equipment	0	285
Flood Alleviation schemes	495	662
Composting scheme	651	492
Sustainable Waste Management Grant	23	508
Streetscape Enhancements	538	568
Strategic Regeneration Area	904	0
Substance Misuse Action Fund	1,232	0
Community Equipment Stores Initiative	519	0
Other WAG Grants	74	113
Countryside Council For Wales	149	0
<b>Other</b>		
Heritage Lottery Fund	99	90
Cymal	0	100
ERDF/Fisheries Grant	214	1,436
Various	286	15
Welsh Rugby Union	150	0
<b>Sub-Total</b>	<b>14,915</b>	<b>17,091</b>

36. **Contingent Liability**

**Municipal Mutual Insurance (MMI)**

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

The gross liability of the Authority is estimated at approximately £67,331 and the net figure, after a recovery from the Financial Services Compensation Scheme, is estimated to be approximately £47,908.

37. **Post Balance Sheet Event**

The Chancellor of the Exchequer announced in his Emergency Budget on 22 June 2010 that the consumer prices index rather than the retail prices index will be the basis for future public sector pension increases. In accordance with paragraph 21 of Financial Reporting Standard 21 (Events after the balance sheet date), this change is deemed to be a non-adjusting post balance sheet event. It is estimated that this change will reduce the value of an average employer's FRS17 liabilities in the Gwynedd Pension Fund by around 6-8%. This estimate is based on an employer with a "typical" membership profile.

The effect on the net liability would be a reduction of between £11.718m and £15.624m and on the gross liability a reduction of between £27,698m and £36.931m. The effect on the Pensions Reserve is equivalent to the net liability.

**HOUSING REVENUE ACCOUNT**  
**INCOME AND EXPENDITURE ACCOUNT**

	2009/10	2008/09
	£'000	£'000
<b>Income</b>		
Dwelling Rents	0	(5,233)
Non-dwelling Rents	0	(110)
Charges for Services and Facilities	0	(35)
<b>Expenditure</b>		
Repairs and Maintenance	0	1,344
Supervision and Management	0	1,345
Rents, Rates, Taxes and other charges	0	243
Housing Revenue Account Subsidy Payable	0	1,321
Depreciation and impairment of fixed assets	0	7,239
Government Grants Released	0	(1,209)
Revenue Expenditure funded from Capital under Statute	0	1,444
Debt Management Expenses	0	16
Increase in Bad Debt Provision	0	0
Exceptional Item	0	112,754
<b>Net Cost of HRA Services as included in the Whole Authority Income and Expenditure Account</b>	<b>0</b>	<b>119,119</b>
<b>Net Cost of HRA Services per Authority Income and Expenditure Account</b>	<b>0</b>	<b>119,119</b>
Gain on Sale of HRA fixed assets	0	(696)
Interest payable and similar charges	0	690
Amortisation of premiums and discounts	0	163
HRA Investment Income including mortgage interest and interest on notional cash balances	0	(51)
<b>Deficit for the year on HRA Services</b>	<b>0</b>	<b>119,225</b>

**Statement of Movement on the Housing Revenue Account  
Balance**

	2009/10 £'000	2008/09 £'000
Deficit for the year on the HRA Income and Expenditure Account	0	119,225
Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	0	(117,273)
<b>(Increase) or Decrease in the Housing Revenue Account Balance</b>	<b>0</b>	<b>1,952</b>
Housing Revenue Account surplus brought forward	(189)	(2,141)
Housing Revenue Account surplus carried forward	(189)	(189)

**Note to the Statement of Movement on the HRA Balance**

	2009/10 £'000	2008/09 £'000
<b>Items included in the HRA Income and Expenditure Account but excluded from the movement on the Housing Revenue Account Balance for the year</b>		
Debt Repaid by WAG following Stock Transfer	0	25,799
Difference between amounts charged to income and expenditure for amortisation of premiums and discounts and the charge for the year determined with statute	0	(23)
Difference between any other item of income and expenditure determined in accordance with the SORP and determined in accordance with statutory HRA requirements (stepped loans)	0	0
Depreciation and impairment of fixed assets	0	(145,792)
Gain on sale of HRA fixed assets	0	696
Government Grants Deferred amortisation matching depreciation and impairments	0	1,209
Amounts treated as revenue expenditure in accordance with the SORP but which are classified as capital expenditure by statute (i.e Revenue Expenditure funded from Capital under Statute)	0	(1,444)
Net charges made for retirement benefits in accordance with FRS 17	0	(142)
	<b>0</b>	<b>(119,697)</b>
<b>Items not included in the HRA Income and Expenditure Account but included in the movement on the Housing Revenue Account Balance for the year</b>		
Revenue Provision	0	103
Capital Expenditure funded by the HRA	0	150
Employer's contribution payable to the Gwynedd and Flintshire Pension Funds and retirement benefits payable direct to pensioners	0	2,003
Contribution to Reserves	0	168
<b>Net additional amount required by statute to be debited or (credited) to the Housing Revenue Account Balance for the Year</b>	<b>0</b>	<b>(117,273)</b>



# **WELSH CHURCH ACT FUND**

## **STATEMENT OF ACCOUNTS 2009/10**

### **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 is the corporate trustee of the Welsh Church Act Funds in the area of Conwy County Borough. It holds some funds and a parcel of land disaggregated from the Clwyd fund at reorganisation in 1996. It also has a share of the Gwynedd fund, which is expected to be disaggregated in the future.

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

### **Accounting Policies**

The Accounting policies followed are those outlined on pages 41 to 48, which are applicable to the items in the Welsh Church Act Accounts. The accounts also follow the Charity Commission Statement of Recommended Practice.

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

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

## INCOME AND EXPENDITURE ACCOUNT

	Notes	2009/10 £		2008/09 £	
<b>RESOURCES ARISING</b>					
Rent of Land	1	786		772	
Investment Interest	2	7,054		13,861	
Less Fund Managers Fees	2	(130)		(170)	
			7,710		14,463
<b>USE OF RESOURCES</b>					
Fees and Expenses	3	(221)		(234)	
Allocations	4	(9,595)	(9,816)	(12,205)	(12,439)
Change in Resources Before Investment Gains			(2,106)		2,024
Realised Gains (Losses) on Investment Disposals			8		530
Unrealised Gains (Losses) on Investment Values			(2,153)		(3,482)
<b>Resources Retained (Shortfall) for Future Use</b>			<b>(4,251)</b>		<b>(928)</b>
Resources Brought Forward			289,894		290,822
Resources Carried Forward			285,643		289,894
<b>Movement In Year</b>			<b>(4,251)</b>		<b>(928)</b>

## BALANCE SHEET AT 31 MARCH 2010

	Notes	31 March 2010 £		31 March 2009 £	
<b>FIXED ASSETS</b>					
Land	1	15,333		15,333	
Investments	2	77,426		78,915	
			92,759		94,248
<b>CURRENT ASSETS</b>					
Debtors (distribution due from Gwynedd Council)	3	6,513		10,905	
Cash	2	68,536		66,250	
Current Assets (held by Gwynedd Council)	2	126,539		129,754	
			201,588		206,909
<b>CURRENT LIABILITIES</b>					
Creditors	3		(8,704)		(11,263)
Net Assets			285,643		289,894
<b>FUND BALANCE</b>			<b>285,643</b>		<b>289,894</b>

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

## **Income and Expenditure Account**

### **Note 1**

Rent from land administered by Conwy amounted to £786 (£772 in 2008/09). Conwy is entitled to 17.810244% of the rent from the land administered by Gwynedd Council, for 2009/10 this amounted to £250 (£250 for 2008/09).

### **Note 2**

The main source of income is investment income from assets administered by Gwynedd on behalf of the fund; this amounted to £6,513 (£10,905 in 2008/09). 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 £411 (£2,787 in 2008/09), the interest rate used in the calculation is the average of the 7 day libor rate for the months April to March.

Investment income has decreased this year due to the fall in interest rates, and a continuation of this trend will result in a marked decrease in the funds available for distribution in future years.

### **Note 3**

Advertisements are placed in the local press to raise awareness of the fund. The cost of advertising, £221 (£234 in 2008/09), has been charged to the Fund in accordance with the rules of the scheme

### **Note 4**

Under the provisions of the Welsh Church Act, Conwy allocates grants to various organisations. The amount available for distribution in 2009/10 was £22,328 (£32,557 in 2008/09) and the actual amount distributed was £9,595 (£12,205 in 2008/09). The balance of the funds available for distribution in 2008/09 has been carried forward for distribution in 2010/11.

## **Balance Sheet**

### **Note 1**

The land held on behalf of the fund by Conwy is valued at £10,676 (£10,676 in 2008/09) and Conwy's share of the land held by the main fund is £4,657 (£4,657 in 2008/09).

### **Note 2**

The investments held by the main fund are mainly in UK Equities, £434,725 (£443,087 in 2008/09), of which Conwy is allocated 17.810244%. The balance of the main fund is held as cash deposits on which interest accrues. In 2009/10 this amounted to £700,358 (£661,809 in 2008/09) which is included in the current assets figure along with Debtors which amounted to £10,122 (£66,721 in 2008/09). Conwy is allocated 17.810244% of the total. The cash amount held by Conwy in 2009/10 amounted to £68,536 (£66,250 in 2008/09).

### **Note 3**

The amount to be distributed by Gwynedd for 2009/10 is shown as a debtor on the balance sheet. The creditor amount shown on the balance sheet is Conwy's share of the creditors to the main fund.

# **YMDDIRIEDOLAETH ADDYSG LLANRWST**

## **Statement of Accounts 2009/10**

### **Explanatory Foreword**

In 2009/10 the Council was the Custodian Trustee for this fund.

### **Accounting Policies**

The accounting policies followed are those outlined on pages 41 to 48, which are applicable to the items in the Accounts. The Accounts also follow the Charity Commission Statement of Recommended Practice.

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

**INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR  
ENDED 31 MARCH 2010**

	Notes	2009/10 £		2008/09 £	
<b>RESOURCES ARISING</b>					
Donations		1,250		2,000	
Investment Interest		4,944		35,133	
Less Expenditure		(13,507)		(31,126)	
			(7,313)		6,007
Resources Brought Forward			916,589		910,582
Resources Carried Forward			909,276		916,589
<b>Movement in Year</b>			<b>(7,313)</b>		<b>6,007</b>

**BALANCE SHEET AT 31 MARCH 2010**

	Notes	31 March 2010 £	31 March 2009 £
Current Assets			
Investments	1	909,276	916,589
Current Liabilities		0	0
<b>Fund Balance</b>		<b>909,276</b>	<b>916,589</b>

**Note 1**

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.