

*Statement of  
Accounts  
for the  
Financial Year  
2010/2011*

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# TABLE OF CONTENTS

	PAGE
<b>INTRODUCTION</b>	<b>5</b>
<b>EXPLANATORY FOREWORD</b>	<b>6 - 13</b>
<b>ANNUAL GOVERNANCE STATEMENT</b>	<b>14 - 39</b>
<b>STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS</b>	
• The Authority’s Responsibilities	<b>40</b>
• The Section 151 Officer’s Responsibilities	<b>41</b>
<b>AUDIT REPORT</b>	<b>42 - 43</b>
<b>STATEMENT OF ACCOUNTING PRINCIPLES AND POLICIES</b>	<b>44 - 63</b>
<b>CORE STATEMENTS:</b>	
• Movement in Reserves Statement	<b>64 - 65</b>
• Comprehensive Income & Expenditure Statement	<b>66</b>
• Balance Sheet	<b>67</b>
• Cash Flow Statement	<b>68</b>
<b>NOTES TO THE ACCOUNTS:</b>	
<b>NOTE 1</b> – Accounting Standards Issued, Not Adopted.	<b>69</b>
<b>NOTE 2</b> – Critical Judgements in Applying Accounting Policies	<b>69</b>
<b>NOTE 3</b> – Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty	<b>70</b>
<b>NOTE 4</b> – Material Items of Income & Expense	<b>71</b>
<b>NOTE 5</b> – Events After the Balance Sheet Date	<b>71</b>
<b>NOTE 6</b> – Adjustments Between Accounting Basis and Funding Basis Under Regulations	<b>72 - 75</b>
<b>NOTE 7</b> – Transfers To/From Earmarked Reserves	<b>76 – 77</b>
<b>NOTE 8</b> – Other Operating Expenditure	<b>78</b>
<b>NOTE 9</b> – Financing and Investment Income & Expenditure	<b>78</b>
<b>NOTE 10</b> – Taxation and Non Specific Grant Income	<b>78</b>
<b>NOTE 11</b> – Property, Plant & Equipment	<b>79 - 81</b>
<b>NOTE 12</b> – Investment Properties	<b>82</b>
<b>NOTE 13</b> – Intangible Assets	<b>83 - 84</b>
<b>NOTE 14</b> – Financial Instruments	<b>85 - 87</b>
<b>NOTE 15</b> – Inventories	<b>88</b>
<b>NOTE 16</b> – Construction Contracts	<b>88</b>
<b>NOTE 17</b> – Debtors	<b>89</b>
<b>NOTE 18</b> – Cash and Cash Equivalents	<b>89</b>
<b>NOTE 19</b> – Assets Held for Sale	<b>90</b>
<b>NOTE 20</b> – Creditors	<b>91</b>
<b>NOTE 21</b> – Provisions	<b>91 - 92</b>
<b>NOTE 22</b> – Usable Reserves	<b>93</b>
<b>NOTE 23</b> – Unusable Reserves	<b>93 - 99</b>
<b>NOTE 24</b> – Cash Flow Statement – Operating Activities	<b>100</b>
<b>NOTE 25</b> – Cash Flow Statement – Investing Activities	<b>100</b>
<b>NOTE 26</b> – Cash Flow Statement – Financing Activities	<b>101</b>

<b>NOTE 27 – Amounts Reported for Resource Allocation Decisions</b>	<b>101 - 105</b>
<b>NOTE 28 – Acquired and Discontinued Operations</b>	<b>105</b>
<b>NOTE 29 – Trading Operations</b>	<b>106</b>
<b>NOTE 30 – Agency Services</b>	<b>107</b>
<b>NOTE 31 – Pooled Budgets</b>	<b>107</b>
<b>NOTE 32 – Members’ Allowances</b>	<b>108</b>
<b>NOTE 33 – Officers’ Remuneration</b>	<b>108 - 109</b>
<b>NOTE 34 – External Audit Costs</b>	<b>109</b>
<b>NOTE 35 – Grant Income</b>	<b>110 - 111</b>
<b>NOTE 36 – Related Parties</b>	<b>112 - 113</b>
<b>NOTE 37 – Capital Expenditure and Capital Financing</b>	<b>113</b>
<b>NOTE 38 – Revenue Expenditure Funded from Capital Under Statute</b>	<b>114</b>
<b>NOTE 39 – Leases</b>	<b>115 - 118</b>
<b>NOTE 40 – PFI and Similar Contracts</b>	<b>118 - 119</b>
<b>NOTE 41 – Impairment Losses</b>	<b>119</b>
<b>NOTE 42 – Termination Benefits</b>	<b>120</b>
<b>NOTE 43 – Pension Schemes Accounted for as Defined Contribution Schemes</b>	<b>120</b>
<b>NOTE 44 – Defined Benefit Pension Schemes</b>	<b>120 - 125</b>
<b>NOTE 45 – Contingent Liabilities</b>	<b>125</b>
<b>NOTE 46 – Contingent Assets</b>	<b>125</b>
<b>NOTE 47 – Nature and Extent of Risks Arising from Financial Instruments</b>	<b>125 - 130</b>
<b>NOTE 48 – Trust Funds</b>	<b>131</b>
<b>NOTE 49 – Forward Commitments</b>	<b>131</b>
<b>NOTE 50 – Council Tax</b>	<b>132</b>
<b>NOTE 51 – NNDR</b>	<b>133</b>
<b>NOTE 52 – Prior Year Adjustments-Transition to IFRS</b>	<b>134 - 138</b>
<b>WELSH CHURCH ACT FUND</b>	<b>139 - 142</b>
<b>YMDDIRIEDOLAETH ADDYSG LLANRWST</b>	<b>143 - 144</b>
<b>GLOSSARY OF TERMS</b>	<b>145 - 152</b>

## **INTRODUCTION**

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

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

### **Political Governance**

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

- 19 Conservative
- 14 Independents
- 14 Plaid Cymru
- 7 Labour and
- 5 Liberal Democrats

### **Council**

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

### **Cabinet**

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

## EXPLANATORY FOREWORD

1. The Council's Statement of Accounts is intended to provide clear information about the financial impact of the Council's activities during the period covered, in a format which is easily understood.
2. The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting 2010 (The Code 2010), which specifies the principles and practices of accounting required to give a 'true and fair view of the financial position' and transactions of a local authority. The Code 2010 constitutes a 'proper accounting practice' under the terms of section 21 (2) of the Local Government Act 2003. The Code 2010 is the first to be based on International Financial Reporting Standards (IFRS).
3. Service costing within the Statement of Accounts is in accordance with the Best Value Accounting Code of Practice 2010/11 (BVACOP) which defines Total Cost, and outlines the service expenditure analysis to be adopted, together with a recommended standard subjective analysis.

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

##### (i) Background

In 2007 HM Treasury's budget report announced that public sector bodies would adopt IFRS. This was 'to bring benefits in consistency and comparability between financial reports in the global economy and to follow private sector best practice' (*HM Treasury, Economic and Fiscal Strategy Report and Financial Statement and Budget report, March 2007*). NHS, probation and central government bodies have already adopted IFRS in their 2009/10 accounts.

Local Authorities adopted IFRS to a slightly later timetable and are the last major part of the public sector to adopt IFRS fully in preparing the 2010/11 accounts.

##### (ii) Impact of the implementation of IFRS

The implementation of IFRS has involved fundamental changes to the way the accounts are prepared and presented. CIPFA has viewed the transition to IFRS as an opportunity 'to simplify presentation' and make the messages in the financial statements clearer (CIPFA/IFRS: How to tell the story).

The changes to the accounts involve significant amendments and additions to the Accounting Principles and Policies. The main changes between accounts prepared under UK GAAP rules as compared to IFRS are as follows:-

- The order and content of the core Financial Statements.
- Re-classification of assets – tangible Fixed Assets are re-classified as Property, Plant & Equipment. More emphasis on component accounting. New class of Assets Held For Sale under Current Assets.
- Leases – Lease agreements have been reviewed and assets brought on to/removed from the Balance Sheet in the case of finance leases. Other arrangements have been reviewed to assess whether they contain the substance of a lease.

- Employee Benefits – Holiday pay and other short term benefits are accounted for on an accrued basis, therefore a creditor has been established in this respect offset by a negative reserve.
- Capital Government Grants and Contributions – These are credited to the Revenue Account on receipt (unless there are conditions) and transferred to the Capital Adjustment Account.

The changes to the accounts under UK GAAP required by the transition to IFRS compliant accounts are shown in detail in note 52 to the Statement of Accounts 2010/11.

In accordance with IFRS1 First-Time Adoption of International Financial Reporting Standards, the Statement of Accounts 2010/11 includes three Balance Sheets and notes as follows:-

- 31 March 2011
- 31 March 2010 (comparatives)
- 1 April 2009 (transition to IFRS)

**5.** These accounts consist of the following financial statements in accordance with the Code:-

**a) 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.

**b) 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.

**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 Movement in Reserves Statement**

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

The usable reserves amounted to £39.482m at the year end 31 March 2011 (2009/10 £38.7m), including the Council Fund balance of £3.005m.

## 2. The Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement. The statement shows that there was a surplus in the year of £45.245m (2009/10 deficit of £26.252m), due to the change in treatment of past service pension costs from an RPI to a CPI basis.

## 3. Balance Sheet

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

The net worth of the Authority as at 31 March 2011 amounted to £160.86m, an increase of £131.75m over the adjusted position at 31 March 2010, due to the decrease in Pensions Liability.

## 4. Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (ie borrowing) to the authority.



## 6. 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.

### 6.1 Review of the Year – Revenue Expenditure

The Council's net revenue budget for 2010/11 was originally set at £186.9m (£181.7m in 2009/10) 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 Government. A challenging savings and efficiencies package was implemented in order to set the budget within the available resources.

The budget was closely monitored and controlled during the year and reported to Cabinet, in accordance with approved Council procedures. During the course of the financial year, budgetary overspending pressures were identified within Social Services (Mental Health) and Environmental Services (flood response), however both overspends were managed within their cash limited budgets together with a grant for Social Services confirmed at the end of March 2011.

Additional expenditure on gritting the roads caused by the severe winter did materialise and funding was managed from additional WAG grant and revenue budgets.

Actual net expenditure totalled £186.78m, 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 2010/11 and how these compare with the actual outturn are shown in the following table, together with notes explaining the main variances:-

Col 1	Col 2	Col 3	Col 4	Col 5	Col 6	
SERVICE	ORIGINAL ESTIMATE	APPROVED POSITION AT DECEMBER	BUDGET ADJUSTED FOR JE	FINAL OUTTURN	VARIANCE (Col 5 - Col 4)	NOTES
	2010/11 £'000	2010/11 £'000	2010/11 £'000	2010/11 £'000	2010/11 £'000	
<b>Resource Base</b>						
Revenue Support Grant	(114,366)	(114,366)	(114,366)	(114,366)	-	
NNDR Grant	(31,984)	(31,984)	(31,984)	(31,984)	-	
Council Tax	(40,374)	(40,374)	(40,374)	(40,374)	-	
<b>Sub-Total</b>	<b>(186,724)</b>	<b>(186,724)</b>	<b>(186,724)</b>	<b>(186,724)</b>	<b>-</b>	
<b>Net Expenditure</b>						
Contribution from Reserves	(190)	(190)	(190)	(56)	134	<b>1</b>
Contribution from Risk Reserve	-	(224)	(224)	-	224	<b>2</b>
Education Service	75,163	75,163	75,702	75,630	(72)	<b>3</b>
Social Services	46,023	46,291	47,087	47,077	(10)	<b>4</b>
Infrastructure - Highways/Private Sector Housing	7,202	7,190	7,427	7,427	-	
Environmental Services	12,752	12,794	12,853	12,853	-	
Community Development Services	7,341	7,268	7,500	7,485	(15)	
Regulatory Services	4,283	4,283	4,464	4,464	-	
Theatres & Conference Centre	1,134	1,134	1,255	1,245	(10)	
Support Services	12,890	12,907	13,392	13,351	(41)	<b>5</b>
Levies	5,923	5,873	5,873	5,882	9	<b>6</b>
Treasury Management Activities & Other Corporate costs & services	14,203	14,011	11,361	11,366	5	<b>7</b>
<b>Total</b>	<b>186,724</b>	<b>186,500</b>	<b>186,500</b>	<b>186,724</b>	<b>224</b>	

### Notes

#### N.B The revised budget is adjusted in Column 4 for the costs of Job Evaluation (JE)

1. Underspending on Services reduced the required contribution from reserve
2. Projected overspends on Social Services (£200k) & Environmental Services (£42k) were managed within service budgets
3. Reduced vocational courses and less demand for insurance claims resulted in net underspend on Education budget
4. Avoidance of some expensive Mental Health residential/nursing placements (expected to begin in the latter part of 2010/2011) together with additional grant from WAG for Children's Services produced a lower outturn than had been projected earlier in the year within Social Services
5. Underspend on IT budget through employee vacancies
6. Coroners fees greater than predicted
7. Favourable position on Interest earned and paid offsetting additional expenditure on Bad Debt Provision and Occupational Health.

Job Evaluation was the process whereby a new Pay and Grading structure was implemented under the Single Status Agreement. With effect from 1 December 2010 the new Pay and Grading Structure was implemented for all staff who had agreed to accept the new terms and conditions, and the cost of this was £5.167m.

Opinions on Equal Pay claims throughout Great Britain have been the subject of a great deal of challenge, case work and review. This is a fast changing situation which is being kept under constant review. In the light of more up to date information the provision for Equal Pay within the accounts has been reduced from £5.8m to £2m. This is not cash backed, it is offset by a negative unusable reserve – the Unequal Pay Back Pay Account.

The general Council Fund balance is a measure of the uncommitted reserves which the council holds to meet cash flow requirements and unforeseen future events. The Council Fund balance was at a level of £3.005m at the year end, which is deemed to be a minimum prudent amount. Other usable reserves are shown in Note 7 to the accounts.

Following the transfer of the Housing Stock in 2008/09 to Cartrefi Conwy, the HRA was formally closed and the remaining HRA balance in the sum of £189k was transferred to the Council Fund.

## 6.2 Capital Expenditure

In addition to spending money providing services on a day to day basis, the Council also spends money providing new or refurbished facilities such as schools, coastal and highways infrastructure. The total capital spending during 2010/11 was £23.152m. The following is a summary of the service areas which incurred capital investment in 2010/11 and how it was financed:-

Capital Expenditure	2010/11 Actual £'000
<b>Capital Expenditure by Service:</b>	
Education	1,403
Environmental & Technical Services	7,387
Infrastructure & Transport	4,708
Private Sector Housing	2,010
Community Development - Regeneration	822
Community Development - Leisure Services	990
Community Development - Libraries	482
Community Development - Youth	153
Social Care	1,399
Planning & Countryside	133
Information Technology	357
Engineering & Design	453
Theatres	584
Housing Retained Contracts	684
Regulatory Services	1,217
Other	370
<b>Total Capital Expenditure</b>	<b>23,152</b>

<b>Capital Financing</b>	<b>2010/11 Actual £'000</b>
<b>Financed By:</b>	
Supported Borrowing	5,001
Prudential Borrowing & Invest to Save Loan	1,239
Capital Receipts	1,408
Capital Grants	13,472
Capital Reserves	1,282
Revenue	750
<b>Total Capital Financing</b>	<b>23,152</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 the Council's revenue budget.

Major projects undertaken during 2010/11 were as follows:-

- Parc Eirias Events Centre
- Llandudno Library Refurbishment
- Colwyn Bay Waterfront and Coastal defence
- Theatr Colwyn refurbishment
- Extra Care Housing Schemes
- Colwyn Bay Property Enhancement Grants
- Flood Alleviation Works
- Recycling Initiatives
- School Building Improvements & Kitchen refurbishments
- Resurfacing of County Road Network
- Replacement of deteriorating Streetlighting

The Council's debt outstanding at 31 March 2011 was £107.868m (£102.868m at 31 March 2010) being an increase of £5m in short term borrowing.

The Limits to Borrowing Activity in 2010/11, set in accordance with the Prudential Framework for local authority capital investment introduced through the Local Government Act 2003 (the Prudential Code) were as follows:-

	<b>£'000</b>
<b>Authorised Limit for External Debt:</b>	
Borrowing	171,922
Other Long term Liabilities	45,000
	216,922
<b>Operational Boundary for External Debt:</b>	
Borrowing	161,922
Other Long Term Liabilities	45,000
	206,922

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

The Accounts as presented comply with the requirements of the above standard in that they reflect in the revenue accounts the current year cost of pension provision to employees as advised by the Council's actuary. The Statements also contain, within the Balance Sheet, the actuary's assessment of the Authority's share of the Pension Fund liability as at 31 March 2011 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 2010/11 there was a disproportionate reduction in the value of the liabilities of the fund due to positive asset returns and falling long term inflation expectations coupled with the pension increase change from RPI to CPI.

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.

**CONWY COUNTY BOROUGH COUNCIL**  
**ANNUAL GOVERNANCE STATEMENT**  
**2010/2011**

**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 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 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** The governance framework supported by a Local Code of Corporate Governance has been in place at the Council for the year ending 31<sup>st</sup> March 2011 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;
- receiving a quarterly summary of Special Investigations concluded by Internal Audit;
- receiving a report detailing the Housing Benefit and Council Tax Benefit investigations successfully investigated by the Benefits Investigation Team;
- reviewing the adequacy of governance arrangements;
- receiving the Corporate Assessment Report and Annual Improvement Report 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 met twice a month throughout 2010/11. The membership of the Group included the Acting Chief Executive, the two Acting Corporate Directors, together with the Statutory Head of Education, the Statutory Head of Social Services and the Head of Human Resources.

**4.10** The Chief Executive remained suspended from his post for the duration of the 2010/2011 financial year. The acting Executive Officer appointments which elected members implemented in March 2010 remained in place during the period:

- 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. A Corporate Plan Project Plan was approved in March 2011 to re evaluate the Strategic Direction for the Authority for the period 2012 – 2016. A draft plan will be completed by April 2012 for the new democratic administration to consider. The new corporate plan will adopt an outcome focused approach.

### ***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 Service 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, Outcome Agreements, 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 the OGC Managing Successful Programmes (MSP) and PRINCE 2 methodologies. 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.

### ***Performance Management***

- 5.1.6** The key elements of corporate governance are detailed in the Corporate Performance Management Framework. The framework was updated in December 2010 to reflect changes in working practice and the new WPI Welsh Assembly Guidance. The Annual Report for 2010/2011 will be approved by Council by 31/10/11 in accordance with statutory requirements.
- 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 2009/2010 which forms part of the Authority's 2010/2011 Improvement Plan contains a detailed commentary on performance during the year which is linked to stated key objectives.
- 5.1.8** The Wales Audit Office has replaced the Annual Letter with an Annual Improvement Report (AIR). The AIR states that the Authority's annual review of the Corporate Plan Objectives for 2010/11 meets statutory requirements and that the Annual Report provides a balanced view of its performance in 2009/2010.
- 5.1.9** The Authority is piloting the Ffynnon performance management software and is now able to submit performance measures and the Outcome Agreement via Ffynnon. The Corporate Risk Register was entered into Ffynnon during 2010/2011 and future plans include adding the ACRF and Service Performance Reviews to Ffynnon when further system upgrades have been installed. Dates for the upgrade have been delayed several times by the provider.

## 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 approved a Local Code of Corporate Governance during 2010/11, 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 forms part of the Constitution and applies 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;
  - 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 is 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 12 occasions during 2010/2011 to fulfil 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 has 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 five 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 Acting Corporate Director 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 was successfully re-assessed for the Law Society's Lexcel accreditation in November 2010 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 Acting Corporate Director and 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 Corporate Assessment Report issued in January 2011 confirmed that: The Authority has an Improvement and Audit Group 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 developed a Members’ Development Strategy and a rolling programme of elected member training which includes a thorough induction programme. 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 2010/2011 all Members in receipt of the Special Responsibility Allowance took part in 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 in collaboration with Denbighshire County Council. The new process is being piloted in April 2011 and full roll out will occur in the autumn, 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. The Corporate Risk Register was input to Ffynnon during 2010/11 and is now managed and updated using the Ffynnon system. Improvements made to the risk process during 2010/11 to manage the register via Ffynnon were informally commended by WAO and KPMG. The risk policy will be reviewed and updated in 2011.
- 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 Acting 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.

**5.4.5** The Head of Audit and Procurement Services concluded in the Annual Assurance Statement presented to Audit Committee on the 23<sup>rd</sup> May 2011 that further developments have occurred during 2010/2011 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. The improvements identified in this area are:

- The Corporate Risk Register resides on Ffynnon, the Authority's performance management system, with further developments scheduled to the system;
- The Performance Management Framework was updated during 2010/11 and widely distributed to all staff.

**5.4.6** The Assurance Statement recognises that progress continues to be made to fully integrate risk management into the day to day business of the organisation and concludes that the Council has satisfactory internal control, risk management and corporate governance processes to manage the achievement of the organisation's objectives. In addition, the statement concludes that improvements in respect of risk management and partnership working were evident during 2010/2011.

#### ***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 2010/2011 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. Project Risk registers are reviewed at appropriate project boards and significant projects report on their risks in their highlight reports to one of the two Improvement Boards.

#### ***Business Continuity and Disaster Recovery***

**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. The Council conducted a Business Continuity Management (BCM) exercise in November 2010 which included representatives from various services across the Authority. Many lessons were identified during the exercise and included in a post exercise report with recommendations for improving the Authority's Business Continuity Management and resilience. A "CCBC Resilience Working Group" has been established to oversee the implementation of the recommendations.

**5.4.10** Following a successful revenue bid in respect of IT Disaster Recovery arrangements a comprehensive evaluation exercise was conducted. Further progress has been made during 2010/2011 and Conwy now has formal



arrangements in place with a third party disaster recovery specialist. In the event of a disaster the provider will deliver replacement equipment to an agreed location and restore Council systems in an agreed order of priority. Improvements to business continuity include a new, high speed, enterprise back up solution and implementation of a “fail over” server for the Council’s key revenue systems at an alternative location.

### ***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. Work is currently being developed to consider a restructure of the services on a sub 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. A Health and Safety Executive Intervention Strategy Project was established during 2010/2011 to implement a corporate H&S management system across the Authority. The pilot will finish in October 2011.

### ***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. The Strategy was updated during 2010/2011 to reflect the requirements of the new Bribery Act 2010 and will be presented to Audit Committee on the 25<sup>th</sup> July 2011.

## **5.5 SECURING CONTINUOUS IMPROVEMENT.**

- 5.5.1 The Annual Improvement Report issued in January 2011 by WAO concluded that many aspects of the Council’s corporate arrangements now support improvement. The Authority has continued to improve its arrangements during 2010/2011 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 also has in place two Improvement Boards to drive service modernisation, organisational development, partnership working and to challenge the use of resources within the Authority.
- 5.5.3 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 met regularly during 2010/2011 and contributed to the Council’s objectives of ensuring best value and continuous improvement.
- 5.5.4 The Boards 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***

- 5.5.5** In addition, the Service Performance Reviews (SPRs) aim to support continuous improvement at a service level and monitor the achievement of corporate objectives. As a result of the Corporate Assessment and Improvement Project (CAIP), the Authority developed an internal review process aimed at monitoring improvement across nine key themes adopted by Conwy. CAIP was acknowledged for its good practice by the WLGA Excellence Wales Awards in 2009. An evaluation of 9 key themes resulted in the recommendation that the framework needed review and updating in line with the current governance agenda. The proposal to reduce the key themes to 6, based upon the WAO Corporate Assessment hierarchy of corporate governance framework, was approved by Members in March 2010.
- 5.5.6** The 6 key themes assessment is conducted by teams 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 performance reviews for progress and implementation.

### ***Finance***

- 5.5.7** 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
- 5.5.8** The Acting Corporate Director and Head of Financial Services or his representative assesses all reports and developments that contain financial consequences.

### ***Joint Working***

- 5.5.9** 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. In November 2010 the Authority published a Statement on Collaboration confirming the commitment and approach to be taken to collaboration.
- 5.5.10** 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. The Authority and Denbighshire County Council have established a joint Collaboration Board of senior officers and members (supported by a joint Collaboration Officers Group) to support these and other collaborative projects and to provide an element of challenge. The Authority has senior representation on the regional collaboration Boards for Social Services, Education, Environment and Support Services and is involved in a variety of working groups who are developing collaborative proposals.

### ***Partnerships***

- 5.5.11** 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. The Authority's Partnership Co-ordination Manager

provides administrative support to the Conwy LSB, Health and Wellbeing Partnership Board, Joint Community Safety Partnership and the Children and Young People Partnership.

**5.5.12** A review and updated publication of the Community Strategy with a citizen outcome focus has been commissioned by Conwy LSB. During 2010/11 a PID was approved and a project team established. Through community engagement key strategic citizen outcomes and measurable indicators have been developed and an action plan will be completed by autumn 2011.

**5.5.13** 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 ensures 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.

**5.5.14** A Partnership Governance and Improvement Plan was supported and approved by Cabinet on 9<sup>th</sup> March 2010. The plan will improve governance arrangements and provide an appropriate level of assurance to Councillors in respect of partnership working and their impact on the lives of people in Conwy. 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.

During 2010/2011 good progress was made in implementing the above with all significant partnerships having been scoped and significantly assessed. In addition, the Partnership Coordination Manager has implemented health checks in respect of all significant partnerships to ensure appropriate governance arrangements are in place and to drive improvement. 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.

**5.5.15** 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 has been used to develop the Outcome Agreement and draft Community Strategy. RBA will be used by strategic partnerships in the future to ensure improved performance and better outcomes. During 2010/2011 Internal Audit performed follow up work in respect of the three partnerships audited during 2009/2010. The review concluded that although there are outstanding issues to be addressed, significant improvements were in evidence in respect of the governance arrangements in place. A report was submitted to the Partnership Overview and Scrutiny Committee in May 2010 to inform members of the progress made in implementing the Internal Audit recommendations.

### ***Benchmarking Performance***

**5.5.16** The Authority contributes to a number of benchmarking clubs, across a range of services that allow comparison of performance, costs and best practice. Performance Indicators (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 was launched in 2010/2011.

### ***E-Government***

**5.5.17** 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 and is implementing an Electronic Document Records Management 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***

**5.5.18** 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.

**5.5.19** 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***

**5.5.20** 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.

**5.5.21** The Council's staff survey was undertaken in June 2010 with a 40% response rate. A report has been circulated via the democratic process and senior managers. An action plan is being developed to address key areas for improvement.

**5.5.22** In summary, there were many positive results including a significant number of staff being open to change, valuing the importance of good customer service, having a positive relationship with their line manager and colleagues and balancing work and home life. A significant number of staff felt satisfied with Conwy Council as an employer and felt they had the skills to do their job and were able to access the team brief to hear about updates.

**5.5.23** Areas for improvement include addressing the reasons why some staff are not proud to work for Conwy, improving communication in general and in particular communication of the Councils vision, Corporate Plan, knowledge of Cabinet Members and showing the benefits of collaborative working. We also need to look at how we manage change and address the poor performance of individuals, improve performance development reviews and manage stress.

### ***Efficiencies***

- 5.5.24** 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 Improvement Report published by the Wales Audit Office and KPMG in January 2011.
- 5.5.25** 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. As a consequence of the changing financial landscape and other opportunities that have presented themselves more recently, the Authority has acquired the lease of the Welsh Assembly Government Offices at Dinerth Road, which were vacated with the opening of the new WAG building in Llandudno Junction. This has permitted adult social services to move from several sites to one base and for front line services to move to more accessible buildings for the public. It is anticipated that in time these office moves will realise improved working practices and efficiency savings.
- 5.5.26** During 2010/2011 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 2010/2011 and continue to implement and advance Asset Management processes.
- 5.5.27** In common with all public sector organisations, Conwy delivered significant budgetary savings during 2010/2011 (in the sum of £4.2m), following the publication of the Comprehensive Spending Review and the consequential impact on Welsh Local Government, Conwy is actively planning to deliver further savings of £15m during the period 2011/2012 to 2013/2014.

### ***Awards and Achievements***

- 5.5.28** 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 Improvement Report issued in January 2011 confirming Conwy as an improving authority
  - Awarding the new Occupational Health Contract
  - Approval of the Council Asset Management Plan
  - Approval of the Council's Statement on Collaboration and establishing a Joint Collaboration Board with Denbighshire
  - Completing the Venue Cymru Tender process
  - Achieving finalist status in Excellence Wales for Genesis Team, Housing Strategy Team and Street Lighting regional project.
  - Achieving and APSE Award for our Joint Head of Highways appointment
  - Achieving the new Customer Service Excellence Award for the Revenue and Benefits Assessment Service. This was awarded in accordance with the requirements of the U.K. Cabinet office Customer Excellence standard.
  - Achieving several Green Flag and Blue Flag Awards
  - Developing a joint approach with Denbighshire Council on performance development reviews and service plans
  - In partnership with the City and County of Swansea Council and WAG, we have established an all Wales Community of Practice (CoP) to share good practice on project management.
  - Securing £6.4 million for the Parc Eirias Events Centre

- Completion of the Colwyn Bay Masterplan exercise which can now go out for consultation which can now go out for consultation.
- Gaining funding for the Colwyn Bay Coastal Defence works
- Gaining funding for the Rural Development Plan phase 2
- Awel y Mor Residential Home closure agreed
- Opening of the Learning Disability Centre – Rivieres Avenue and submission for ecological awards ( CLAW and Sustainability award)
- Securing £4 million for New Work Connections project to help vulnerable people to access work opportunities

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

**5.6.1** The Authority has designated the Acting Corporate Director and 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 Plans
- Personal Development Reviews
- Risk Management
- Project Management
- Performance Measures
- Regulation and Inspection
- Financial Planning
- Scrutiny arrangements

The Performance Management Framework was updated in light of the publication of the new Wales Programme for Improvement and was approved in December 2010.

### ***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 Chief Executive and has been under the Direction of the Acting Corporate Director and Head of Finance during the interim managerial arrangements.

### ***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 has been developed and is available on the Council intranet. It was rolled out to all partners to use as a web based tool in 2010/2011.

### ***Corporate Plan & Outcome 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 2009/2010. Improvement Agreements were replaced by 3 yearly Outcome Agreements in 2010/2011. The Authority worked in partnership with WAG and other key partners to ensure that the agreement was in line with the Corporate Plan. Performance figures are near completion for the first year of this period.

### ***Internal and External Challenge***

- 5.7.6** The Principal Overview and Scrutiny Committee monitors the performance of services through reviewing service progress, performance measurement data, including performance indicators, and the Outcome Agreement on a 6 monthly basis.
- 5.7.7** Service Performance Reviews were held in May/June and October/November during 2010/2011 across the Authority.
- 5.7.8** 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.
- 5.7.9** 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.
- 5.7.10** During 2010/2011 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>
August 2010	Corporate Assessment Report	The main conclusions of the Auditor General's Corporate Assessment stated that "Many aspects of corporate arrangements now support improvement but the current uncertainty at senior management level is a potential risk to the Council's ability to address the challenges that lie ahead.
January 2011	Annual Improvement Report	The reports key conclusions stated "The Council has maintained the progress it has made in recent years. It has developed effective systems to monitor its performance and it is on a sound footing going forward into a period of reduced funding. The Council has made progress in its financial planning, recognising that it will have to find savings of up to £15.7 million over three years. Though it faces some real challenges to secure savings, it has begun working on a range of options to help it do so, identifying savings of £11.8 million so far".

### ***Improvement and Audit Group***

- 5.7.11** 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 with the attendance of the Section 151 Officer (currently Acting Corporate Director) and the Monitoring Officer (currently Acting Corporate Director) as and when required. 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 issues and risks identified by Internal Audit during the course of their work;
- 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, Baylife+ Regeneration Area, 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 2010/2011 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. The procedure was published in April 2011 and will be implemented as part of the EDRMS pilot during 2011/2012. An annual report is produced to identify the number and type of complaints the Authority has dealt with during the year. Work is being undertaken to improve the complaint categories and reporting format.

### ***Locality Action Plans***

**5.8.4** The Authority has developed 5 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, will form an element of the revised Community Strategy.

- 5.8.5 The Authority has established a Town and Community Council Forum which has an established diary of regular meetings. The forum has drafted a Charter which is currently out for consultation. It is anticipated the Charter will be approved by October 2011.

#### ***Youth Council***

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

#### ***Customer Consultation***

- 5.8.7 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 approved. Investigations into the feasibility of a Customer Relations Management system are ongoing and work to establish a 'tell us once' process continues.

#### ***Staff Council***

- 5.8.8 The Authority has a Staff Council which 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 six 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.

#### ***Communication Strategy***

- 5.8.9 Since the approval by Cabinet in January 2010 of the Corporate Communications Strategy, work has been ongoing implementing the actions needed to improve both internal and external communications. Significant progress has been made during 2010/2011 with 30% of the actions being completed and a further 44% in progress. During a recent review of the actions outstanding, it has been agreed to update the Action Plan in line with current needs of stakeholders and partner organisations. This will be done in line with the development of the Community Strategy 2025 and the Conwy County Borough Council Corporate Plan 2012 – 2016. The Authority continues to work closely developing relationships and improving communications at a senior level, as well as developing a collaborative approach to service delivery with colleagues on the North Wales Regional Partnership Board.

#### ***Annual Performance Report***

- 5.8.10 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**

### ***WAO Annual Improvement Report 2009/2010***

- 6.1 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. Following the new Wales Programme for Improvement Guidance, WAO no longer produce Annual Letters. They have been replaced by a Corporate Assessment which audits the Authority's governance arrangements, and an Annual Improvement Report (AIR) which audits the Authority's performance. In the

latest AIR produced in January 2011, the WAO concluded that “many aspects of corporate arrangements now support improvement. However, we found that uncertainty at senior management level was a potential risk to the Council’s ability to address the challenges that lie ahead.

- 6.2 The report also commented that “the Council’s Improvement Plan 2010/2011 meets statutory requirements and provides a balanced view of its performance in 2009/2010”.

### ***Internal Audit Service***

- 6.3 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.

- 6.4 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***

- 6.5 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.

- 6.6 The Annual Assurance Statement for 2010/11 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 48 audit projects removed from the annual plan during 2010/2011.

## ***Self Assessment***

**6.7** Working groups were established in 2007 to monitor and measure improvement within the Council in relation to the 9 key Themes for improvement under the Corporate Assessment and Improvement Project (CAIP). This process evolved into the 6 Key Themes Project during 2010/2011. The six key themes were based on the WAO Corporate Assessment Hierarchy for the Wales Programme for Improvement and formed the basis of a self assessment in respect of the following 6 Key Themes:

- Leadership and Governance;
- Policy and Strategy;
- People Management;
- Resource Management;
- Partnerships;
- Business Processes.

**6.8** A framework was put in place to enable the 6 working groups to assess and score each theme and to make up to three recommendations in each area as to how the Council could improve in the future to the benefit of the community. The working groups consisted of a cross section of Members and volunteer staff with support for the process being provided by Corporate Improvement and Development and Internal Audit.

**6.9** It was proposed that the recommendations for improvement generated from the project would be embedded into the Performance Management cycle for consideration and implementation. The success of the project and benefits of corporate self assessment was recognised by Cabinet who supports a repeat of the 6 Key Themes corporate assessment process during 2011.

## ***The Constitution***

**6.10** 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.

**6.11** 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.

**6.12** The Standards Committee is responsible for standards and probity, and receives regular reports from the Monitoring Officer.

**6.13** 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 annually a Corporate Assessment Report which audits the Authority's governance arrangements and an Annual Improvement Report which reviews the Authority's performance, to the Audit Committee.

## ***Risk Management***

**6.14** The Risk Management Strategy was revised during 2009/2010 and Risk Management has improved further during the year with the use of the Ffynnon software system.

- 6.15 Risk was a significant feature of the budget setting considerations for the Council during 2010/2011 and when setting the budget and Council Tax for 2011/2012.

***Financial Management***

- 6.16 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. Conwy has a history of effective financial management.

***Business Planning and Reporting***

- 6.17 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' 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 2011/12.

- 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) To review the framework in relation to the new 6 key themes adopted by the Authority.
- (ii) To review, update and implement the Project Management Handbook.
- (iii) To revise our Contract Standing Orders and Contracts Code of Practice and provide appropriate staff training.
- (iv) Continue to develop a new People Strategy to provide an overarching workforce plan to support our strategic and business outcomes in the future.
- (v) To present the register of Members interests to the Audit Committee for review bi-annually.
- (vi) To pilot and roll out the revised Performance and Development Review Scheme for staff.

- (vii)** Progress implementation of the Partnerships Governance and Improvement Plan.
- (viii)** Promote stakeholders use of the Consultation Database.
- (ix)** Complete the local area action plans in respect of the rural area.
- (x)** Commence production of the Corporate Plan for 2012 to 2016..
- (xi)** Undertake joint Service Performance Reviews with Denbighshire County Council in respect of those service areas where there is significant collaboration/integration.
- (xii)** Extend risk management training to appropriate staff.
- (xiii)** The development of Ffynnon will continue with all Service Plans to be entered on the system.
- (xiv)** The recommendations of the Regional Partnership Review will be implemented.
- (xv)** Complete the review of the Community Strategy 2012 to 2025.
- (xvi)** Complete the review of the Benefits Appraisal Framework with KPMG.
- (xvii)** Work in partnership across the North Wales region to develop a set of PI's across various services for benchmarking purposes.
- (xviii)** Continue to modernise the way we deliver our services to ensure effective use of our financial resources.
- (xix)** To finalise the exercise to link the Asset Management Plan to corporate policies.
- (xx)** 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 2010/2011;
- the latest Annual Improvement Report to the Council (January 2011).

**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 26/9/2011**

**Date 26/9/2011**

**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 2011.

SIGNED: .....

Councillor Andrew Hinchliff  
Chair of Audit Committee

DATED: 26/09/2011



**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 2011.

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 2011 and its income and expenditure for the year then ended.

SIGNED: .....

A H Kirkham  
Acting Corporate Director and Head of Financial Services

DATED: 26/09/2011

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

I have audited the accounting statements and related notes of Conwy County Borough Council for the year ended 31 March 2011 under the Public Audit (Wales) Act 2004.

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

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 based on International Financial Reporting Standards (IFRSs).

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

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on pages 40 to 41, the responsible financial officer is responsible for the preparation of the statement of accounts, including pension fund accounts, which gives a true and fair view.

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

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

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

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

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

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of Conwy County Borough Council as at 31 March 2011 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11.

### **Opinion on other matters**

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

**Matters on which I report by exception**

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

Anthony Barrett  
Appointed Auditor  
Wales audit Office,  
24 Cathedral Road,  
Cardiff,  
CF11 9LJ  
30 September 2011

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

### **1. GENERAL PRINCIPLES**

The Statement of Accounts summarises the Authority's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (Wales) Regulations 2005, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (the Code) and the Best Value Accounting Code of Practice 2010/11 (BVACOP), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the 2003 Act.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

### **2. CHANGES IN ACCOUNTING POLICIES: TRANSITION TO IFRS**

The Statement of Accounts has been prepared in accordance with International Financial Reporting Standards (IFRS) and includes a Movement in Reserves Statement, Comprehensive Income and Expenditure Statement (with service information analysed on a BVACOP basis), Balance Sheet, Cash Flow Statement and Notes to the Accounts (including additional segment reporting based on internal financial management arrangements, and including a subjective analysis and reconciliations). A third balance sheet as at 1 April 2009 is reported in the Balance Sheet.

In the opening IFRS Statement of Accounts as a starting point for accounting under IFRS, the following has been done:-

- All the required assets and liabilities have been recognised.
- The appropriate assets and liabilities have been derecognised.
- Items have been reclassified that were recognised under UK GAAP as one type of asset, liability or component of equity, but are different types under IFRS.
- The Code has been applied in measuring all assets and liabilities.
- Generally, changes have been applied retrospectively except for certain exemptions.

Operating segments are defined on the same basis as for the "chief operating decision maker" i.e the Cabinet, and an explanation of the basis used for segment reporting, together with a reconciliation of the related amounts in the Statement of Accounts are included.

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

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

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

### **4. CASH AND CASH EQUIVALENTS**

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

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

### **5. EXCEPTIONAL ITEMS**

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

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

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

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

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

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

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

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

The Authority is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are, therefore, replaced by the contribution in the Council Fund Balance – Minimum Revenue Provision (MRP) - by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

## **8. EMPLOYEE BENEFITS**

### **Benefits Payable During Employment**

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

benefits are charged to revenue in the financial year in which the holiday absence occurs.

### **Termination Benefits**

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

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

### **Post Employment Benefits**

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

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

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

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

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

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

- The liabilities of the Gwynedd and Flintshire pension funds attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate of 5.4% (5.5% in 2009/10) (based on the indicative rate of return on high quality corporate bond (iBoxx).
- The assets of Gwynedd pension fund attributable to the Authority are included in the Balance Sheet at their fair value:-
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value
- The change in the net pensions liability is analysed into seven components:-
  - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
  - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
  - Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
  - Expected return on assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line the Comprehensive Income and Expenditure Statement.
  - Gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
  - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve
  - Contributions paid to the Gwynedd and Flintshire Pension Funds – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the Council Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove



the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the Council Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees, and in effect measures the adverse impact of pensions expected to be payable in the future.

### **Discretionary Benefits**

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

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

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

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

Events taking place after the date of authorisation for issue (30/6/2011 for 2010/11) are not reflected in the Statement of Accounts

## **10. FINANCIAL INSTRUMENTS**

### **Financial Liabilities**

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

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

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financial and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of

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

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

### **Financial Assets**

Financial assets are classified into two types:-

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

### **Loans and Receivables**

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

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

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

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

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

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

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

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

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

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

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

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

#### 11. **FOREIGN CURRENCY TRANSLATION**

Where the Authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

#### 12. **GOVERNMENT GRANTS AND CONTRIBUTIONS**

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

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

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

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

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

#### 13. **INTANGIBLE ASSETS**

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

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is

restricted to that incurred during the development phase (research expenditure cannot be capitalised).

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

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

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

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

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

#### **15. INVESTMENT PROPERTY**

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

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

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

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

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

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

## 17. **LEASES**

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

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

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

### **The Authority as Lessee**

#### **Finance Leases**

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

Lease payments are apportioned between:-

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

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

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

### **Operating Leases**

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

### **The Authority as Lessor**

#### **Finance Leases**

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

Lease rentals receivable are apportioned between:

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

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

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

### Operating Leases

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

## 18. OVERHEAD AND SUPPORT SERVICES

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2010/11 (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:-

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

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

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

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



## 19. PROPERTY, PLANT AND EQUIPMENT

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

### Recognition

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

### Measurement

Assets are initially measured at cost, comprising:-

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

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

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

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

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

- Infrastructure, community assets and assets under construction – depreciated historical cost.
- Dwellings – fair value, determined using the basis of existing use value for social housing (EUV –SH)

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

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

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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

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

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

### **Impairment**

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

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

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

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

## **Depreciation**

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

Depreciation is calculated on the following bases:-

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

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item and whose estimated useful life is significantly different from the useful life of the main asset, the components are depreciated separately. However, on transition to the Code, component accounting has only been applied when a component is replaced or part enhanced, and the old component has been derecognised, and so there is no adjustment to the 31 March 2009 or 31 March 2010 balance sheets.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

## **Disposals and Non-current Assets Held for Sale**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The Asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as **Capital Receipts**. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the Council Fund Balance in the Movement in Reserves Statement.

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

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

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

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

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

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

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement.
- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator.
- Lifecycle replacement costs – recognised as Property, Plant and Equipment on the Balance Sheet.

### **PFI Credits**

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

## **21. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

### **Provisions**

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

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

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

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

### **Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a

provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

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

### **Contingent Assets**

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

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

## **22. RESERVES**

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

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

## **23. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE**

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

## **24. VAT**

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

## **25. COMPARATIVE FIGURES**

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

## **26. CASH FLOW STATEMENT**

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

## **27. HERITAGE ASSETS**

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

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

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

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

<b>Movement in Reserves Statement for the year ended 31 March 2010</b>	<b>Note</b>	<b>Council Fund Balance</b>	<b>HRA Balance</b>	<b>Earmarked Revenue Reserves</b>	<b>Earmarked Capital Reserves</b>	<b>Capital Receipts Reserve</b>	<b>Capital Grants Unapplied</b>	<b>Total Usable Reserves</b>	<b>Unusable Reserves</b>	<b>Total Authority Reserves</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Balance at 31 March 2009</b>		3,005	189	28,328	1,971	5,465	1,080	40,038	58,691	98,729
<b>Movement in Reserves during 2009/10</b>										
Surplus or (Deficit) on the Provision of Services		(26,252)	-	-	-	-	-	(26,252)	-	(26,252)
Other Comprehensive Income & Expenditure		-	-	-	-	-	-	-	(47,374)	(47,374)
<b>Total Comprehensive Income &amp; Expenditure</b>		<b>(26,252)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(26,252)</b>	<b>(47,374)</b>	<b>(73,626)</b>
Adjustments between accounting basis & fundng basis under regulations	6	27,358	-	-	(685)	(1,838)	85	24,920	(24,920)	-
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>		<b>1,106</b>	<b>-</b>	<b>-</b>	<b>(685)</b>	<b>(1,838)</b>	<b>85</b>	<b>(1,332)</b>	<b>(72,294)</b>	<b>(73,626)</b>
Transfers to/(from) Earmarked Reserves	7	(1,255)	-	(715)	1,970	-	-	-	-	-
<b>Increase/(Decrease) in 2009/10</b>		<b>(149)</b>	<b>-</b>	<b>(715)</b>	<b>1,285</b>	<b>(1,838)</b>	<b>85</b>	<b>(1,332)</b>	<b>(72,294)</b>	<b>(73,626)</b>
<b>Balance as at 31 March 2010</b>		<b>2,856</b>	<b>189</b>	<b>27,613</b>	<b>3,256</b>	<b>3,627</b>	<b>1,165</b>	<b>38,706</b>	<b>(13,603)</b>	<b>25,103</b>



<b>Movement in Reserves Statement for the year ended 31 March 2011</b>										
	<b>Note</b>	<b>Council Fund Balance</b>	<b>HRA Balance</b>	<b>Earmarked Revenue Reserves</b>	<b>Earmarked Capital Reserves</b>	<b>Capital Receipts Reserve</b>	<b>Capital Grants Unapplied</b>	<b>Total Usable Reserves</b>	<b>Unusable Reserves</b>	<b>Total Authority Reserves</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Balance at 31 March 2010</b>		2,856	189	27,613	3,256	3,627	1,165	38,706	(13,603)	25,103
<b>Movement in reserves during 2010/11</b>										
Surplus or (deficit) on the provision of services		45,245	-	-	-	-	-	45,245	-	45,245
Other Comprehensive Income & Expenditure		-	-	-	-	-	-	-	90,510	90,510
<b>Total Comprehensive Income &amp; Expenditure</b>		<b>45,245</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>45,245</b>	<b>90,510</b>	<b>135,755</b>
Adjustments between accounting basis & funding basis under regulations	6	(43,464)	-	-	(1,391)	18	368	(44,469)	44,469	-
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>		<b>1,781</b>	<b>-</b>	<b>-</b>	<b>(1,391)</b>	<b>18</b>	<b>368</b>	<b>776</b>	<b>134,979</b>	<b>135,755</b>
Transfers to/(from) Earmarked Reserves	7	(1,632)	(189)	(230)	2,051	-	-	-	-	-
<b>Increase/(Decrease) in 2010/11</b>		<b>149</b>	<b>(189)</b>	<b>(230)</b>	<b>660</b>	<b>18</b>	<b>368</b>	<b>776</b>	<b>134,979</b>	<b>135,755</b>
<b>Balance as at 31 March 2011</b>	<b>7,23</b>	<b>3,005</b>	<b>-</b>	<b>27,383</b>	<b>3,916</b>	<b>3,645</b>	<b>1,533</b>	<b>39,482</b>	<b>121,376</b>	<b>160,858</b>

### Comprehensive Income and Expenditure Statement

2009/10				2010/11			
Gross Expenditure	Income	Net Expenditure		Note	Gross Expenditure	Income	Net Expenditure
£'000	£'000	£'000			£'000	£'000	£'000
10,668	(8,213)	2,455	Central Services to the Public		13,853	(11,771)	2,082
48,257	(16,224)	32,033	Cultural, Environmental, Regulatory & Planning Services		44,750	(15,923)	28,827
132,477	(23,937)	108,540	Education & Children's Services		115,989	(23,821)	92,168
23,516	(12,051)	11,465	Highways & Transport Services		21,529	(10,861)	10,668
42,407	(38,808)	3,599	Other Housing Services		44,068	(40,080)	3,988
55,596	(15,911)	39,685	Social Services		55,680	(15,043)	40,637
6,721	(315)	6,406	Corporate & Democratic Core		2,945	(178)	2,767
837	(1,750)	(913)	Non Distributed Costs		755	(40,046)	(39,291)
<b>320,479</b>	<b>(117,209)</b>	<b>203,270</b>	<b>Cost of Services</b>		<b>299,569</b>	<b>(157,723)</b>	<b>141,846</b>
17,519	-	17,519	Other Operating Expenditure	<b>8</b>	16,914		16,914
35,238	(23,173)	12,065	Financing & Investment Income & Expenditure	<b>9</b>	39,794	(30,371)	9,423
-	(206,602)	(206,602)	Taxation & Non-Specific Grant Income	<b>10</b>		(213,428)	(213,428)
		<b>26,252</b>	<b>(Surplus) or Deficit on Provision of Services</b>				<b>(45,245)</b>
		(53,204)	(Surplus) or Deficit on Revaluation of Property, Plant & Equipment Assets	<b>23</b>			1,745
		(1,359)	(Surplus) or Deficit on Revaluation of Available for sale Financial Assets	<b>23</b>			(30)
		101,937	Actuarial (Gains)/Losses on Pension Assets/Liabilities	<b>23</b>			(92,225)
		<b>47,374</b>	<b>Other Comprehensive Income &amp; Expenditure</b>				<b>(90,510)</b>
		<b>73,626</b>	<b>Total Comprehensive Income &amp; Expenditure</b>				<b>(135,755)</b>

## Balance Sheet

1 April 2009	31 March 2010		Notes	31 March 2011
£'000	£'000			£'000
302,897	325,972	Property, Plant & Equipment	11	325,170
4,093	6,395	Investment Property	12	16,016
1,019	1,112	Intangible Assets	13	948
-	1,359	Available for Sale Financial Assets	14	1,389
1,052	1	Long Term Investments	14	1
834	953	Long Term Debtors	14	809
<b>309,895</b>	<b>335,792</b>	<b>Long Term Assets</b>		<b>344,333</b>
8,000	6,000	Short Term Investments	14	3,529
695	756	Inventories	15	910
24,424	27,778	Short Term Debtors	17	29,476
23,974	8,186	Cash & Cash Equivalents	18	10,207
575	7,273	Assets Held for Sale	19	2,222
<b>57,668</b>	<b>49,993</b>	<b>Current Assets</b>		<b>46,344</b>
18,005	7,827	Short Term Borrowing	14	12,834
18,976	18,081	Short Term Creditors	20	17,656
963	4,224	Provisions	21	3,375
<b>37,944</b>	<b>30,132</b>	<b>Current Liabilities</b>		<b>33,865</b>
93,150	195,303	Pension Liability	44	68,268
8,010	7,664	Provisions	21	1,016
96,392	96,120	Long term Borrowing	14	96,421
31,913	30,748	Other Long term Liabilities	14	29,555
1,425	715	Capital Grants Receipts in Advance	35	694
<b>230,890</b>	<b>330,550</b>	<b>Long Term Liabilities</b>		<b>195,954</b>
<b>98,729</b>	<b>25,103</b>	<b>Net Assets</b>		<b>160,858</b>
40,038	38,706	Usable Reserves	22	39,482
58,691	(13,603)	Unusable Reserves	23	121,376
<b>98,729</b>	<b>25,103</b>	<b>Total Reserves</b>		<b>160,858</b>

## Cash Flow Statement

2009/10		Note	2010/11
£'000			£'000
26,252	Net (Surplus)/Deficit on the Provision of Services		(45,245)
(33,818)	Adjustments to Net (Surplus) or Deficit on the Provision of Services for Non-Cash Movements	24	39,709
(121)	Adjustments for Items Included in the net (Surplus) or Deficit on the Provision of Services that are Investing and Financing Activities		(1,151)
(7,687)	Net Cash Flows From Operating Activities		(6,687)
9,858	Investing Activities	25	6,674
13,617	Financing Activities	26	(2,008)
15,788	Net (Increase) or Decrease in Cash and Cash Equivalents		(2,021)
23,974	<b>Cash and Cash Equivalents at the beginning of the reporting period</b>	18	8,186
8,186	<b>Cash and Cash Equivalents at the End of the Reporting Period</b>	18	10,207

## **Notes to the Accounts**

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

FRS30 – Heritage assets has been issued but has not yet been adopted. The adoption of the standard in the Code of Practice on Local Authority Accounting 2011/12 will result in a change of accounting policy.

Heritage assets will be recognised as a separate class of assets for the first time in the 2011/12 financial statements, in accordance with FRS30.

The carrying amounts of assets expected to be re-classified as Heritage Assets is £154,560. These assets are held as Community Assets in the balance sheet as at 31 March 2011, and will be subject to revaluation on re-classification in 2011/12.

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

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

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

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

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

The items in the Authority's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:-

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
PROPERTY, PLANT & EQUIPMENT	Assets are depreciated over useful lives that are dependent on assumptions about the future level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to the assets.	If the useful life of asset is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for property, plant & equipment would increase for every year that useful lives had to be reduced
PROVISIONS	The Council has made a provision of £2m for the settlement of claims for back pay arising from the Equal Pay initiative, based on the number of claims received and an average settlement amount. This is a reduction of £3.8m in 2010/11 from the provision originally created. It is not certain that all valid claims have yet been received by the Council or that precedents set by other authorities in the settlement of claims will be applicable	An increase over the forthcoming year of 10% in either the total number of claims or the estimated average settlement would each have the effect of adding £200k to the provision needed.
PENSIONS LIABILITY	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The emergency budget changed the pension increase to be in line with CPI rather than RPI. This has meant the introduction of a past service credit reducing the net liability in the balance sheet. The actuaries expect the introduction of CPI to reduce future pension payments, however current estimates of the level of CPI as compared with RPI could prove to be incorrect.
ARREARS	At March 2011, the Council had a balance for sundry debtors of £6.5m. A review of significant balances suggested that an impairment of doubtful debts of £364k was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If sundry debts became more difficult to collect the Bad Debt provision would need to be increased.

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

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

### **4.1 Equal Pay Provision**

Opinions on Equal Pay claims throughout Great Britain have been the subject of a great deal of challenge casework and review. This is a fast changing situation which is being kept under constant review. In the light of more up to date information from receipt of claims, the provision for Equal Pay within the accounts has been reduced from £5.8m to £2m. This is not cash backed, and is offset by a negative unusable reserve – the Unequal Pay Back Pay Account

This revision is included on the face of the Comprehensive Income and Expenditure Statement as a reduction to expenditure on the Corporate and Democratic Core.

### **4.2 Pensions Liability**

In 2010/11 there was a disproportionate reduction in the value of the liabilities of the fund from £195m to £68m, due to positive asset returns and falling long term inflation expectations coupled with the pension increase change from RPI to CPI.

This reduction is included on the face of the Comprehensive Income and Expenditure Statement within the income for non-distributed costs.

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

The Statement of Accounts was authorised for issue by the Chief Finance Officer on 30 June 2011. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

As outlined in note 44, the decision to uplift public service pensions using the Consumer Prices Index rather than the Retail Prices Index has been recognised in these accounts. This decision is currently before the courts in judicial review proceedings. The Government is defending the case and therefore no adjustment has been made to the accounts for this matter. The financial implications consequent on the review finding against the Government have not been assessed.

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

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

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



2010/11	Usable Reserves					Unusable Reserves
	Council Fund Balance	Earmarked Capital Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,151)	-	1,151	-	-	-
Use of Capital Receipts Reserve to finance new capital expenditure	-	-	(1,111)	-	(1,111)	1,111
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	26	-	(26)	-	-	-
Amelioration of Finance Lease Rentals	102	-	-	-	102	(102)
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>						
Mortgage Principal transfer from deferred capital receipts to capital receipts reserve	-	-	4	-	4	(4)
<b>Adjustment primarily involving the Financial Instruments Adjustment Account:</b>						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(23)	-	-	-	(23)	23
<b>Adjustment primarily involving the Pensions Reserve</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 44)	(21,131)	-	-	-	(21,131)	21,131
Employer's pensions contributions and direct payments to pensioners payable in the year	(13,679)	-	-	-	(13,679)	13,679
<b>Adjustment primarily involving the Unequal Pay Back Pay Adjustment Account:</b>						
Reduction in Equal Pay Provision	(3,800)	-	-	-	(3,800)	3,800
<b>Adjustment primarily involving the Accumulated Absences Account:</b>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(55)	-	-	-	(55)	55
<b>Total Adjustments</b>	<b>(39,464)</b>	<b>(1,391)</b>	<b>18</b>	<b>368</b>	<b>(40,469)</b>	<b>40,469</b>

2009/10 Comparative Figures	Usable Reserves				Total Usable Reserves	Unusable Reserves	
	Council Fund Balance	Earmarked Capital Reserves	Capital Receipts Reserve	Capital Grants Unapplied			Movement in Unusable Reserves
	£'000	£'000	£'000	£'000			£'000
<b>Adjustment primarily involving the Capital Adjustment Account:</b>							
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>							
Charges for depreciation and impairment of non-current assets	15,172	-	-	-	15,172	(15,172)	
Revaluation losses on Property Plant and Equipment	29,389	-	-	-	29,389	(29,389)	
Movements in the market value of Investment Properties	(3,488)	-	-	-	(3,488)	3,488	
Amortisation of intangible assets	131	-	-	-	131	(131)	
Capital grants and contributions applied	(8,711)	-	-	-	(8,711)	8,711	
Revenue expenditure funded from capital under statute	1,538	-	-	-	1,538	(1,538)	
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,073	-	-	-	1,073	(1,073)	
Difference between asset value & Lease liability	4	-	-	-	4	(4)	
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>							
Statutory provision for the financing of capital investment	(7,491)	-	-	-	(7,491)	7,491	
Capital expenditure charged against the Council Fund balance	-	(685)	-	-	(685)	685	
<b>Adjustment primarily involving the Capital Grants Unapplied Account:</b>							
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(85)	-	-	85	-	-	

	Usable Reserves				Total Usable Reserves	Unusable Reserves
	Council Fund Balance	Earmarked Capital Reserves	Capital Receipts Reserve	Capital Grants Unapplied		
	£'000	£'000	£'000	£'000	£'000	£'000
<b>2009/10 Comparative Figures</b>						
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(121)	-	121	-	-	-
Use of Capital Receipts Reserve to finance new capital expenditure	-	-	(1,966)	-	(1,966)	1,966
Amelioration of finance lease rental income	11	-	-	-	11	(11)
<b>Adjustments primarily involving the Deferred Capital receipts Reserve:</b>						
Mortgage Principal transfer from Deferred Capital Receipts to Capital Receipts Reserve	-	-	7	-	7	(7)
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(57)	-	-	-	(57)	57
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 44)	13,114	-	-	-	13,114	(13,114)
Employer's pensions contributions and direct payments to pensioners payable in the year	(12,898)	-	-	-	(12,898)	12,898
<b>Adjustment primarily involving the Accumulated Absences Account:</b>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(223)	-	-	-	(223)	223
<b>Total Adjustments</b>	<b>27,358</b>	<b>(685)</b>	<b>(1,838)</b>	<b>85</b>	<b>24,920</b>	<b>(24,920)</b>

## 7. Transfers to/from Earmarked Reserves

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

	Balance at 1 April 2009	Transfers Out 2009/10	Transfers In 2009/10	Balance at 31 March 2010	Transfers Out 2010/11	Transfers In 2010/11	Balance at 31 March 2011
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Council Fund:</b>							
Balances held by schools under a scheme of delegation	4,752	(710)	499	4,541	(758)	610	4,393
<b>Service Reserves:</b>							
Community Development	362	(90)	53	325	(106)	328	547
Infrastructure	221	(104)	-	117	(64)	80	133
Tramway - Maintenance Programme	238	-	48	286	(63)	37	260
IT - Disaster Recovery, General IT Investment	297	(124)	6	179	-	81	260
Human Resources	99	(32)	-	67	(8)	43	102
Revenues & Benefits	236	(50)	-	186	(74)	29	141
Internal Audit - Software, IT systems etc	189	-	-	189	(40)	50	199
Other Services	606	(550)	355	411	(159)	84	336
Theatres - Repairs & Renewals	151	-	82	233	(38)	115	310
Housing Strategy & Private Sector Housing	407	(249)	130	288	(39)	102	351
Social Services Reserves	820	(63)	505	1,262	(55)	-	1,207
Education Services Reserves	925	-	154	1,079	(63)	215	1,231

	Balance at 1 April 2009	Transfers Out 2009/10	Transfers In 2009/10	Balance at 31 March 2010	Transfers Out 2010/11	Transfers In 2010/11	Balance at 31 March 2011
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<i>Corporate Reserves:</i>							
Demand Led Risk Reserve	460	(600)	405	265	-	-	265
Single Status Job Evaluation	6,155	(1,799)	160	4,516	(2,415)	300	2,401
Insurance Reserves	842	(63)	201	980	(55)	374	1,299
Revenue Budget Support 2011/12	-		190	190	(56)	356	490
Redundancy & Retirement	18	-	165	183	-	547	730
Spend to Save Reserve	742	- (108)	-	634	(110)	-	524
PFI Unitary Charge	8,299	(229)	1,085	9,155	(16)	781	9,920
Regional Transformation Fund	-			-	-	510	510
Community Projects	9		292	301	-	50	351
Other	1,368	- (586)	110	892	(464)	220	648
Earmarked Grants Reserves	1,132	(1,132)	1,334	1,334	(1,334)	775	775
<b>Total Earmarked Reserves</b>	<b>28,328</b>	<b>(6,489)</b>	<b>5,774</b>	<b>27,613</b>	<b>(5,917)</b>	<b>5,687</b>	<b>27,383</b>
<b>Total Capital Reserves</b>	<b>1,971</b>	<b>(988)</b>	<b>2,273</b>	<b>3,256</b>	<b>(1,863)</b>	<b>2,523</b>	<b>3,916</b>

## 8. Other Operating Expenditure

2009/10 £000		2010/11 £000
9,604	Police Precept	9,911
1,382	Community Council Precepts	1,386
5,155	Fire Authority Levy	5,281
426	Other Levies	360
952	Gains/losses on the disposal of non-current assets	(24)
<b>17,519</b>	<b>Total</b>	<b>16,914</b>

## 9. Financing and Investment Income and Expenditure

2009/10 £000		2010/11 £000
8,642	Interest payable & similar charges	8,262
19,246	Pensions interest cost	23,904
(12,318)	Expected return on pensions assets	(19,397)
(1,310)	Interest receivable & similar income	(306)
(3,776)	Income & expenditure in relation to investment properties & changes in their fair value	(5,017)
1,581	Trading Operations	1,977
<b>12,065</b>	<b>Total</b>	<b>9,423</b>

## 10. Taxation and Non Specific Grant Income

2009/10 £000		2010/11 £000
(49,472)	Council tax income	(51,670)
(30,633)	Non domestic rates	(31,985)
(117,698)	Non-ring fenced government grants	(119,082)
(8,799)	Capital grants & contributions	(10,691)
<b>(206,602)</b>	<b>Total</b>	<b>(213,428)</b>

## 11. Property, Plant and Equipment

### Movements on Balances

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

<b>Comparative Movements in 2009/10:</b>	<b>Council Dwellings</b>	<b>Other Land &amp; Buildings</b>	<b>Vehicles, Plant, Furniture &amp; Equipment</b>	<b>Infra-structure Assets</b>	<b>Community Assets</b>	<b>Surplus Assets</b>	<b>Assets Under Construction</b>	<b>Total Property, Plant &amp; Equipment</b>	<b>PFI Assets included in Property, Plant &amp; Equipment</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost or Valuation</b>									
At 1 April 2009	-	246,793	28,338	72,702	4,471	631	9,797	362,732	51,547
Additions	-	17,353	4,357	4,806	690	305	2,855	30,366	20
Revaluation Increases/(Decreases) recognised in the Revaluation Reserve	-	29,446	-	-	-	15	-	29,461	-
Revaluation Increases/(Decreases) recognised in the Surplus/Deficit on the Provision of Services	24	(29,389)	-	-	-	(187)	-	(29,552)	-
Derecognition - Disposals	(24)	(435)	(835)	-	-	(415)	-	(1,709)	-
Derecognition - Other	-	-	-	-	-	-	(9,358)	(9,358)	-
Assets Reclassified (to)/from Held for Sale	-	-	-	-	-	(29)	-	(29)	-
Other Movements in Cost or Valuation	-	(722)	-	-	9	-	-	(713)	-
<b>At 31 March 2010</b>	<b>-</b>	<b>263,046</b>	<b>31,860</b>	<b>77,508</b>	<b>5,170</b>	<b>320</b>	<b>3,294</b>	<b>381,198</b>	<b>51,567</b>
<b>Accumulated Depreciation &amp; Impairment</b>									
At 1 April 2009	-	(15,782)	(18,572)	(24,338)	(1,143)	-	-	(59,835)	(4,621)
Depreciation Charge	-	(4,805)	(2,742)	(4,625)	(283)	-	-	(12,455)	(919)
Depreciation Written Out to the Revaluation Reserve	-	16,255	-	-	-	-	-	16,255	5,540
Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-	-	(5,610)
Derecognition - Disposals	-	-	809	-	-	-	-	809	-
<b>At 31 March 2010</b>	<b>-</b>	<b>(4,332)</b>	<b>(20,505)</b>	<b>(28,963)</b>	<b>(1,426)</b>	<b>-</b>	<b>-</b>	<b>(55,226)</b>	<b>(5,610)</b>



## Capital Commitments

At 31 March 2011, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2011/12 and future years budgeted to cost £9.7m. Similar commitments at 31 March 2010 were £1m. The major commitments are:

<b>Council Fund Capital Programme Scheme</b>	<b>Contracted Future Cost</b>
	<b>£'000</b>
North Shore to West Shore Cycle Track	199
Ysgol Bro Gwydir & Multi Use Games Area, Llanrwst	1,019
Parc Eirias Events Centre	4,652
Theatr Colwyn Re-Development	346
Colwyn Bay Waterfront Project	3,335
Eglwysbach Flood Alleviation	128
<b>Total</b>	<b>9,679</b>

## Revaluations

The Authority carries out a revaluation exercise every 5 years of all Property, Plant and Equipment required to be measured at fair value. Valuations of land and buildings were carried out internally by Bleddyn Evans B.Sc(Hons), DipSurv, MRICS, the County Valuer and Asset Manager, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Vehicles, plant, furniture and equipment are carried at historic cost.

## Disclosure Note regarding Schools

All schools funded by Conwy County Borough Council as Local Education Authority are included within the Statement of Accounts 2010/11. The status of Voluntary Aided, Voluntary Controlled and Foundation Schools will be reviewed in 2011/12 when amendments to the Code 2011 have been finalised.

## 12. Investment Properties

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

	<b>2010/11 £000</b>	<b>2009/10 £000</b>
Rental income from Investment Property	359	375
<b>Net gain/(loss)</b>	<b>359</b>	<b>375</b>

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

<b>Fair Value of Investment Properties</b>	<b>2010/11</b>	<b>2009/10</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at start of year</b>	<b>6,395</b>	<b>4,093</b>
Additions:		
▪ Purchases	-	-
▪ Construction	-	-
▪ Subsequent Expenditure	-	-
Disposals	(131)	(312)
Net gains/(losses) from fair value adjustments	719	3,391
Transfers:		
▪ (to)/from inventories	-	-
▪ (to)/from Property, Plant and Equipment	5,033	(777)
Other changes	4,000	-
<b>Balance at year end</b>	<b>16,016</b>	<b>6,395</b>

### 13. Intangible Assets

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

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

<b>Original Life</b>	<b>Remaining Life</b>	<b>Other Assets</b>
10 Years	3 Years	E-Mail System
10 Years	5 Years	Integrated HR/Payroll Software
10 Years	8 Years	Social Care System
10 Years	9 Years	Environmental Information Management System

The carrying amount of intangible assets is amortised on a straight-line basis. Of the amortisation of £164k (£140k 2009/10) charged to revenue in 2010/11, £54k (£54k 2009/10) was charged to Social Services, £23k (£8k 2009/10) was charged to Cultural, Environmental, Regulatory and Planning Services, £9k (£9k 2009/10) was charged to Education and Children's Services and £3k (£5k 2009/10) was charged to Central Services to the Public. The remaining £75k (£66k 2009/10) of the amortisation was charged to Central Support cost centres and then absorbed as an overhead across all the service headings in the Net Expenditure of Services – it is not possible to quantify exactly how much of this amortisation is attributable to each service heading.

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

	2010/11		2009/10	
	Other Assets	Total	Other Assets	Total
	£'000	£'000	£'000	£'000
<b>Balance at start of year:</b>				
▪ Gross Carrying Amounts	1,457	1,457	1,224	1,224
▪ Accumulated Amortisation	(345)	(345)	(205)	(205)
Net carrying amount at start of year	1,112	1,112	1,019	1,019
Additions:				
▪ Purchases	-	-	233	233
Amortisation for the period	(164)	(164)	(140)	(140)
<b>Net carrying amount at end of year</b>	<b>948</b>	<b>948</b>	<b>1,112</b>	<b>1,112</b>
Comprising:				
▪ Gross carrying amounts	1,457	1,457	1,457	1,457
▪ Accumulated amortisation	(509)	(509)	(345)	(345)
	948	948	1,112	1,112

There are no internally generated intangible assets.

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

	Carrying Amount		Remaining Amortisation Period
	31 March 2011 £'000	31 March 2010 £'000	
Social Care System	436	490	8 years

## 14. Financial Instruments

### Categories of Financial Instruments

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

	Long-term			Current		
	31 March 2011	31 March 2010	1 April 2009	31 March 2011	31 March 2010	1 April 2009
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Investments</b>						
Loans and receivables	1	1	1,052	15,540	16,240	34,290
Available-for-sale financial assets	1,389	1,359	-	-	-	-
<b>Total Investments</b>	<b>1,390</b>	<b>1,360</b>	<b>1,052</b>	<b>15,540</b>	<b>16,240</b>	<b>34,290</b>
<b>Debtors</b>						
Loans and receivables	809	953	834	-	-	-
Financial assets carried at contract amounts	-	-	-	8,353	6,916	6,099
<b>Total Debtors</b>	<b>809</b>	<b>953</b>	<b>834</b>	<b>8,353</b>	<b>6,916</b>	<b>6,099</b>
<b>Borrowings</b>						
Financial liabilities at amortised cost	95,868	95,868	95,868	12,000	7,000	18,006
<b>Total Borrowings</b>	<b>95,868</b>	<b>95,868</b>	<b>95,868</b>	<b>12,000</b>	<b>7,000</b>	<b>18,006</b>
<b>Other Long Term Liabilities</b>						
PFI and finance lease liabilities	29,555	30,748	31,913	333	327	444
<b>Total Other Long Term Liabilities</b>	<b>29,555</b>	<b>30,748</b>	<b>31,913</b>	<b>333</b>	<b>327</b>	<b>444</b>
<b>Creditors</b>						
Financial liabilities carried at contract amount	-	-	-	13,763	14,349	12,834
<b>Total Creditors</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,763</b>	<b>14,349</b>	<b>12,834</b>

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

Reconciliation of short term Investments with the Balance Sheet

	31 March 2011	31 March 2010	1 April 2009
	£'000	£'000	£'000
Financial Assets - Investments	3,529	6,000	8,000
Cash Equivalents - Investments	12,540	10,240	26,290
NATWEST Bond	(502)	-	-
Accruals	(27)	-	-
<b>Investments</b>	<b>15,540</b>	<b>16,240</b>	<b>34,290</b>

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

	31 March 2011 £'000	31 March 2010 £'000	1 April 2009 £'000
Financial Liabilities: Borrowing	109,255	103,947	114,397
Less Invest to Save Loan	(1,105)	(805)	-
Less PWLB Interest Accruals	(664)	(664)	(761)
Market Loans Interest Accruals	(170)	(162)	(151)
Stepped Loan effective Interest rate adjustment	(156)	(157)	(157)
Discount adjustment to modified Loan	-	-	(270)
Premium adjustment to modified Loan	708	709	816
<b>Debt Outstanding</b>	<b>107,868</b>	<b>102,868</b>	<b>113,874</b>

### Income, Expense, Gains & Losses

	2010/11			2009/10		
	Financial Assets: Loans and Receivables	Financial Assets: Available for Sale	Total	Financial Assets: Loans and Receivables	Financial Assets: Available for Sale	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Interest income	256	-	256	209	-	209
Interest income accrued on impaired financial assets	-	-	-	-	-	-
Increases in fair value	3	-	3	3	-	3
Gains on derecognition	-	-	-	-	-	-
Fee income	-	-	-	-	-	-
<b>Total Income in Surplus or Deficit on the Provision of Services</b>	<b>259</b>	<b>-</b>	<b>259</b>	<b>212</b>	<b>-</b>	<b>212</b>
<b>Net Gain (Loss) for the year</b>	<b>259</b>	<b>-</b>	<b>259</b>	<b>212</b>	<b>-</b>	<b>212</b>

## Fair Values of Assets and Liabilities

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

- estimated ranges of interest rates at 31 March 2011 of 4.86% to 5.16% for loans from the PWLB and 0.48% to 1.8% for other loans receivable and payable, based on new lending rates for equivalent loans at that date
- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	31 March 2011		31 March 2010	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Financial Liabilities	121,631	144,821	117,217	117,491
Long-Term Creditors	-	-	-	-
<b>Total</b>	<b>121,631</b>	<b>144,821</b>	<b>117,217</b>	<b>117,491</b>

	31 March 2011		31 March 2010	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Loans & Receivables	12,163	12,157	13,870	13,865
Long-Term Debtors	-	-	-	-
<b>Total</b>	<b>12,163</b>	<b>12,157</b>	<b>13,870</b>	<b>13,865</b>

## 15. Inventories

	Consumable Stores		Maintenance Materials		Finished Goods		Work in Progress		Total	
	2010/11 £'000	2009/10 £'000	2010/11 £'000	2009/10 £'000	2010/11 £'000	2009/10 £'000	2010/11 £'000	2009/10 £'000	2010/11 £'000	2009/10 £'000
Balance Outstanding at Start of Year	33	39	385	348	222	226	116	82	756	695
Movement on Year	(7)	(6)	148	37	(9)	(4)	22	34	154	61
<b>Balance Outstanding at Year End</b>	<b>26</b>	<b>33</b>	<b>533</b>	<b>385</b>	<b>213</b>	<b>222</b>	<b>138</b>	<b>116</b>	<b>910</b>	<b>756</b>

## 16. Construction Contracts

The Authority was not the contractor in any construction contracts in 2010/11 or 2009/10.



## 17. Debtors

	31 March 2011 £'000	31 March 2010 £'000	1 April 2009 £'000
Central Government Bodies	11,881	11,843	9,474
Other Local Authorities	6,010	2,525	2,349
NHS Bodies	1,422	764	1,322
Public Corporations and Trading Funds	2	-	80
Other Entities and Individuals	10,161	12,646	11,199
<b>Total</b>	<b>29,476</b>	<b>27,778</b>	<b>24,424</b>

## 18. Cash and Cash Equivalents

	31 March 2011 £'000	31 March 2010 £'000	1 April 2009 £'000
Cash Held by the Authority (Foundation Schools)	581	640	479
Bank Current Accounts	(3,581)	(3,910)	(3,408)
Short-term Deposits	12,540	10,836	26,194
Short-term Deposits -Foundation Schools	667	620	709
<b>Total Cash and Cash Equivalents</b>	<b>10,207</b>	<b>8,186</b>	<b>23,974</b>

## 19. Assets Held for Sale

	Current	
	2010/11	2009/10
	£'000	£'000
<b>Balance outstanding at start of year</b>	<b>7,273</b>	<b>575</b>
Assets newly classified as held for sale:		
▪ Property, Plant & Equipment	3,818	1,820
▪ Intangible Assets	-	-
▪ Investment Properties	117	-
▪ Other Assets/Liabilities in Disposal Groups	-	-
Revaluation Losses	(2,815)	(215)
Revaluation Gains	144	5,218
Impairment Losses	-	-
Assets declassified as held for sale:		
▪ Property, Plant & Equipment	(22)	-
▪ Intangible Assets	-	-
▪ Investment Properties	(5,300)	-
▪ Other Assets/Liabilities in Disposal Groups	-	(120)
Assets Sold	(993)	(5)
Transfers from Non-Current to Current (Other Movements)	-	-
	-	-
<b>Balance outstanding at year end</b>	<b>2,222</b>	<b>7,273</b>

## 20. Creditors

	31 March 2011 £'000	31 March 2010 £'000	1 April 2009 £'000
Central Government Bodies	379	147	985
Other Local Authorities	1,924	1,917	1,877
NHS Bodies	495	283	215
Public Corporations & Trading funds	40	42	77
Other Entities & Individuals	14,818	15,692	15,822
<b>Total</b>	<b>17,656</b>	<b>18,081</b>	<b>18,976</b>

## 21. Provisions

	Insurance Provisions £'000	Equal Pay, EVR & Job Evaluation £'000	Other Provisions £'000	Total £'000
<b>Balance at 1 April 2009</b>	1,558	6,834	581	8,973
Additional Provisions made in 2009/10	288	3,539	51	3,878
Amounts used in 2009/10	(218)	(445)	(300)	(963)
Unused Amounts reversed in 2009/10	-	-	-	-
<b>Balance at 31 March 2010</b>	<b>1,628</b>	<b>9,928</b>	<b>332</b>	<b>11,888</b>
Long Term	1,466	6,194	4	7,664
Short Term	162	3,734	328	4,224

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

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

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

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

It is expected that of the total value of claims outstanding of £933k that are likely to be settled the Authority will bear £313k of that sum by way of policy excesses (£99k in 2011/12 and £214k subsequently) and its insurers will bear the balance of £620k (£26k in 2011/12 and £594k subsequently).

## **Equal Pay Provision**

Possible future settlement of Equal Pay claims arising as a result of the implementation of the Single Status agreement. The provision is in the sum of £2m at 31/3/2011, being a reduction from £5.8m at 31/3/2010 in the light of more up to date information. The timing of the settlement of Equal Pay claims is uncertain but may be in 2011/12.

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

## **Job Evaluation Costs Provision**

This is the balance of the provision for the costs of back pay due as a result of the implementation of the new staff Terms and Conditions under the Single Status agreement. The provision amounts to £801k at 31/3/2011 (£3.4m at 31/3/2010) as the majority of the back pay was paid out in 2010/11. The remaining balance will be paid in 2011/12.

## **Early Voluntary Retirement Provision**

The Compensation and Earliness costs due to be paid to the Pension Fund in respect of staff retiring early. The balance at 31/3/2011 is £528k (£728k 2009/10) of which it is estimated that £320k will be settled in 2011/12 and the balance of £208k subsequently.

All other Provisions are not material.

## 22. Usable Reserves

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

## 23. Unusable Reserves

	31 March 2011 £'000	31 March 2010 £'000	1 April 2009 £'000
Revaluation Reserve	50,018	52,670	25
Available for Sale Financial Assets Reserve	1,389	1,359	-
Capital Adjustment Account	143,157	136,362	160,768
Financial Instruments Adjustment account	(970)	(993)	(1,047)
Pensions Reserve	(68,268)	(195,303)	(93,150)
Deferred Capital Receipts Reserve	106	213	229
Unequal Pay Back Pay Account	(2,000)	(5,800)	(5,800)
Accumulated Absences Account	(2,056)	(2,111)	(2,334)
<b>Total Unusable Reserves</b>	<b>121,376</b>	<b>(13,603)</b>	<b>58,691</b>

## Revaluation Reserve

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

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

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

2009/10 £'000	Revaluation Reserve	2010/11 £'000
25	<b>Balance at 1 April</b>	<b>52,670</b>
53,204	Upward revaluation of assets	315
-	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(2,059)
-	Difference between fair value depreciation and historical cost depreciation	(845)
(75)	Accumulated gains on assets sold or scrapped	-
(484)	Amount written off to the Capital Adjustment Account	(63)
<b>52,670</b>	<b>Balance at 31 March</b>	<b>50,018</b>

### Available for Sale Financial Assets Reserve

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

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

2009/10 £'000	Available for Sale Financial Assets Reserve	2010/11 £'000
-	<b>Balance at 1 April</b>	<b>1,359</b>
1,359	Upward revaluation of investments	-
-	Upward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	30
-	Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income	-
<b>1,359</b>	<b>Balance at 31 March</b>	<b>1,389</b>

### Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority. The Account also contains valuation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 6 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2009/10	Capital Adjustment Account	2010/11
£'000		£'000
160,768	<b>Balance at 1 April</b>	136,362
	<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>	
(15,172)	▪ Charges for depreciation & impairment of non-current assets	(13,109)
(29,389)	▪ Revaluation losses on Property, Plant & Equipment	(2,782)
(131)	▪ Amortisation of Intangible Assets	(164)
(1,538)	▪ Revenue expenditure funded from capital under statute	(2,218)
(1,077)	▪ Amounts of non-current assets written off on disposal or sale as part of the gain/loss on the disposal to the Comprehensive Income & Expenditure Statement	(1,127)
(47,307)		(19,400)
560	Adjusting amounts written out of the Revaluation Reserve	908
(46,747)	Net written out amount of the cost of non-current assets consumed in the year	(18,492)
	<b>Capital financing applied in the year:</b>	
1,966	▪ Use of the Capital Receipts Reserve to finance new capital expenditure	1,111
8,711	▪ Capital grants & contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	10,323
-	▪ Application of grants to capital financing from the Capital Grants Unapplied Account	-
7,491	▪ Statutory provision for the financing of capital investment charged against the Council Fund	7,653
685	▪ Capital expenditure charged against the Council Fund	1,556
(27,894)		2,151
3,488	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement	4,644
<b>136,362</b>	<b>Balance at 31 March</b>	<b>143,157</b>



## Financial Instruments Adjustment Account

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

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

2009/10 £'000	Financial Instruments Adjustment Account	2010/11 £'000
(1,047)	<b>Balance at 1 April</b>	(993)
-	Premiums incurred/discounts earned in the year & charged/credited to the Comprehensive Income & Expenditure Statement	-
50	Proportion of premiums/discounts incurred/earned in previous financial years to be charged against the Council Fund Balance in accordance with statutory requirements	19
4	Amount by which finance costs charged to the Comprehensive Income & Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	4
(993)	<b>Balance at 31 March</b>	(970)

## Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

<b>2009/10 £'000</b>	<b>Pensions Reserve</b>	<b>2010/11 £'000</b>
<b>(93,150)</b>	<b>Balance at 1 April</b>	<b>(195,303)</b>
(101,937)	Actuarial gains or losses on pensions assets & liabilities	92,225
(13,114)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income & Expenditure Statement	21,131
12,898	Employer's pension contributions payable in the year	13,679
<b>(195,303)</b>	<b>Balance at 31 March</b>	<b>(68,268)</b>

#### **Deferred Capital Receipts Reserve**

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

<b>2009/10 £'000</b>	<b>Deferred Capital Receipts Reserve</b>	<b>2010/11 £'000</b>
<b>229</b>	<b>Balance at 1 April</b>	<b>213</b>
(11)	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	(102)
(5)	Transfer to the Capital Receipts Reserve upon receipt of cash	(5)
<b>213</b>	<b>Balance at 31 March</b>	<b>106</b>

### Unequal Pay Back Pay Account

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

2009/10 £'000	Unequal Pay Back Pay Account	2010/11 £'000
(5,800)	<b>Balance at 1 April</b>	(5,800)
-	Decrease in provision for back pay in relation to Equal Pay cases	3,800
-	Cash settlements paid in year	-
-	Amount by which amounts charged for Equal Pay claims to the Comprehensive Income & Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	-
<b>(5,800)</b>	<b>Balance at 31 March</b>	<b>(2,000)</b>

### Accumulated Absences Account

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

2009/10 £'000	Accumulated Absences Account	2010/11 £'000
(2,334)	<b>Balance at 1 April</b>	(2,111)
2,334	Settlement or cancellation of accrual made at the end of the preceding year	2,111
(2,111)	Amounts accrued at the end of the current year	(2,056)
-	Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-
<b>(2,111)</b>	<b>Balance at 31 March</b>	<b>(2,056)</b>

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

2009/10 £'000		2010/11 £'000
(12,464)	Depreciation of Non Current Assets	(13,076)
-	Impairment of Non Current Assets	(33)
(131)	Amortisation of Intangible Fixed Assets	(164)
(216)	Pension Fund adjustments	34,810
53	Other non cash Financial Instrument adjustments	23
-	Provision for equal pay	3,800
422	Increase/decrease in impairment for provision for bad debts	(64)
(2,971)	Contributions to Provisions	7,497
(830)	Carrying amount of PP&E, investment property and intangible assets sold	1,180
(22,185)	Other non-cash movement	4,526
60	Increase/(Decrease) in Inventories	154
4,402	Increase/(Decrease) in Debtors	478
159	(Increase)/Decrease in Creditors	586
(117)	(Increase)/Decrease in Interest Creditors	(8)
<b>(33,818)</b>	<b>Net non cash movements</b>	<b>39,709</b>

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

2009/10 £'000		2010/11 £'000
27,940	Purchase of property, plant and equipment, investment property and intangible assets	22,991
274,884	Purchase of short –term and long-term investments	244,757
(121)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,151)
(277,885)	Proceeds from short-term and long-term investments	(247,228)
(14,960)	Other receipts from investing activities	(12,695)
<b>9,858</b>	<b>Net cash flow from investing activities</b>	<b>6,674</b>

## 26. Cash Flow Statement – Financing Activities

2009/10 £'000		2010/11 £'000
(7,000)	Cash receipts of short-term and long-term borrowing	(41,600)
(4)	Other receipts from financing activities	-
1,509	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	1,287
18,005	Repayments of short –term and long-term borrowing	36,600
1,107	Other payments for financing activities	1,705
<b>13,617</b>	<b>Net cash flow from financing activities</b>	<b>(2,008)</b>

## 27. Amounts Reported for Resource Allocation Decisions

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

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

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

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

<b>Service Income and Expenditure 2009/10 Comparative Figures</b>	<b>Education Services</b>	<b>Social Services</b>	<b>Highways &amp; Transport</b>	<b>Environmental Services</b>	<b>Community Development Services</b>	<b>Regulatory Services</b>	<b>Financial Services</b>	<b>Engineering &amp; Design</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Fees, charges & other service income	(12,175)	(9,116)	(7,859)	(3,833)	(4,374)	(3,630)	(5,395)	(2,656)	(49,038)
Government grants	(14,771)	(11,119)	(868)	(2,376)	(4,051)	(1,986)	(38,599)	-	(73,770)
<b>Total Income</b>	<b>(26,946)</b>	<b>(20,235)</b>	<b>(8,727)</b>	<b>(6,209)</b>	<b>(8,425)</b>	<b>(5,616)</b>	<b>(43,994)</b>	<b>(2,656)</b>	<b>(122,808)</b>
Employee Expenses	70,338	23,535	6,281	5,036	7,229	4,722	5,180	2,139	124,460
Other Service Expenses	30,373	41,680	10,072	13,841	8,636	5,318	42,340	2,722	154,982
<b>Total Expenditure</b>	<b>100,711</b>	<b>65,215</b>	<b>16,353</b>	<b>18,877</b>	<b>15,865</b>	<b>10,040</b>	<b>47,520</b>	<b>4,861</b>	<b>279,442</b>
<b>Net Expenditure</b>	<b>73,765</b>	<b>44,980</b>	<b>7,626</b>	<b>12,668</b>	<b>7,440</b>	<b>4,424</b>	<b>3,526</b>	<b>2,205</b>	<b>156,634</b>

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

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

	<b>2010/11 £'000</b>	<b>2009/10 £'000</b>
Net expenditure in the Service Analysis	160,639	156,634
Net expenditure of services & support services not included in the Analysis	26,085	25,032
Amounts in the Comprehensive Income & Expenditure Statement not reported to management in the Analysis	(24,779)	39,170
Amounts included in the Analysis not included in the Comprehensive Income & Expenditure Statement	(20,099)	(17,566)
<b>Cost of Services in the Comprehensive Income &amp; Expenditure Statement</b>	<b>141,846</b>	<b>203,270</b>

## Reconciliation to Subjective Analysis

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

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



2009/10 Comparative Figures	Service Analysis	Services & Support services not in Analysis	Amounts in the Comprehensive I&E Statement but not to management in the Analysis	Amounts not included in I&E	Allocation of Recharges	Net Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service Income	(49,038)	(9,033)	(780)	5,489	16,904	(36,458)	-	(36,458)
Interest & Investment Income	-	-	-	-	-	-	(1,310)	(1,310)
Income from Council Tax	-	-	-	-	-	-	(49,472)	(49,472)
Government grants & contributions	(73,770)	(7,141)	(5,481)	5,266	-	(81,126)	(157,130)	(238,256)
<b>Total Income</b>	<b>(122,808)</b>	<b>(16,174)</b>	<b>(6,261)</b>	<b>10,755</b>	<b>16,904</b>	<b>(117,584)</b>	<b>(207,912)</b>	<b>(325,496)</b>
Employee Expenses	124,460	9,741	(6,936)	(1,992)	(845)	124,428	6,928	131,356
Other Service Expenses	154,982	31,465	741	(26,704)	(16,059)	144,425	-	144,425
Depreciation, amortisation & impairment	-	-	44,692	-	-	44,692	-	44,692
Investment Property Income & Change in Fair Value	-	-	(86)	375	-	289	(3,776)	(3,487)
REFCUS	-	-	7,020	-	-	7,020	-	7,020
Interest payments	-	-	-	-	-	-	8,642	8,642
Precepts & Levies	-	-	-	-	-	-	16,567	16,567
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	-	-	952	952
Trading Operations	-	-	-	-	-	-	1,581	1,581
<b>Total Expenditure</b>	<b>279,442</b>	<b>41,206</b>	<b>45,431</b>	<b>(28,321)</b>	<b>(16,904)</b>	<b>320,854</b>	<b>30,894</b>	<b>351,748</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>156,634</b>	<b>25,032</b>	<b>39,170</b>	<b>(17,566)</b>	<b>-</b>	<b>203,270</b>	<b>(177,018)</b>	<b>26,252</b>

## 28. Acquired and Discontinued Operations

There were no acquired or discontinued operations in the year.

## 29. Trading Operations

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

		2010/11 £'000	2009/10 £'000
<p>The Council owns and operates the Great Orme Tramway generating income from ticket sales. The objective is to maximise the operating surplus to provide an ongoing maintenance programme. The reserve for ongoing maintenance at 31 March 2011 amounted to £260k.</p>	Turnover	(779)	(710)
	Expenditure	843	754
	<b>Deficit</b>	<b>64</b>	<b>44</b>
	<b>Deficit (after IAS19 adjustment)</b>	<b>67</b>	<b>28</b>
<p>The Council owns and operates a major theatre/conference centre/arena complex and a second theatre, generating income from lettings and ticket sales. The Arena was opened in 2006/07. The trading objective is to more than break even on the costs of performances and conferences and to make a contribution towards the maintenance of the fabric of the building. This objective was achieved in 2010/11 in the case of Venue Cymru. Theatre Colwyn was out of operation for part of 2010/11 due to a scheme of refurbishment. The reserve for Theatres' repairs and renewals amounted to £310k at 31 March 2011. The summary below shows all associated expenditure and income.</p>			
<p>Venue Cymru - Theatre - Conference Centre - Arena</p>	Turnover	(4,792)	(4,750)
	Expenditure	6,598	6,305
	<b>Deficit</b>	<b>1,806</b>	<b>1,555</b>
	<b>Deficit (after IAS19 adjustment)</b>	<b>1,821</b>	<b>1,468</b>
<p>Theatr Colwyn</p>	Turnover	(80)	(144)
	Expenditure	201	268
	<b>Deficit</b>	<b>121</b>	<b>124</b>
	<b>Deficit (after IAS19 adjustment)</b>	<b>122</b>	<b>117</b>
<b>Total</b>	<b>Deficit</b>	<b>1,991</b>	<b>1,723</b>
	<b>Deficit (after IAS19 adjustment)</b>	<b>2,010</b>	<b>1,613</b>
	Revenue Provision	(33)	(32)
	<b>Deficit per Income &amp; Expenditure Account</b>	<b>1,977</b>	<b>1,581</b>

### 30. Agency Services

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

	2010/11 £'000	2009/10 £'000
Trunk Roads	4,777	6,560
Nursing Care	1,326	1,333
<b>Total</b>	<b>6,103</b>	<b>7,893</b>

### 31. Pooled Budgets

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

From 2011/12, a new local authority/health joint equipment loans store will be in operation, covering the Conwy, Gwynedd and Anglesey local authority areas, with Betsi Cadwaladr LHB as the host. In 2011/12, Conwy CBC will contribute £195k towards running costs and equipment purchases (out of an estimated total pool budget for running costs and equipment purchases of £1.264m).

	2010/11 £'000	2009/10 £'000
Funding provided to the pooled budget:		
▪ Conwy CBC	304	287
▪ Betsi Cadwaladr LHB	45	45
	349	332
Expenditure met from the pooled budget:		
▪ Conwy CBC	297	288
▪ Betsi Cadwaladr LHB	62	49
	359	337
<b>Net deficit arising on the pooled budget during the year</b>	<b>10</b>	<b>5</b>

### 32. Members' Allowances

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

	2010/11 £000	2009/10 £000
Basic Allowance	805	785
Special Responsibility Allowance	238	262
Expenses	34	34
<b>Total</b>	<b>1,077</b>	<b>1,081</b>

### 33. Officers' Remuneration

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

	Post Title	Salary	Expense Reimbursement	Total Remuneration excl Pension Contributions	Employers Pension Contributions	Total Remuneration
		£	£	£	£	£
2010/11	Chief Executive	114,435	1,596	116,031	23,001	139,032
2009/10	Chief Executive	111,863	13,105	124,968	22,484	147,452
2010/11	Acting Chief Executive	107,283	4,472	111,755	21,564	133,319
2009/10	Corporate Director - Resources	90,137	3,890	94,027	18,118	112,145
2010/11	Acting Corporate Director/ Head of Finance	82,446	2,439	84,885	16,572	101,457
2009/10	Head of Financial Services	67,293	2,215	69,508	13,526	83,034
2010/11	Acting Corporate Director/ Head of Legal & Democratic Services	82,446	2,125	84,571	16,572	101,143
2009/10	Head of Legal & Democratic Services	67,293	2,172	69,465	13,526	82,991
2010/11	Statutory Head of Social Services	71,677	2,653	74,330	14,407	88,737
2009/10	Statutory Head of Social Services	67,293	2,067	69,360	13,526	82,886
2010/11	Statutory Head of Education Services	70,233	3,785	74,018	14,117	88,135
2009/10	Statutory Head of Education Services	67,293	2,683	69,976	13,526	83,502
2010/11	Head of Corporate Human Resources	65,766	1,800	67,566	13,219	80,785
2009/10	Head of Corporate Human Resources	62,884	1,619	64,503	12,640	77,143
2010/11	Head of School Improvement	62,884	3,278	66,162	12,640	78,802
2009/10	Head of School Improvement	62,884	2,558	65,442	12,640	78,082
2010/11	Head of IT Services	61,452	4,109	65,561	12,352	77,913
2009/10	Head of IT Services	62,260	3,535	65,795	12,514	78,309
2010/11	Head of Service-Provider Services	62,884	2,118	65,002	12,640	77,642
2009/10	Head of Service-Provider Services	61,452	2,750	64,202	12,352	76,554
2010/11	Head of Service-Environmental Services	62,884	1,904	64,788	12,640	77,428
2009/10	Head of Service-Environmental Services	61,452	2,624	64,076	12,352	76,428
2010/11	Head of Audit & Procurement Services	62,586	1,751	64,337	12,580	76,917
2009/10	Head of Audit & Procurement Services	60,023	1,618	61,641	12,065	73,706
2010/11	Head of Regulatory Services	60,021	3,115	63,136	12,064	75,200
2010/11	Head of Community Development Services	60,021	2,526	62,547	12,064	74,611
2010/11	Head of Revenue & Benefits assessment Services	59,589	2,216	61,805	11,977	73,782
2010/11	Head of Service-Children & Family (Apr-Jul)	22,431	1,089	23,520	4,509	28,029
2009/10	Head of Service-Children & Family	67,293	2,024	69,317	13,526	82,843

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

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

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

Band	2010/11 Number		2009/10 Number	
	Non-Schools	Schools	Non-Schools	Schools
£60,000 - £64,999	3	5	3	6
£65,000 - £69,999	0	5	0	5
£70,000 - £74,999	1	1	0	0
£75,000 - £79,999	0	0	0	1
£80,000 - £84,999	0	3	0	3
£85,000 - £89,999	0	1	0	0
£90,000 - £94,999	0	1	0	1
£95,000 - £99,999	0	0	0	0
£100,000 - £104,999	0	1	0	1

#### 34. External Audit Costs

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

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

	2010/11 £'000	2009/10 £'000
External Audit Services & Performance Audit	211	293
Statutory Inspection	143	70
Fee re Public Inspection Queries	21	-
Grant claims and returns related to previous financial year	111	125
	<b>486</b>	<b>488</b>

The estimated fee for certification of grant claims and returns related to 2010/11 is £110k and is not included above.

### 35. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010/11

	2010/11	2009/10
	£'000	£'000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Revenue Support Grant	114,366	112,547
Improvement Agreement Grant	1,166	1,184
Deprivation Grant	-	174
PFI - Capital Element	3,550	3,793
<i>Sub Total</i>	<i>119,082</i>	<i>117,698</i>
Capital Grants:		
<i>Welsh Government:</i>		
General Capital Grant (Non REFCUS)	855	121
School Buildings Improvement Grant	821	2,860
Specific Capital Grant (Non REFCUS)	25	-
Conwy Package (Transport Schemes)	501	1,330
Local Road Maintenance Grant	465	649
Flying Start	244	231
Flood Alleviation Schemes	166	406
Composting Scheme	159	651
Sustainable Waste Management Grant	744	23
Streetscape Enhancements	476	640
Strategic Regeneration Area	625	313
Substance Misuse Action Fund	-	81
Community Equipment Stores Initiative	-	33
Countryside Council for Wales	129	149
Cymal	300	-
Colwyn Bay Waterfront Coastal Defence	1,844	124
Emergency Storm Damage Work	261	-
Youth Service Capital Funding	-	128
Learning Networks Grant	104	105
Sports Council for Wales	-	14
Other WAG Grants	23	60
Various	335	400
Welsh Rugby Union	-	150
Lottery	-	99
Cadw	-	20
Convergence (Colwyn Bay Waterfront Coastal Defence)	2,614	212
<i>Sub Total</i>	<i>10,691</i>	<i>8,799</i>
<b>Grand Total</b>	<b>129,773</b>	<b>126,497</b>

	2010/11	2009/10
	£'000	£'000
<b>Credited to Services</b>		
<i>Welsh Government:</i>		
Concessionary Fares	2,489	2,521
Cymorth - the Children and Youth Support Fund	1,374	1,606
Flying Start Revenue Grant	1,159	882
Mental Handicap Strategy Grant	1,723	1,804
PFI	1,822	1,735
Post-16 Provision in Schools	4,393	4,556
Supporting People	7,054	7,047
Sustainable Waste Management Grant	2,048	2,316
DWP - Housing Benefits Grant	41,679	38,163
Foundation Phase Grant	2,574	1,858
Post 16 Special Schools and SEN	1,150	858
Revenue Expenditure Funded from Capital Grants under Statute	3,151	5,481
Other Grants	11,100	12,299
<b>Total</b>	<b>81,716</b>	<b>81,126</b>

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

	31 March 2011	31 March 2010	1 April 2009
	£'000	£'000	£'000
<b>Capital Grants Receipts in Advance</b>			
Section 106 Agreements	694	715	602
Owners' Contributions (Renewal Areas)	-	-	752
<b>Total</b>	<b>694</b>	<b>715</b>	<b>1,354</b>

## **36. Related Parties**

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

### **Central Government**

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

### **Precepts and Levies**

Details of precepts collected on behalf of other organisations are provided in the Income and Expenditure Account. The Council appoints Members to certain bodies who levy on the Council's budget. Details of these levies are given in Note 8 to the Income and Expenditure Account.

The Acting Chief Executive acts as the Treasurer to the North Wales Fire Authority; the levy to the North Wales Fire Authority paid during the year was £5,280,536 (2009/10: £5,154,755).

### **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 2010/11 a total of £494,942 (including year end creditors of £18,135) (2009/10: £410,951 (including year end creditors of £4,820)) was paid to these bodies by way of grants and the purchasing of services. In 2010/11 the Council received income of £606,901 (including year end debtors of £94,263) (£269,281 in 2009/10 (including year end debtors of £67,846)) from these bodies.

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

The Council is a member of the LGA/WLGA, to which subscriptions of £114,462 (no year end creditor) were paid in 2010/11 (£114,058 in 2009/10 (including a year end creditor of £30)), and from which the Council received income of £297,199 (including a year end debtor of £5,043) (£16,731 in 2009/10 (including a year end debtor of £472)).

### **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 2010/11.

The Acting Chief Executive is the treasurer of Craig y Don Playschool, to which the Authority paid £12,248 (including a year end creditor of £98) (£10,354 in 2009/10 (no year end creditor)).



## Members

Members were sent a declaration of interest with related parties return for the year 2010/11.

A total of £461,952 (including year end creditors of £28,098) was paid by the Council in 2010/11 under such dealings (2009/10: £219,240 (including year end creditors of £860)), and a total of £3,977 (including year end debtors of £700) was received by the Council (£5,185 in 2009/10 (including year end debtors of £34)).

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

## Other

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

### 37. Capital Expenditure and Capital Financing

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

	2010/11	2009/10
	£'000	£'000
Opening Capital Financing Requirement	151,727	147,820
<b>Capital Investment</b>		
Property, Plant & Equipment	17,783	20,711
Investment Properties	-	-
Intangible Assets	-	233
Revenue Expenditure funded from Capital under Statute	5,369	7,020
Value of Leased Assets	101	278
<b>Sources of Finance</b>		
Capital Receipts	(1,111)	(1,966)
Government Grants & Other Contributions	(13,474)	(14,193)
Sums set aside from revenue:		
Direct Revenue Contributions	(1,556)	(685)
MRP	(7,653)	(7,491)
<b>Closing Capital Financing Requirement</b>	<b>151,186</b>	<b>151,727</b>
<b>Explanation of movements in year</b>		
Increase in underlying need to borrow	645	5,213
Finance Leases	(252)	(215)
PFI/PPP contracts	(934)	(1,091)
<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>(541)</b>	<b>3,907</b>

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

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

	Renovation Grants and Renewals Areas		Other		Total	
	2010/11 £'000	2009/10 £'000	2010/11 £'000	2009/10 £'000	2010/11 £'000	2009/10 £'000
Balance at 31 March	-	-	-	-	-	-
Transfer from Debtors	-	-	-	-	-	-
Expenditure in year	2,009	3,585	3,360	3,434	5,369	7,019
Grants	(1,760)	(3,330)	(1,391)	(2,151)	(3,151)	(5,481)
Written Off to Revenue	(249)	(255)	(1,969)	(1,283)	(2,218)	(1,538)
<b>Balance at 31 March</b>	-	-	-	-	-	-

'Other' revenue expenditure funded from capital under statute relates to office accommodation Dinerth Road, External Funding Team, Youth Service Capital Funding, Substance Misuse Action Fund, Colwyn Bay Property Enhancement Grant Scheme, Modernisation Agenda Transition Team, Housing Capital Retained Contracts, together with other smaller schemes.

### 39. Leases

#### Authority as Lessee

##### Finance Leases

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

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

	31 March 2011 £'000	31 March 2010 £'000	1 April 2009 £'000
Other Land & Buildings	226	254	283
Vehicles, Plant, furniture & Equipment	884	1,233	1,426
<b>Total</b>	<b>1,110</b>	<b>1,487</b>	<b>1,709</b>

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

	31 March 2011 £'000	31 March 2010 £'000	1 April 2009 £'000
Finance lease liabilities (NPV of minimum lease payments)			
▪ Current	333	327	444
▪ Non-Current	554	812	906
Finance costs payable in future years	1,068	1,124	1,165
<b>Minimum Lease Payments</b>	<b>1,955</b>	<b>2,263</b>	<b>2,515</b>

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

	Minimum Lease Payments			Finance Lease Liabilities		
	31 March 2011 £'000	31 March 2010 £'000	1 April 2009 £'000	31 March 2011 £'000	31 March 2010 £'000	1 April 2009 £'000
No later than one year	384	392	520	333	327	444
Later than one year and not later than 5 years	437	680	763	349	565	665
Later than 5 years	1,134	1,191	1,232	205	247	241
<b>Total</b>	<b>1,955</b>	<b>2,263</b>	<b>2,515</b>	<b>887</b>	<b>1,139</b>	<b>1,350</b>

### Operating Leases

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

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

	<b>31 March 2011 £'000</b>	<b>31 March 2010 £'000</b>
No later than 1 year	1,082	1,033
Later than 1 year and not later than 5 years	881	397
Later than 5 years	1,433	1,471
<b>Total</b>	<b>3,396</b>	<b>2,901</b>

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

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	<b>2010/2011 £'000</b>	<b>2009/2010 £'000</b>
Minimum lease payments	1,033	955
Payments receivable in respect of properties occupied by homeless families	(846)	(720)
<b>Total</b>	<b>187</b>	<b>235</b>

## Authority as Lessor

### Finance Leases

The Authority has leased out several properties on finance leases with remaining terms of up to 9 years. The Authority has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Authority in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

	31 March 2011 £'000	31 March 2010 £'000	1 April 2009 £'000
Finance lease debtor (NPV of minimum lease payments)			
▪ Current	8	12	11
▪ Non-Current	80	178	189
Unearned finance income	27	87	100
Unguaranteed residual value of property	(18)	(25)	(25)
<b>Gross Investment in the lease</b>	<b>97</b>	<b>252</b>	<b>275</b>

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

	Gross Investment in the Lease			Minimum Lease Payments		
	31 March 2011 £'000	31 March 2010 £'000	1 April 2009 £'000	31 March 2011 £'000	31 March 2010 £'000	1 April 2009 £'000
No later than one year	13	23	23	13	23	23
Later than one year and not later than 5 years	50	94	94	50	94	94
Later than 5 years	34	135	158	34	135	158
<b>Total</b>	<b>97</b>	<b>252</b>	<b>275</b>	<b>97</b>	<b>252</b>	<b>275</b>

## **Operating Leases**

The Authority leases out property for various purposes including:

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

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

	<b>31 March 2011 £'000</b>	<b>31 March 2010 £'000</b>
No later than 1 year	702	639
Later than 1 year and not later than 5 years	1,083	1,012
Later than 5 years	7,829	5,911
<b>Total</b>	<b>9,614</b>	<b>7,562</b>

The minimum lease payments receivable do not include rent that is contingent on turnover. In 2010/11 contingent rents received amounted to £237,444. In 2009/10 this figure was £292,733.

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

### **Three Schools PFI Project**

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

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

Contracts were signed on 12 March 2003, and construction started at the end of March 2003. The Unitary Charges (the monthly payment made by the Council to the private sector for the 3 fully serviced schools) were payable from 1 August 2004 for a contract period of 25 years. The Unitary Charge in the financial year 2010/11 was £6.4m (net of minimal availability and performance deductions) for the period April 2010 to March 2011 inclusive. (Unitary Charge in the financial year 2009/10 was £6.3m net of £2k availability and performance deductions). The full year charge in 2011/12 is estimated to be approximately £6.5m at a price base of 1 April 2011 (assuming RPI of 2.5%).

The outstanding undischarged obligation arising from the PFI transaction is approximately £134.8m (£141.1m in 2009/10), which represents the total of the estimated Unitary Charges payable for the remainder of the 25 year contract period.

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

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

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

	<b>£'000</b>
1 April 2009	46,926
Movement 2009/10	(969)
31 March 2010	45,957
Movement 2010/11	(975)
31 March 2011	44,982

**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 2009	(30,561)	(446)	(31,007)
Movement 2009/10	1,016	55	1,071
31 March 2010	(29,545)	(391)	(29,936)
Movement 2010/11	935	-	935
31 March 2011	(28,610)	(391)	(29,001)

**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	2,937	1,022	2,530	6,489
Within 2 to 5 Years	13,074	4,679	9,131	26,884
Within 6 to 10 Years	19,906	6,975	8,917	35,798
Within 11 to 15 Years	24,194	9,065	5,158	38,417
Within 16 to 20 Years	18,987	6,869	1,327	27,183

**41. Impairment Losses**

During 2010/11, the Authority has recognised an impairment loss of £33k in relation to a demolition at its Recycling Depot at Bron y Nant, Mochdre. The impairment loss has been charged to Environmental Services in the Cultural, Environmental, Regulatory and Planning line in the Comprehensive Income and Expenditure Statement.

#### **42. Termination Benefits**

The modernisation and re-modelling of Social Services has resulted in 19 staff being made redundant in 2010/11 incurring costs of £101k (8 staff in 2009/10 with redundancy costs of £39k).

Terminations of employees' contracts in other services in 2010/11 resulted in 7 staff being made redundant incurring a cost of £55k (11 staff in 2009/10 with redundancy costs of £143k).

#### **43. Pensions Schemes Accounted for as Defined Contribution Schemes**

Teachers employed by the Authority are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Authority is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. In 2010/11, the Council paid £4.221m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.14% of pensionable pay. The figures for 2009/10 were £4.119m and 14.1%. There were no contributions remaining payable at the year-end (31.3.2010 – Nil).

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

#### **44. Defined Benefit Pension Schemes**

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

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

The authority participates in two post employment schemes:

- The Local Government Pension Scheme. The Authority participates in schemes administered locally by Gwynedd Council and Flintshire County Council – these are funded defined benefit final salary schemes, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- Arrangements for the award of discretionary post retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.
- The employers contribution rate for the Gwynedd scheme in 2010/11 was 20.1% (2009/10 20.1%). The rate will be 20.6% in 2011/12. The total amount paid to the Gwynedd scheme was £13.679m (£12.898m in 2009/10).



## Transactions Relating to Post-employment Benefits

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2010/11	2009/10	2010/11	2009/10
	£'000	£'000	£'000	£'000
Comprehensive Income & Expenditure Statement				
<b>Cost of services:</b>				
▪ Current service cost	(12,560)	(6,132)	-	-
▪ Past service (cost)/credit	36,744	(6)	1,525	-
▪ Settlements & Curtailments	(71)	(48)	-	-
<b>Financing &amp; Investment Income &amp; Expenditure</b>				
▪ Interest cost	(22,693)	(18,078)	(1,211)	(1,168)
▪ Expected return on scheme assets	19,397	12,318	-	-
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>20,817</b>	<b>(11,946)</b>	<b>314</b>	<b>(1,168)</b>
<b>Other Post Employment Benefit Charged to the Comprehensive Income &amp; Expenditure Statement</b>				
▪ Actuarial gains and losses	90,227	(97,597)	1,998	(4,341)
<b>Total Post Employment Benefit Charged to the Comprehensive Income &amp; Expenditure Statement</b>	<b>111,044</b>	<b>(109,543)</b>	<b>2,312</b>	<b>(5,509)</b>
<b>Movement in reserves statement</b>				
▪ Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the code	21,131	(13,114)	-	-
<b>Actual amount charged against the Council Fund Balance for pensions in the year:</b>				
▪ Employers' contributions payable to scheme	13,679	12,898	-	-
<b>Retirement benefits payable to pensioners</b>	<b>10,301</b>	<b>8,436</b>	<b>1,489</b>	<b>1,450</b>

The decision to uplift public service pensions using the CPI rather than RPI has been recognised in these accounts. (See note 5)

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2011 is a loss of £52.103m.

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

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

Liabilities	Funded Liabilities: Local Government Pension Scheme			Unfunded Liabilities: Discretionary Benefits		
	31 March 2011 £'000	31 March 2010 £'000	1 April 2009 £'000	31 March 2011 £'000	31 March 2010 £'000	1 April 2009 £'000
Opening balance	438,346	259,587	267,453	23,288	19,265	20,783
Current service cost	12,560	6,132	7,182	-	-	-
Interest cost	22,693	18,078	18,360	1,211	1,170	1,343
Contributions by plan participants	3,847	3,488	3,481	-	-	-
Actuarial gains and losses	(112,282)	159,442	(25,570)	(1,998)	4,341	(1,404)
Benefits paid	(10,301)	(8,435)	(7,628)	(1,489)	(1,488)	(1,457)
Past service costs/(credit)	(36,744)	6	3,051	(1,525)	-	-
Curtailments	71	48	346	-	-	-
Liabilities Discharged	-	-	(7,088)	-	-	-
<b>Closing Balance</b>	<b>318,190</b>	<b>438,346</b>	<b>259,587</b>	<b>19,487</b>	<b>23,288</b>	<b>19,265</b>

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

Assets	Local Government Pension Scheme	
	31 March 2011 £'000	31 March 2010 £'000
Opening balance at 1 April	266,331	185,702
Expected rate of return	19,397	12,317
Actuarial gains and losses	(22,053)	61,845
Employer contributions	12,188	11,415
Contributions by scheme participants	3,847	3,488
Benefits paid	(10,301)	(8,436)
Unfunded Benefits Paid	(1,489)	(1,488)
Unfunded Benefits Contributions	1,489	1,488
<b>Closing balance</b>	<b>269,409</b>	<b>266,331</b>

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

The actual return on scheme assets in the year was £21.837m (2009/10: £74.164m).

## Scheme History

	2006/07 £'000	2007/08 £'000	2008/09 £'000	2009/10 £'000	2010/11 £'000
<b>Present value of liabilities:</b>					
Local Government Pension Scheme	281,929	267,453	259,586	438,345	318,190
Discretionary Benefits	20,793	20,785	19,266	23,289	19,487
<b>Fair value of assets in the Local Government Scheme</b>	224,255	233,052	185,702	266,331	269,409
<b>Surplus/(Deficit) in the scheme:</b>	78,467	55,186	93,150	195,303	68,268
Local Government Pension Scheme	57,674	34,401	73,884	172,014	48,781
Discretionary Benefits	20,793	20,785	19,266	23,289	19,487

The liabilities show the underlying commitments that the authority has in the long run to pay post employment (retirement) benefits. The total net liability of £68.268m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

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

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2012 is £11.540m. Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2012 are £1.79m.

## Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the Council Fund being based on the latest full valuation of the scheme as at 31 March 2011.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme			Discretionary Benefits		
	31 March 2011	31 March 2010	1 April 2009	31 March 2011	31 March 2010	1 April 2009
<b>Long-term expected rate of return on assets in the scheme:</b>						
Equity Investments	7.5%	7.8%	7.0%	-	-	-
Bonds	4.9%	5.0%	5.4%	-	-	-
Property	5.5%	5.8%	4.9%	-	-	-
Cash	4.6%	4.8%	4.0%	-	-	-
<b>Mortality Assumptions:</b>						
<b>Longevity at 65 for current pensioners</b>						
▪ Men	20.5	20.8	19.6	20.5	20.8	19.6
▪ Women	23	24.1	22.5	23	24.1	22.5
<b>Longevity at 65 for future pensioners</b>						
▪ Men	23.3	22.3	20.7	23.3	22.3	20.7
▪ Women	25.6	25.7	23.6	25.6	25.7	23.6
Rate of Inflation	2.8%	3.8%	3.1%	2.8%	3.8%	3.1%
Rate of Increase in salaries	5.1%	5.3%	4.6%	5.1%	5.3%	4.6%
Rate of Increase in pensions	2.8%	3.8%	3.1%	2.8%	3.8%	3.1%
Rate for discounting scheme liabilities	5.5%	5.5%	6.9%	5.5%	5.5%	6.9%
Take-up of option to convert annual pension into retirement lump sum	50%	50%	50%	-	-	-

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

	31 March 2011 £'000	31 March 2010 £'000
Equity Investments	205,146	205,409
Bonds	35,091	40,015
Property	24,293	16,006
Cash	4,879	4,901
<b>Total</b>	<b>269,409</b>	<b>266,331</b>

## History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011:

	2006/07 %	2007/08 %	2008/09 %	2009/10 %	2010/11 %
Differences between the expected and actual return on assets	0.08	5.85	(36.08)	23.22	(8.14)
Experience gains and losses on liabilities	(0.15)	(5.91)	(0.01)	0.03	19.22

### 45. Contingent Liabilities

#### Municipal Mutual Insurance (MMI)

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

The gross liability of the Authority is estimated at approximately £75,657 and the net figure, after a recovery from the Financial Services Compensation Scheme, is estimated to be approximately £58,115.

### 46. Contingent Assets

There is an outstanding claim against a contractor in connection with a construction contract which may result in the Authority being repaid a sum in the region of £500k.

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

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

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

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

## Credit Risk

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

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

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

The Head of Financial Services will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary. These criteria are separate to those which determine Specified and Non-Specified investments, as it selects which counterparties the Council will choose rather than defining what its investments are.

1. Debt Management Office of the Treasury – limit £10m
2. Local Authorities (except rate capped) – limit £5m
3. All UK and Irish banks and their subsidiaries that have good ratings (Fitch or equivalent). This is currently defined as:

Short Term	F1
Long Term	A
Individual/Financial strength	B
Support	3

Limit - £5m

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

#### 4. Building Societies

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

## 5. Money Market Funds (MMF)

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

The Authority's maximum exposure to credit risk of £5m in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2011 that this was likely to crystallise.

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

	<b>Amount at 31 March 2011</b>	<b>Historical Experience of Default</b>	<b>Historical experience adjusted for market conditions at 31 March 2011</b>	<b>Estimated Maximum Exposure to Default &amp; Uncollectability at 31 March 2011</b>	<b>Estimated Maximum Exposure at 31 March 2010</b>
	<b>£'000</b>	<b>%</b>	<b>%</b>	<b>£'000</b>	<b>£'000</b>
Customers	8,352	0	0	0	0

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

	<b>31 March 2011 £000</b>	<b>31 March 2010 £000</b>
< 3 Months	4,981	4,152
3-6 Months	729	728
6-12 Months	693	589
> 12 Months	1,949	1,447
<b>Total</b>	<b>8,352</b>	<b>6,916</b>

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

## Liquidity Risk

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

	<b>31 March 2011 £'000</b>	<b>31 March 2010 £'000</b>
< 1 Year	12,000	7,000
1 – 2 Years	-	-
2 – 5 Years	-	-
5 – 10 Years	-	-
10 – 25 Years	5,213	5,213
> 25 Years	90,655	90,655
<b>Total</b>	<b>107,868</b>	<b>102,868</b>



## **Market Risk**

### **Interest Rate Risk**

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

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

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

The Authority has a number of strategies for managing interest rate risk. The Council has the option to keep a maximum of 30% of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The Council is not currently taking any long term borrowing and has repaid borrowing out of investments in order to reduce its exposure and to reduce interest costs. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Authority's cost of borrowing and provide compensation for a proportion of any higher costs.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable. According to this assessment strategy, at 31 March 2011, if interest rates had been 1% higher with all other variables held constant, the financial effect would be as shown in the following table:

	£'000
Increase in Interest receivable on variable rate Investments	338
Impact on Surplus or Deficit on the Provision of Services	338
Decrease in Fair Value of fixed rate Investment assets	-
Impact on Other Comprehensive Income & Expenditure	-
Decrease in fair Value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income & Expenditure)	20,416

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

#### **Price Risk**

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

#### **Foreign Exchange Risk**

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

#### **48. 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 2011 amounted to £102,525 and the income for the year was £4,909. (Fund Balances at 31 March 2010 amounted to £101,138 and income for the year 2009/10 was £5,408.)

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 140.
3. A Trust Fund was set up for the benefit of scholars in Llanrwst for ancillary education. The details of the Ymddiriedolaeth Addysg Llanrwst income and expenditure account and balance sheet appear on page 144.

#### **49. Forward Commitments**

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

## 50. 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 2010/11 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*	11	5/9	6.25
A	4,033	6/9	2,688.83
B	6,800	7/9	5,288.69
C	12,946	8/9	11,507.33
D	10,438	1	10,437.50
E	7,769	11/9	9,494.83
F	4,429	13/9	6,397.44
G	1,713	15/9	2,855.42
H	379	18/9	757.50
I	124	21/9	289.33
			<b>49,723.12</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>2010/11</b>	<b>2009/10</b>
	<b>£'000</b>	<b>£'000</b>
Council Tax raised	51,670	49,472

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

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

For 2010/11 the rate set by the Welsh Government was 0.409p per £1 of rateable value of the non-domestic properties (2009/10: 0.489p). At 31 March 2011 there were 4,949 properties on the local valuation list in Conwy, representing a rateable value of £80,182,853 (2009/10: £78,205,599). The net income accruing to the Council from the NNDR is as follows:-

	<b>2010/11</b>	<b>2009/10</b>
	<b>£'000</b>	<b>£'000</b>
National Non-Domestic Rate raised	25,680	25,742
Less Cost of Collection Allowance	(262)	(249)
Less sum paid to the National Pool	(25,418)	(25,493)
	-	-
Receipts from the National Pool	31,985	30,633
<b>Net Income from the National Non-Domestic Rates</b>	<b>31,985</b>	<b>30,633</b>

## 52. ~~Prior Year Adjustments – Transition to IFRS~~

IFRS COMPLIANT COMPREHENSIVE INCOME & EXPENDITURE ACCOUNT 2009/10	As reported under UK GAAP	IFRS adjustments Leases	IFRS adjustments Employee Benefits	IFRS adjustments Government Grants Deferred & Grants Unapplied	IFRS adjustments Receipts in Advance	IFRS adjustments Capital Grants Unapplied	Impairment Correction	IFRS adjustments Grants Capital Debtor	IFRS adjustments Investment Properties	Comprehensive Income & Expenditure Account 2009/10
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
CS Expenditure	10,672	(4)								10,668
CS Income	(8,172)				(41)					(8,213)
CEP Expenditure	48,313	(15)						(41)		48,257
CEP Income	(18,590)	7		2,127	(143)			375		(16,224)
HIGHWAYS Expenditure	23,462	54								23,516
HIGHWAYS Income	(12,760)			709						(12,051)
HOUSING Expenditure	42,407									42,407
HOUSING Income	(38,644)				(164)					(38,808)
CDC Expenditure	6,772	(5)						(46)		6,721
CDC Income	(163)	17		(169)						(315)
NDC Expenditure	801			36						837
NDC Income	(1,750)									(1,750)
SOCIAL SERVICES Expenditure	55,604	(8)								55,596
SOCIAL SERVICES Income	(16,091)			83	97					(15,911)
EDUCATION Expenditure	130,632	(101)	(223)				2,169			132,477
EDUCATION Income	(24,370)			385	48					(23,937)
<b>NET COST OF SERVICES</b>	<b>198,123</b>	<b>(55)</b>	<b>(223)</b>	<b>3,171</b>	<b>(203)</b>	<b>-</b>	<b>2,169</b>	<b>-</b>	<b>288</b>	<b>203,270</b>
Gain/Loss on Disposal of Fixed Assets (CF)	495	457								952
PRECEPTS AND LEVIES	16,567									16,567
TRADING Expenditure	7,186									7,186
TRADING Income	(5,859)			254						(5,605)
External Interest Payable (GF)	8,716	90								8,806
DISCOUNTS AND PREMIUMS (GF)	(164)									(164)
INTEREST AND INVESTMENT INCOME (GF)	(1,297)	(13)								(1,310)
INVESTMENT PROPERTY INCOME & CHANGE IN FAIR VALUE	-								(3,776)	(3,776)
PENSIONS INTEREST	19,246									19,246
RETURN ON PENSION ASSETS	(12,318)									(12,318)
<b>NET OPERATING EXPENDITURE</b>	<b>230,695</b>	<b>479</b>	<b>(223)</b>	<b>3,425</b>	<b>(203)</b>	<b>-</b>	<b>2,169</b>	<b>-</b>	<b>(3,488)</b>	<b>232,854</b>
COUNCIL TAX PAYERS	(49,472)									(49,472)
REVENUE SUPPORT GRANT & OTHER	(117,698)			(10,348)		(87)		1,636		(126,497)
NNDR	(30,633)									(30,633)
<b>NET (SURPLUS)/DEFICIT FOR THE YEAR</b>	<b>32,892</b>	<b>479</b>	<b>(223)</b>	<b>(6,923)</b>	<b>(203)</b>	<b>(87)</b>	<b>2,169</b>	<b>1,636</b>	<b>(3,488)</b>	<b>26,252</b>

BALANCE SHEET AS AT 1/4/2009	Consolidated Balance Sheet under UK GAAP 31/3/09	IFRS adjustments re-classification of assets/liabilities	IFRS adjustments Cash & Cash Equivalents	IFRS adjustments Provisions	IFRS adjustments Leases	IFRS Receipts in Advance to Reserves	IFRS adjustments Employee Benefits	IFRS adjustments Government Grants Deferred, Unapplied, & Capital Grants Receipts in Advance	UK GAAP balances in IFRS format Balance 1/4/09	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
<b>OPERATIONAL ASSETS</b>										<b>OPERATIONAL ASSETS</b>
COUNCIL DWELLINGS	-									
OTHER LAND & BUILDINGS	231,396									
VEHICLES, PLANT & EQUIPMENT	8,367									
INFRASTRUCTURE	48,364									
COMMUNITY ASSETS	3,328									
	291,455	(291,455)								
NON OPERATIONAL ASSETS	15,148	(15,148)								
PROPERTY, PLANT & EQUIPMENT	-	301,883				1,014			302,897	PROPERTY, PLANT & EQUIPMENT
INVESTMENT PROPERTY	-	4,145				(52)			4,093	INVESTMENT PROPERTY
INTANGIBLE FIXED ASSETS	992					27			1,019	INTANGIBLE ASSETS
LONG TERM INVESTMENTS	1,052								1,052	LONG-TERM INVESTMENTS
LONG TERM DEBTORS	644					190			834	LONG TERM DEBTORS
<b>TOTAL LONG TERM ASSETS</b>	<b>309,291</b>	<b>(575)</b>	<b>-</b>	<b>-</b>	<b>1,179</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>309,895</b>	<b>LONG TERM ASSETS</b>
<b>CURRENT ASSETS</b>										<b>CURRENT ASSETS</b>
<b>SHORT TERM FINANCIAL ASSETS</b>										<b>SHORT TERM FINANCIAL ASSETS</b>
CASH IN HAND	479		23,495						23,974	CASH & CASH EQUIVALENTS
STOCKS & WORK IN PROGRESS	695								695	INVENTORIES & WORK IN PROGRESS
DEBTORS	23,614	799				11			24,424	SHORT-TERM DEBTORS
INVESTMENTS	34,903		(26,903)						8,000	SHORT-TERM INVESTMENTS
PAYMENTS IN ADVANCE	799	(799)							-	
		575							575	ASSETS HELD FOR SALE
<b>TOTAL CURRENT ASSETS</b>	<b>60,490</b>	<b>575</b>	<b>(3,408)</b>	<b>-</b>	<b>11</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>57,668</b>	<b>CURRENT ASSETS</b>
<b>CURRENT LIABILITIES</b>										<b>CURRENT LIABILITIES</b>
<b>SHORT TERM FINANCIAL LIABILITIES</b>										<b>SHORT TERM FINANCIAL LIABILITIES</b>
CREDITORS	14,035	3,588				444	2,334	(1,425)	18,976	SHORT-TERM CREDITORS
BORROWING REPAYABLE WITHIN 12 MONTHS	18,005								18,005	SHORT-TERM BORROWING
RECEIPTS IN ADVANCE	4,720	(3,588)				(1,132)			-	
				963					963	PROVISIONS
BANK OVERDRAFT	3,408		(3,408)						-	CASH & CASH EQUIVALENTS
<b>TOTAL CURRENT LIABILITIES</b>	<b>40,168</b>	<b>-</b>	<b>(3,408)</b>	<b>963</b>	<b>444</b>	<b>(1,132)</b>	<b>2,334</b>	<b>(1,425)</b>	<b>37,944</b>	<b>TOTAL CURRENT LIABILITIES</b>
<b>NET CURRENT(-) LIABILITIES/ASSETS</b>	<b>20,322</b>	<b>575</b>	<b>-</b>	<b>(963)</b>	<b>(433)</b>	<b>1,132</b>	<b>(2,334)</b>	<b>1,425</b>	<b>19,724</b>	<b>NET CURRENT(-) LIABILITIES/ASSETS</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>329,613</b>	<b>-</b>	<b>-</b>	<b>(963)</b>	<b>746</b>	<b>1,132</b>	<b>(2,334)</b>	<b>1,425</b>	<b>329,619</b>	<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>
<b>NON-CURRENT LIABILITIES</b>										<b>LONG-TERM LIABILITIES</b>
PENSIONS LIABILITY	93,150								93,150	PENSIONS LIABILITY
LONG TERM FINANCIAL LIABILITIES: BORROWING	96,392								96,392	LONG-TERM BORROWING
OTHER LONG TERM LIABILITIES	31,007					906			31,913	OTHER LONG-TERM LIABILITIES
PROVISIONS	8,973			(963)					8,010	PROVISIONS
GOVERNMENT GRANTS DEFERRED	73,358							(73,358)	-	
								1,425	1,425	CAPITAL GRANTS RECEIPTS IN ADVANCE
CAPITAL GRANTS UNAPPLIED	1,079							(1,079)	-	
	303,959	-	-	(963)	906	-	-	(73,012)	230,890	<b>TOTAL LONG-TERM LIABILITIES</b>
<b>TOTAL ASSETS LESS LIABILITIES</b>	<b>25,654</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(160)</b>	<b>1,132</b>	<b>(2,334)</b>	<b>74,437</b>	<b>98,729</b>	<b>TOTAL ASSETS LESS LIABILITIES</b>

<b>BALANCE SHEET AS AT 1/4/2009</b>	<b>Consolidated Balance Sheet under UK GAAP 31/3/09</b>	<b>IFRS adjustments re- classification of assets/liabilities</b>	<b>IFRS adjustments Cash &amp; Cash Equivalents</b>	<b>IFRS adjustments Provisions</b>	<b>IFRS adjustments Leases</b>	<b>IFRS Receipts in Advance to Reserves</b>	<b>IFRS adjustments Employee Benefits</b>	<b>IFRS adjustments Government Grants Deferred, Unapplied, &amp; Capital Grants Receipts in Advance</b>	<b>UK GAAP balances in IFRS format Balance 1/4/09</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>RESERVES</b>										<b>USABLE RESERVES</b>
COUNCIL FUND	3,005								3,005	COUNCIL FUND
HRA	189								189	HRA
RESERVES	27,197					1,132			28,329	EARMARKED RESERVES
CAPITAL RESERVE	1,971								1,971	CAPITAL RESERVE
USABLE CAPITAL RECEIPTS RESERVE	5,465								5,465	USABLE CAPITAL RECEIPTS RESERVE
	<b>37,827</b>	-	-	-	-	<b>1,132</b>	-	1,079	<b>40,038</b>	CAPITAL GRANTS UNAPPLIED
								<b>1,079</b>		
PENSIONS RESERVE	(93,150)								(93,150)	PENSIONS RESERVE
EQUAL PAY BACK PAY ACCOUNT	(5,800)								(5,800)	UNEQUAL PAY BACK PAY ACCOUNT
							(2,334)		(2,334)	ACCUMULATED ABSENCES ACCOUNT
DEFERRED CAPITAL RECEIPTS	28					201			229	DEFERRED CAPITAL RECEIPTS
CAPITAL ADJUSTMENT ACCOUNT	87,771					(361)		73,358	160,768	CAPITAL ADJUSTMENT ACCOUNT
REVALUATION RESERVE	25								25	REVALUATION RESERVE
FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT	(1,047)								(1,047)	FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT
	<b>(12,173)</b>	-	-	-	<b>(160)</b>	-	<b>(2,334)</b>	<b>73,358</b>	<b>58,691</b>	
<b>TOTAL EQUITY</b>	<b>25,654</b>	-	-	-	<b>(160)</b>	<b>1,132</b>	<b>(2,334)</b>	<b>74,437</b>	<b>98,729</b>	<b>TOTAL EQUITY</b>



BALANCE SHEET AS AT 31/3/2010	As reported under UK GAAP BALANCE 31/3/10	IFRS adjustments re-classification of assets/liabilities	IFRS adjustments Cash & Cash Equivalents	IFRS adjustments Provisions	IFRS adjustments Leases	Adjustment bt.CAA and RR re Lease disposals	Asset Valuation Adjustment	Revaluation reserve adj. re impairment	IFRS Receipts in Advance to Reserves	IFRS adjustments Employee Benefits	IFRS Investment Assets	IFRS adjustments Government Grants Deferred, Unapplied, & Capital Grants Receipts in Advance	UK GAAP balances in IFRS format BALANCE 31/3/10	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
<b>OPERATIONAL ASSETS</b>														<b>OPERATIONAL ASSETS</b>
COUNCIL DWELLINGS														
OTHER LAND & BUILDINGS	259,465													
VEHICLES, PLANT & EQUIPMENT	10,140													
INFRASTRUCTURE	48,545													
COMMUNITY ASSETS	3,744													
	<b>321,894</b>	(321,894)												
NON OPERATIONAL ASSETS	17,955	(17,955)												
PROPERTY, PLANT & EQUIPMENT		325,509			463								325,972	PROPERTY, PLANT & EQUIPMENT
INVESTMENT PROPERTY		6,567			(172)								6,395	INVESTMENT PROPERTY
INTANGIBLE FIXED ASSETS	1,094				18								1,112	INTANGIBLE ASSETS
LONG TERM INVESTMENTS	1												1	LONG-TERM INVESTMENTS
LONG TERM DEBTORS	775				178								953	LONG TERM DEBTORS
AVAILABLE FOR SALE FINANCIAL ASSETS	1,359												1,359	AVAILABLE FOR SALE FINANCIAL ASSETS
<b>TOTAL LONG TERM ASSETS</b>	<b>343,078</b>	<b>(7,773)</b>	-	-	<b>487</b>	-	-	-	-	-	-	-	<b>335,792</b>	<b>LONG TERM ASSETS</b>
<b>CURRENT ASSETS</b>														<b>CURRENT ASSETS</b>
<b>SHORT TERM FINANCIAL ASSETS</b>														<b>SHORT TERM FINANCIAL ASSETS</b>
CASH IN HAND	641		7,545										8,186	CASH & CASH EQUIVALENTS
STOCKS & WORK IN PROGRESS	755												756	INVENTORIES & WORK IN PROGRESS
DEBTORS	25,946	1,820			12								27,778	SHORT-TERM DEBTORS
INVESTMENTS	17,456		(11,456)										6,000	SHORT-TERM INVESTMENTS
PAYMENTS IN ADVANCE	1,820	(1,820)											-	
		7,773					(500)						7,273	ASSETS HELD FOR SALE
<b>TOTAL CURRENT ASSETS</b>	<b>46,618</b>	<b>7,773</b>	<b>(3,911)</b>	-	<b>12</b>	-	<b>(500)</b>	-	-	-	-	-	<b>49,993</b>	<b>CURRENT ASSETS</b>
<b>CURRENT LIABILITIES</b>														<b>CURRENT LIABILITIES</b>
<b>SHORT TERM FINANCIAL LIABILITIES</b>														<b>SHORT TERM FINANCIAL LIABILITIES</b>
CREDITORS	12,946	5,917			326				(2,140)	2,111		(1,079)	18,081	SHORT-TERM CREDITORS
BORROWING REPAYABLE WITHIN 12 MONTHS	7,827												7,827	SHORT-TERM BORROWING
RECEIPTS IN ADVANCE	5,917	(5,917)											-	
				4,224									4,224	PROVISIONS
BANK OVERDRAFT	3,910		(3,910)										-	CASH & CASH EQUIVALENTS
<b>TOTAL CURRENT LIABILITIES</b>	<b>30,600</b>	-	<b>(3,910)</b>	<b>4,224</b>	<b>326</b>	-	-	-	<b>(2,140)</b>	<b>2,111</b>	-	<b>(1,079)</b>	<b>30,132</b>	<b>CURRENT LIABILITIES</b>
<b>NET CURRENT(-) LIABILITIES/ASSETS</b>	<b>16,018</b>	<b>7,773</b>	<b>(1)</b>	<b>(4,224)</b>	<b>(314)</b>	-	<b>(500)</b>	-	<b>2,140</b>	<b>(2,111)</b>	-	<b>1,079</b>	<b>19,861</b>	<b>NET CURRENT(-) LIABILITIES/ASSETS</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>359,096</b>	-	<b>(1)</b>	<b>(4,224)</b>	<b>173</b>	-	<b>(500)</b>	-	<b>2,140</b>	<b>(2,111)</b>	-	<b>1,079</b>	<b>355,653</b>	<b>ASSETS LESS CURRENT LIABILITIES</b>
<b>NON-CURRENT LIABILITIES</b>														<b>LONG-TERM LIABILITIES</b>
PENSIONS LIABILITY	195,303												195,303	PENSIONS LIABILITY
LONG TERM FINANCIAL LIABILITIES: BORROWING	95,315								805				96,120	LONG-TERM BORROWING
OTHER LONG TERM LIABILITIES	29,936				812								30,748	OTHER LONG-TERM LIABILITIES
PROVISIONS	11,888			(4,224)									7,664	PROVISIONS
GOVERNMENT GRANTS DEFERRED	78,644											(78,644)	-	
												715	715	CAPITAL GRANTS RECEIPTS IN ADVANCE
CAPITAL GRANTS UNAPPLIED	802											(802)	-	
	411,888	-	-	(4,224)	812	-	-	-	805	-		(78,731)	330,550	LONG-TERM LIABILITIES
<b>TOTAL ASSETS LESS LIABILITIES</b>	<b>(52,792)</b>	-	<b>(1)</b>	-	<b>(639)</b>	-	<b>(500)</b>	-	<b>1,335</b>	<b>(2,111)</b>	-	<b>79,810</b>	<b>25,103</b>	<b>NET ASSETS</b>

BALANCE SHEET AS AT 31/3/2010	As reported under UK GAAP BALANCE 31/3/10	IFRS adjustments re-classification of assets/liabilities	IFRS adjustments Cash & Cash Equivalents	IFRS adjustments Provisions	IFRS adjustments Leases	Adjustment bt.CAA and RR re Lease disposals	Asset Valuation Adjustment	Revaluation reserve adj. re impairment	IFRS Receipts in Advance to Reserves	IFRS adjustments Employee Benefits	IFRS Investment Assets	IFRS adjustments Government Grants Deferred, Unapplied, & Capital Grants Receipts in Advance	UK GAAP balances in IFRS format BALANCE 31/3/10	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
<b>RESERVES</b>														<b>USABLE RESERVES</b>
COUNCIL FUND	2,856													2,856 COUNCIL FUND
HRA	189													189 HRA
RESERVES	26,278								1,335					27,613 EARMARKED RESERVES
CAPITAL RESERVE	3,256													3,256 CAPITAL RESERVE
USABLE CAPITAL RECEIPTS RESERVE	3,626													3,626 USABLE CAPITAL RECEIPTS RESERVE
												1,166		1,166 CAPITAL GRANTS UNAPPLIED
	<b>36,205</b>	-	-	-	-	-	-	-	<b>1,335</b>	-	-	<b>1,166</b>		<b>38,706</b>
<b>UNUSABLE RESERVES</b>														<b>UNUSABLE RESERVES</b>
PENSIONS RESERVE	(195,303)													(195,303) PENSIONS RESERVE
EQUAL PAY BACK PAY ACCOUNT	(5,800)													(5,800) UNEQUAL PAY BACK PAY ACCOUNT
DEFERRED CAPITAL RECEIPTS	23				190									(2,111) ACCUMULATED ABSENCES ACCOUNT
CAPITAL ADJUSTMENT ACCOUNT	56,743				(829)	485		(2,169)			3,488	78,644		213 DEFERRED CAPITAL RECEIPTS
REVALUATION RESERVE	54,973					(485)	(500)	2,169			(3,488)			136,362 CAPITAL ADJUSTMENT ACCOUNT
FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT	(992)													52,669 REVALUATION RESERVE
AVAILABLE FOR SALE FINANCIAL ASSETS	1,359													(992) FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT
	<b>(88,997)</b>	-	-	-	<b>(639)</b>	-	<b>(500)</b>	-	-	<b>(2,111)</b>	-	<b>78,644</b>		<b>1,359</b> AVAILABLE FOR SALE FINANCIAL ASSETS
<b>TOTAL EQUITY</b>	<b>(52,792)</b>	-	-	-	<b>(639)</b>	-	<b>(500)</b>	-	<b>1,335</b>	<b>(2,111)</b>	-	<b>79,810</b>	<b>25,103</b>	<b>TOTAL EQUITY</b>

## **WELSH CHURCH ACT FUND**

### **STATEMENT OF ACCOUNTS 2010/11**

#### **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 44 to 63, 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	2010/11	2009/10
		£	£
<b>Resources Arising</b>			
Rent of Land	1	809	786
Investment Interest	2	6,189	7,054
Less Fund Manager's Fees		(103)	(130)
		6,895	7,710
<b>Use of Resources</b>			
Fees and Expenses	3	-	(221)
Allocations	4	(3,541)	(9,595)
Change in Resources Before Investment Gains or Losses		3,354	(2,106)
Realised gains (Losses) on Investment Disposals		53	8
Unrealised Gains (Losses) on Investment Values		(309)	(2,153)
<b>Resources Retained (Shortfall) for Future Use</b>		<b>3,098</b>	<b>(4,251)</b>
Resources Brought Forward		285,643	289,894
Resources Carried Forward		288,741	285,643
<b>Movement in Year</b>		<b>3,098</b>	<b>(4,251)</b>

## BALANCE SHEET AT 31 MARCH

	Notes	2011	2010
		£	£
<b>Fixed Assets</b>			
Land	1	15,333	15,333
Investments	2	76,963	77,426
		92,296	92,759
<b>Current Assets</b>			
Debtors (distribution due from Gwynedd Council)	3	5,680	6,513
Cash	2	72,723	68,536
Current Assets (held by Gwynedd Council)	2	126,222	126,539
		204,625	201,588
<b>Current Liabilities</b>			
Creditors	3	(8,180)	(8,704)
Net Assets		288,741	285,643
<b>Fund Balance</b>		<b>288,741</b>	<b>285,643</b>

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

### **Income and Expenditure Account**

#### **Note 1**

Rent from land administered by Conwy amounted to £809 (£786 in 2009/10). Conwy is entitled to 17.810244% of the rent from the land administered by Gwynedd Council, for 2010/11 this amounted to £250 (£250 for 2009/10).

#### **Note 2**

The main source of income is investment income from assets administered by Gwynedd on behalf of the fund; this amounted to £5,680 (£6,513 in 2009/10). 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 £406 (£411 in 2009/10), 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 again this year as the full year effect of the low interest rates impact on the fund. If the current trend continues, the investment income achieved will be between £6,500 and £7,500 per annum. The lower income has resulted in a decrease in the actual funds distributed.

#### **Note 3**

No advertisements were placed this year, as previous advertising had achieved its objective and raised awareness of the fund.

#### **Note 4**

Under the provisions of the Welsh Church Act, Conwy allocates grants to various organisations. The amount available for distribution in 2010/11 was estimated at £16,385 (£22,328 in 2009/10) and the actual amount distributed was £3,541 (£9,595 in 2009/10). The balance of the funds available for distribution in 2010/11 has been carried forward for distribution in 2011/12.

## **Balance Sheet**

### **Note 1**

The land held on behalf of the fund by Conwy is valued at £10,676 (£10,676 in 2009/10) and Conwy's share of the land held by the main fund is £4,657 (£4,657 in 2009/10).

### **Note 2**

The investments held by the main fund are mainly in UK Equities, £432,127 (£434,725 in 2009/10), of which Conwy is allocated 17.810244%. The balance of the main fund is held as cash deposits on which interest accrues. In 2010/11 this amounted to £700,150 (£700,358 in 2009/10) which is included in the current assets figure along with Debtors which amounted to £8,554 (£10,122 in 2009/10). Conwy is allocated 17.810244% of the total. The cash amount held by Conwy in 2010/11 amounted to £72,723 (£68,536 in 2009/10), of this amount £57,542 (£57,542 2009/10) is held as non distributable cash and is invested in order to generate income for distribution.

### **Note 3**

The amount to be distributed by Gwynedd for 2010/11 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 2010/11**

#### **Explanatory Foreword**

In 2010/11 the Council was the Custodian Trustee for this fund.

#### **Accounting Policies**

The accounting policies followed are those outlined on pages 44 to 63, 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 2011**

	2010/11 £		2009/10 £	
<b>RESOURCES ARISING</b>				
Donations	0		1,250	
Investment Interest	4,908		4,944	
Less Expenditure	(15,000)		(13,507)	
		(10,092)		(7,313)
Resources Brought Forward	909,276		916,589	
Resources Carried Forward	899,184		909,276	
<b>Movement in Year</b>		<b>(10,092)</b>		<b>(7,313)</b>

**BALANCE SHEET AT 31 MARCH**

	2011 £	2010 £
Current Assets		
Investments	899,184	909,276
Current Liabilities	-	-
<b>Fund Balance</b>	<b>899,184</b>	<b>909,276</b>

**Note**

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



## **GLOSSARY OF TERMS**

### **ACCOUNTING PERIOD**

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

### **ACCOUNTING POLICIES**

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

### **ACCRUALS**

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

### **ACTUARIAL GAINS AND LOSSES**

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

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

### **AGENCY ARRANGEMENTS**

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

### **AMORTISATION**

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

### **ASSET**

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

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

### **AUDIT OF ACCOUNTS**

An independent inspection of the Authority's financial affairs.

### **BALANCE SHEET**

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

### **BUDGET**

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

### **CAPITAL EXPENDITURE**

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

### **CAPITAL FINANCING**

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

### **CAPITAL PROGRAMME**

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

### **CAPITAL RECEIPT**

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

**CASH**

Comprises cash on hand & demand deposits

**CASH EQUIVALENTS**

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

**CASH FLOWS**

Inflows & outflows of cash & cash equivalents.

**CIPFA**

The Chartered Institute of Public Finance and Accountancy.

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

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

**COMMUNITY ASSETS**

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

**CONSISTENCY**

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

**CONSTRUCTIVE OBLIGATION**

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

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

**CONSUMER PRICE INDEX (CPI)**

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

**CONTINGENT ASSET**

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

**CONTINGENT LIABILITY**

A contingent liability is either:

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

**CORPORATE AND DEMOCRATIC CORE**

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

**CREDITOR**

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

**CURRENT SERVICE COST (PENSIONS)**

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

**DEBTOR**

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

**DEFINED BENEFIT PENSION SCHEME**

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

**DEPRECIATED REPLACEMENT COST (DRC)**

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

**DEPRECIATION**

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

**DISCRETIONARY BENEFITS (PENSIONS)**

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

**EFFECTIVE INTEREST RATE**

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

**EMPLOYEE BENEFITS**

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

**EQUITY**

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

**EVENTS AFTER THE BALANCE SHEET DATE**

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

**EXCEPTIONAL ITEMS**

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

**EXISTING USE VALUE (EUV)**

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

**EXPECTED RETURN ON PENSION ASSETS**

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

## **EXTRAORDINARY ITEMS**

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

## **FAIR VALUE**

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

## **FINANCE LEASE**

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

## **FINANCIAL INSTRUMENT**

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

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

The independent body that advises the Government on accounting issues.

## **FINANCING ACTIVITIES**

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

## **GOING CONCERN**

The concept that the statement of accounts are prepared on the assumption that the Council will continue in operational existence for the foreseeable future.

## **GOVERNMENT GRANTS**

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

## **HOUSING BENEFITS**

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

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

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

## **IMPAIRMENT**

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

## **INCOME**

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

## **INCOME AND EXPENDITURE ACCOUNT**

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

## **INFRASTRUCTURE ASSETS**

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

## **INTANGIBLE ASSETS**

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

### **INTEREST COST (PENSIONS)**

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

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

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

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

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

### **INVENTORIES**

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

### **INVESTING ACTIVITIES**

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

### **INVESTMENT PROPERTY**

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

### **INVESTMENTS (PENSION FUND)**

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

### **LASAAC**

Local Authority (Scotland) Accounts Advisory Committee.

### **LEASE**

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

### **LIABILITY**

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

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

### **LIQUID RESOURCES**

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

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

### **LONG-TERM CONTRACT**

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

### **MATERIALITY**

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

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

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

**NET BOOK VALUE**

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

**NET DEBT**

The Authority's borrowings less cash and liquid resources.

**NON-DISTRIBUTED COSTS**

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

**NON-DOMESTIC RATES (NDR)**

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

**OPERATING ACTIVITIES**

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

**OPERATING LEASE**

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

**PAST SERVICE COST (PENSIONS)**

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

**PENSION SCHEME LIABILITIES**

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

**PRECEPT**

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

**PRIOR YEAR ADJUSTMENT**

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

**PRIVATE FINANCE INITIATIVE (PFI)**

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

**PROJECTED UNIT METHOD**

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

**PROVISION**

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

**PUBLIC PRIVATE PARTNERSHIPS (PPP)**

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

**PUBLIC WORKS LOAN BOARD (PWLB)**

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

**RATEABLE VALUE**

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

## **RELATED PARTIES**

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

## **RELATED PARTY TRANSACTIONS**

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

## **REMUNERATION**

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

## **RESERVES**

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

## **RESIDUAL VALUE**

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

## **RETAIL PRICE INDEX (RPI)**

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

## **RETIREMENT BENEFITS**

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

## **REVENUE EXPENDITURE**

The day-to-day expenses of providing services.

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

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

## **REVENUE SUPPORT GRANT**

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

## **SERVICE CONCESSION ARRANGEMENT**

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

## **SOFT LOAN**

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

## **SOLACE**

Society of Local Authority Chief Executives

## **TEMPORARY BORROWING**

Money borrowed for a period of less than one year.

## **TRUST FUNDS**

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

## **UK GAAP**

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

**USEFUL ECONOMIC LIFE (UEL)**

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

**WORK IN PROGRESS**

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