

*Annual Finance
and
Governance
Report
2012/2013*

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Strategic Director – Finance & Efficiencies

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INTRODUCTION

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

The County Borough of Conwy has a population of around 115,300. Over 80% of the population lives along the coastal belt that includes the towns of Abergele, Colwyn Bay and Llandudno. The remainder of the population is dispersed across the area extending to Dolwyddelan in the south-west and Llangwm and Dinmael in the south-east. Around a third of Conwy's residents speak Welsh and around a half of the population of the County Borough were born in Wales.

Political Governance

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

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

Council

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

Cabinet

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

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

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

EXPLANATORY FOREWORD

1. The Council's Statement of Accounts is intended to provide clear information about the financial impact of the Council's activities during the period covered, in a format which is easily understood.
2. The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting 2012/13 (The Code 2012/13), 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 2012/13 constitutes a 'proper accounting practice' under the terms of section 21 (2) of the Local Government Act 2003. The Code 2012/13 is based on International Financial Reporting Standards (IFRS).
3. Service costing within the Statement of Accounts is in accordance with the Service Reporting Code of Practice 2012/13 (SeRCOP) which defines Total Cost, and outlines the service expenditure analysis to be adopted, together with a recommended standard subjective analysis.
4. These accounts consist of the following financial statements in accordance with the Code:-

a) Statement of responsibilities for the Statement of Accounts

This sets out the respective responsibilities of the Council and its officers for the preparation and approval of the Statement of Accounts.

b) Statement of Accounting principles and policies

The purpose of this statement is to explain the basis of the figures in the Accounts. It outlines the accounting policies that have been adopted.

c) The 'Core' Financial Statements

1. The Movement in Reserves Statement

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

The usable reserves amounted to £34.376m at the year end 31 March 2013 (31 March 2012 £36.768m), including the Council Fund balance of £2.979m (31 March 2012 £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 £4.787m (2011/12 surplus £5.544m).

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 2013 amounted to £115.749m, a decrease of £23.392m over the position at 31 March 2012, due to the increase in Pensions Liability.

4. Cash Flow Statement

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

5. Funding Council Services

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

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

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

5.1 Review of the Year – Revenue Expenditure

The Council's net revenue budget for 2012/13 was originally set at £187.756m (£186.6m in 2011/12) and took account of known and estimated pay awards, price increases, pressures and risks.

The budget was set against a backdrop of a poor financial settlement of grant support from the Welsh Government. A challenging 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 pressure was identified on Home to School Transport which is managed by Infrastructure – Highways Services on behalf of Education Services.

The over spend on Home to School Transport was reported early in the financial year and projected initially to be £550k but later revised to £575k, approved to be funded from a combination of the Council Fund balance (£136k) and the Demand Led Risk Reserve (£439k). The actual outturn was £582k.

Within the Infrastructure - Highways budget there was an over spend on Winter Maintenance in the sum of £427k due to the severe winter weather conditions experienced late in the financial year. The possibility of this was highlighted to Members in Cabinet reports. However, due to savings on the Civil Works Unit, Management & Support, Streetworks and Countryside Services which were not connected to the Winter Maintenance expenditure, the over spend has been reduced to a net sum of £178k. A claim has been submitted to the Welsh Government under the Emergency Financial Assistance Scheme (EFAS) and the determination of additional funding support is awaited.

A package of savings amounting to £1.275m as a result of a revised travel and leave policy for staff in accordance with a Memorandum of Understanding with the Trades Unions, was partially implemented in the course of the financial year, with the final parts taking effect on 1 April 2013.

The Balance Sheet of the Authority contains a number of movements in respect of earmarked reserves. During 2012/13 a number of reserves were established and increased, and a number of reserves were used. Revenue reserves result from events that have allowed monies to be set aside for various reasons, e.g. surpluses, or circumstances causing expenditure to have been postponed. The

movement in the reserves during 2012/13 reflects Council Resolutions, prudent accounting entries, service developments, money set aside for commitments, and resources to assist services in the delivery of future efficiency savings.

The opening balance at the start of the financial year on the Risk Reserve was £205k. Cabinet in July 2012 resolved to apply the balance of the Risk Reserve, plus an additional £20k from a Highways Service reserve, to partially finance the declared over spend on Home to School Transport. In the course of the annual review of reserves, approval was given to increase the Risk Reserve by contributions from Service Reserves in the sum of £214k, and to ring fence the balance to support budget pressures in 2012/13, and if possible, to assist with the budget deliberations for 2013/14. The final balance on the Risk Reserve in the sum of £439k was applied in full to the over spend on Home to School Transport.

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. As a result of a surplus on Council Tax collection in the sum of £85k and other net Service savings, a contribution to the Council Fund balance was made in the sum of £110k, partly offsetting the amount of £136k drawn from the balance to fund Home to School Transport. The Council Fund balance was at a level of £2.979m at the year end, which is deemed to be a minimum prudent amount. Other usable reserves are shown in Note 7 to the accounts.

The provision for Equal Pay within the accounts is £2m. This is not cash backed, it is offset by a negative unusable reserve – the Unequal Pay Back Pay Account as permitted by the Welsh Government. The Council is actively working towards a resolution in early 2013/14. It is not possible to say at this stage whether any settlement will be covered by the provision

Actual net expenditure totalled £187.841m, and it is pleasing to note that the Council achieved an overall net spend within the budget, despite variations of over and under spends in individual services. The main components of the revenue budget for 2012/13 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	
SERVICE	ORIGINAL ESTIMATE	APPROVED POSITION AT FEBRUARY	FINAL OUTTURN	VARIANCE (Col 5 - Col 4)	NOTES
	2012/13 £'000	2013 £'000	2012/13 £'000	2012/13 £'000	
Resource Base					
Revenue Support Grant	(113,351)	(113,351)	(113,351)	-	
NNDR Grant	(30,640)	(30,640)	(30,640)	-	
Council Tax	(43,765)	(43,765)	(43,850)	(85)	1
Sub-Total	(187,756)	(187,756)	(187,841)	(85)	
Net Expenditure					
Education Service	73,321	73,222	73,193	(29)	2
Home to School Transport	3,855	4,469	4,476	7	3
Social Services	49,501	48,829	48,759	(70)	4
Infrastructure - Highways	7,032	6,812	6,990	178	5
Environmental Services	13,211	12,999	12,963	(36)	
Community Development Services	8,127	8,087	8,081	(6)	
Regulatory Services & Housing	5,320	5,189	5,075	(114)	6
Theatres & Conference Centre	1,113	1,187	1,237	50	
Support Services	13,165	13,041	13,010	(31)	
Levies	5,787	5,787	5,763	(24)	7
Treasury Management Activities & Other Corporate Costs & Services	7,746	9,131	9,182	51	7
Total Net Expenditure	188,178	188,753	188,729	(24)	
Contribution from Reserves	422	422	423	1	
Contribution from Risk Reserve	-	439	439	-	3
Contribution from Council Fund Balance	-	136	26	(110)	8
Total Contributions	422	997	888	109	
Net Revenue Budget	187,756	187,756	187,841	85	

Notes - Brackets indicate income or net underspend

1. Surplus on Council Tax collection used to contribute to the Council Fund (CF) Balance
2. Minor under spends on the Education service budgets
3. Reported overspend on Home to School Transport (£575k) funded by contributions from CF Balance £136k and Risk Reserve £439k, actual outturn additional £7k
4. Social Services budget overall was underspent by £70k as a consequence of tight management of care packages and early delivery of savings planned for 2013/14 which materialised during the latter part of 2012/13
5. Overspend on Winter Maintenance budget of £427k offset by savings on Civils Works Unit, Management & Support, Streetworks and Countryside Services resulting in net over spend of £178k
6. Net under spend on Regulatory Services due to early delivery of 2013/14 savings
7. Net position on Treasury Management & Corporate costs £51k over budget offset by under spend on Coroners Fees
8. Net underspends on Services plus Council Tax Surplus used to reduce the net contribution from CF Balance

5.2 Capital Expenditure

In addition to spending money providing services on a day to day basis, the Council also spends money providing new or refurbished facilities such as schools, coastal and highways infrastructure. The total capital spending during 2012/13 was £28.428m. The following is a summary of the service areas which incurred capital investment in 2012/13 and how it was financed:-

Capital Expenditure	2012/13 Actual £'000
Capital Expenditure by Service:	
Education	6,552
Environmental & Technical Services	9,884
Infrastructure	4,718
Private Sector Housing	1,515
Community Development - Regeneration	475
Community Development - Leisure Services	1,038
Community Development - Libraries	138
Community Development – RDP Projects and European Funded Grants	761
Community Development – Other Projects and Grants	432
Social Care	608
Information Technology	311
Property Management & Asset Services	289
Regulatory Services	1,057
Other Services	650
Total Capital Expenditure	28,428

Capital Financing	2012/13 Actual £'000
Financed By:	
Supported Borrowing	5,357
Prudential Borrowing & Invest to Save Loans	3,164
Capital Receipts	602
Capital Grants	18,059
Capital Reserves	1,246
Total Capital Financing	28,428

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

Major projects undertaken during 2012/13 were as follows:-

- Colwyn Bay Waterfront Redevelopment & Coastal Defences
- Parc Eirias Events Centre & Track Refurbishment
- Refurbishment & Extension of Ysgol y Gogarth
- Cwrt Café & Centre for Learning & Development
- Private Sector Housing Improvements & Grants
- Replacement of Deteriorating Streetlighting
- Conwy Morfa to Penmaenbach Cycle Track
- Surface Dressing & Improvement of County Road Network
- A548 Llanrwst – Llangernyw Repair Works
- Bron y Nant Crematorium New Cremators & Mercury Abatement Filtration Equipment
- Upgrade of Public Conveniences
- Recycling Initiatives
- Local Government Borrowing Initiative – Highways Schemes

The Council's debt outstanding at 31 March 2013 was £133.8m (£122.044m at 31 March 2012) being an increase of £11.756m in borrowing to support the Local Government Borrowing Initiative for Highways schemes and the Capital Programme generally.

The Limits to Borrowing Activity in 2012/13, set in accordance with the Prudential Framework for local authority capital investment introduced through the Local Government Act 2003 (the Prudential Code) were as follows:-

	£'000
Authorised Limit for External Debt:	
Borrowing	167,138
Other Long term Liabilities	27,121
	194,259
Operational Boundary for External Debt:	
Borrowing	157,138
Other Long Term Liabilities	27,121
	184,259

6. Pension Liability – International Accounting Standard 19 (IAS19)

The Accounts as presented comply with the requirements of the above standard in that they reflect in the revenue accounts the current year cost of pension provision to employees as advised by the Council's actuary. The Statements also contain, within the Balance Sheet, the actuary's assessment of the Authority's share of the Pension Fund liability as at 31 March 2013 and the reserve needed to fund that liability.

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

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

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

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

THE AUTHORITY'S RESPONSIBILITIES

The Council is required to: -

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

AUTHORITY'S CERTIFICATE

I approve the Statement of Accounts of Conwy County Borough Council at 31 March 2013.

SIGNED:

Councillor Sam Rowlands
Chair of Audit Committee

DATED: 26/09/2013

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 2013.

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

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

SECTION 151 OFFICER'S CERTIFICATE

I certify that the Statement of Accounts presents a true and fair view of the financial position of Conwy County Borough Council at 31 March 2013 and its income and expenditure for the year then ended.

SIGNED:

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

DATED: 26/09/2013

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

I have audited the accounting statements and related notes of Conwy County Borough Council for the year ended 31 March 2013 under the Public Audit (Wales) Act 2004.

Conwy County Borough Council's accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, and the Cash Flow Statement, 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 2012/13 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 14 & 15, the responsible financial officer is responsible for the preparation of the statement of accounts, which gives a true and fair view.

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

Scope of the audit of the accounting statements

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

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

Opinion on the accounting statements of Conwy County Borough Council

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of Conwy County Borough Council as at 31 March 2013 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 2012/13.

Opinion on other matters

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

Matters on which I report by exception

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

Certificate of completion of audit

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

Anthony Barrett
Appointed Auditor
Wales Audit Office,
Cardiff

Date: 27/09/2013

THE STATEMENT OF ACCOUNTS 2012/13

STATEMENT OF ACCOUNTING PRINCIPLES AND POLICIES

1. GENERAL PRINCIPLES

The Statement of Accounts summarises the Authority's transactions for the 2012/13 financial year and its position at the year-end of 31 March 2013. 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 2012/13 (the Code) and the Service Reporting Code of Practice 2012/13 (SeRCOP), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the 2003 Act.

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

2. ACCRUALS OF INCOME AND EXPENDITURE

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

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

3. CASH AND CASH EQUIVALENTS

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

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

4. EXCEPTIONAL ITEMS

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

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

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

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

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

6. CHARGES TO REVENUE FOR NON-CURRENT ASSETS

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

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

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

the Council Fund Balance – Minimum Revenue Provision (MRP) - by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

7. EMPLOYEE BENEFITS

Benefits Payable During Employment

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

Termination Benefits

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

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

Post Employment Benefits

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

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

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

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

The Local Government Pension Scheme

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

- The liabilities of the Gwynedd and Flintshire pension funds attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 4.5% (4.77% in 2011/12) (based on the indicative rate of return on high quality corporate bond (iBoxx)).
- The assets of Gwynedd pension fund attributable to the Authority are included in the Balance Sheet at their fair value:-
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unitised securities – current bid price
 - property – market value
- The change in the net pensions liability is analysed into seven components:-
 - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
 - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
 - Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
 - Expected return on assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
 - Gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected

future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve.
- Contributions paid to the Gwynedd and Flintshire Pension Funds – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

8. EVENTS AFTER THE BALANCE SHEET DATE

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

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

Events taking place after the date of authorisation for issue (26/9/2013 for 2012/13) are not reflected in the Statement of Accounts.

9. FINANCIAL INSTRUMENTS

Financial Liabilities

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

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

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

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

Financial Assets

Financial assets are classified into two types:-

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

Loans and Receivables

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

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

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

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

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

Available-for-Sale Assets

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

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

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

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

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

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

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

10. FOREIGN CURRENCY TRANSLATION

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

11. GOVERNMENT GRANTS AND CONTRIBUTIONS

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

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

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

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

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

12. INTANGIBLE ASSETS

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

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

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

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

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

13. INVENTORIES AND LONG TERM CONTRACTS

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

14. INVESTMENT PROPERTY

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

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

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

15. JOINTLY CONTROLLED OPERATIONS AND JOINTLY CONTROLLED ASSETS

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

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

16. LEASES

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

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

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

The Authority as Lessee

Finance Leases

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

Lease payments are apportioned between:-

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

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

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

Operating Leases

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

The Authority as Lessor

Finance Leases

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

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

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

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

17. OVERHEAD AND SUPPORT SERVICES

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the Service Reporting Code of Practice 2012/13 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:-

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

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

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

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

18. PROPERTY, PLANT AND EQUIPMENT

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:-

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

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

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

acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

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

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

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

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

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

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

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

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

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

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:-

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

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item and whose estimated useful life is significantly different from the useful life of the main asset, the components are depreciated separately.

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

Disposals and Non-Current Assets Held for Sale

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

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

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

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

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

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

19. PRIVATE FINANCE INITIATIVE (PFI) AND SIMILAR CONTRACTS

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

The original recognition of the Property, Plant and Equipment was balanced by the recognition of a liability for amounts due to the scheme operator to pay

for the assets. For the Three Schools PFI project, the liability was written down by an initial advance payment of unitary charge of £9m.

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

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

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

PFI Credits

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

20. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions

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

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

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

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

Provision for Back Pay Arising from Unequal Pay Claims

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

Contingent Liabilities

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

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

Contingent Assets

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

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

21. RESERVES

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

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

22. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

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

23. VAT

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

24. COMPARATIVE FIGURES

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

25. CASH FLOW STATEMENT

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

26. HERITAGE ASSETS

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

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

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

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

27. ACCOUNTING FOR THE COSTS OF THE CARBON REDUCTION COMMITMENT SCHEME

The Authority is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31 March 2014. The Authority is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions ie carbon dioxide produced as energy is used. As carbon dioxide is emitted (ie as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Authority is recognised and reported in the costs of the Authority's services and is apportioned to services on the basis of energy consumption. For 2012/13 the Council has accrued a sum of £145k for CRC allowances.

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

Movement in Reserves Statement for the year ended 31 March 2013														
			Council Fund Balance	Earmarked Revenue Reserves	Earmarked Capital Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves				
			£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000				
		7,24	3,005	26,098	2,897	4,065	703	36,768	102,373	139,141				
Movement in reserves during 2012/13														
Surplus or (deficit) on the provision of services			4,787	-	-	-	-	4,787	-	4,787				4,787
Other Comprehensive Income & Expenditure			-	-	-	-	-	-	(28,179)	(28,179)				(28,179)
Total Comprehensive Income & Expenditure			4,787	-	-	-	-	4,787	(28,179)	(23,392)				(23,392)
Adjustments between accounting basis & funding basis under regulations		6	(6,101)	-	(1,395)	192	125	(7,179)	7,179	-				
Net Increase/(Decrease) before Transfers to Earmarked Reserves			(1,314)	-	(1,395)	192	125	(2,392)	(21,000)	(23,392)				(23,392)
Transfers to/(from) Earmarked Reserves			1,288	(1,310)	22	-	-	-	-	-				-
Increase/(Decrease) in 2012/13		7	(26)	(1,310)	(1,373)	192	125	(2,392)	(21,000)	(23,392)				(23,392)
Balance as at 31 March 2013		7,24	2,979	24,788	1,524	4,257	828	34,376	81,373	115,749				

Comprehensive Income and Expenditure Statement

2011/12		2012/13				
Gross Expenditure	Income	Net Expenditure	Note	Gross Expenditure	Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
14,522	(12,094)	2,428		15,350	(12,014)	3,336
14,336	(5,060)	9,276		14,773	(5,279)	9,494
26,145	(8,761)	17,384		26,237	(9,437)	16,800
7,516	(3,591)	3,925		7,479	(3,563)	3,916
119,715	(25,496)	94,219		118,618	(26,091)	92,527
22,340	(12,555)	9,785		21,590	(11,721)	9,869
43,640	(40,919)	2,721		45,448	(42,443)	3,005
56,454	(15,082)	41,372		55,782	(14,060)	41,722
5,826	(137)	5,689		6,326	(129)	6,197
881	(2,003)	(1,122)		776	(1,169)	(393)
311,375	(125,698)	185,677		312,379	(125,906)	186,473
17,033	-	17,033	8	16,817	-	16,817
34,886	(27,958)	6,928	9	34,614	(21,827)	12,787
-	(215,182)	(215,182)	10	-	(220,864)	(220,864)
		(5,544)				(4,787)
		(3,803)	24			702
		(8)	24			(36)
		31,072	24			27,513
		27,261				28,179
		21,717				23,392

Balance Sheet

31 March 2012		Notes	31 March 2013
£'000			£'000
336,530	Property, Plant & Equipment	11	343,227
194	Heritage Assets	12	194
18,385	Investment Property	13	17,808
785	Intangible Assets	14	918
1,396	Available for Sale Financial Assets	15	1,431
1,001	Long Term Investments	15	1,010
825	Long Term Debtors	15	1,765
359,116	Long Term Assets		366,353
6,721	Short Term Investments	15	9,298
1,135	Inventories	16	1,120
30,422	Short Term Debtors	18	39,061
12,076	Cash & Cash Equivalents	19	12,929
1,432	Assets Held for Sale	20	1,041
51,786	Current Assets		63,449
27,502	Short Term Borrowing	15	31,612
19,506	Short Term Creditors	21	21,635
3,267	Provisions	22	4,067
50,275	Current Liabilities		57,314
96,209	Pension Liability	45	123,928
-	Provisions	22	600
95,993	Long term Borrowing	15	103,578
28,353	Other Long term Liabilities	15	27,517
931	Capital Grants Receipts in Advance	36	1,116
221,486	Long Term Liabilities		256,739
139,141	Net Assets		115,749
36,768	Usable Reserves	23	34,376
102,373	Unusable Reserves	24	81,373
139,141	Total Reserves		115,749

Cash Flow Statement

2011/12		Note	2012/13
£'000			£'000
(5,544)	Net (Surplus)/Deficit on the Provision of Services		(4,787)
905	Adjustments to Net (Surplus) or Deficit on the Provision of Services for Non-Cash Movements	25	16
(1,658)	Adjustments for Items Included in the net (Surplus) or Deficit on the Provision of Services that are Investing and Financing Activities		(825)
(6,297)	Net Cash Flows From Operating Activities		(5,596)
16,301	Investing Activities	26	12,755
(11,873)	Financing Activities	27	(8,012)
(1,869)	Net (Increase) or Decrease in Cash and Cash Equivalents		(853)
10,207	Cash and Cash Equivalents at the beginning of the reporting period	19	12,076
12,076	Cash and Cash Equivalents at the End of the Reporting Period	19	12,929

Notes to the Accounts

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

The Code requires the Council to disclose information relating to the impact of an accounting change that will be required by a new accounting standard that has been issued but not yet adopted by the Code. The Code 2012/13 has introduced several changes in accounting policies which will be required from 1 April 2013. The following changes are not considered to have a significant impact on the Statement of Accounts as demonstrated below:

- IAS 1 Presentation of Financial Statements - The changes require authorities to disclose separately the gains or losses reclassifiable into the Surplus or Deficit on the Provision of Services. The gains and losses are separately identified on the Comprehensive Income and Expenditure Statement and therefore no further disclosure is required.
- Service Concession Arrangements, clarifications for the recognition criteria for assets under construction or intangible assets - The change will not impact the Statement of Accounts.
- IAS 12 Income Taxes - This change in the accounting policy particularly affects investment properties. It is not considered that this change will affect the Statement of Accounts.
- IFRS 7 Financial Instruments: Disclosures - The change in accounting policy is in relation to the offsetting of financial assets and liabilities. The change will not impact the Statement of Accounts.

There have been several significant changes in relation to IAS 19 Employee Benefits. IAS 19 is changing for accounting years starting on or after 1 January 2013 and this will affect the budgeted pension expense for the next financial year. The key change affecting LGPS employers relates to the expected return on assets. Advance credit for anticipated outperformance of return seeking assets (such as equities) will no longer be permitted. The expected return on assets is currently credited to the Comprehensive Income and Expenditure Statement, however from 2013 this is effectively replaced with an equivalent figure calculated using the discount rate (as opposed to that calculated using the Expected Return on Assets assumption). For 2012/13 this would result in a £2.218m expense increase in the Comprehensive Income and Expenditure Statement.

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 2013 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	<p>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.</p> <p>The Council has made a provision of £2m for the settlement of claims for back pay arising from the Equal Pay initiative, based on the number of claims received and an average settlement amount. It is not certain that all valid claims have yet been received by the Council or that precedents set by other authorities in the settlement of claims will be applicable</p>	<p>If the useful life of an asset is reduced, depreciation increases and the carrying amount of the asset falls. The annual depreciation charge for property, plant & equipment would increase for every year that useful lives had to be reduced</p>
PROVISIONS	<p>The Council has made a provision of £2m for the settlement of claims for back pay arising from the Equal Pay initiative, based on the number of claims received and an average settlement amount. It is not certain that all valid claims have yet been received by the Council or that precedents set by other authorities in the settlement of claims will be applicable</p>	<p>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.</p>
PENSIONS LIABILITY	<p>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.</p>	<p>The returns on Pension Fund Assets continue to fall which increases the liability.</p>
ARREARS	<p>At March 2013, the Council had a balance for sundry debtors of £5m. A review of significant balances suggested that an impairment of doubtful debts of £381k was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.</p>	<p>If sundry debts became more difficult to collect the Bad Debt provision would need to be increased.</p>
FINANCIAL INSTRUMENTS	<p>The uncertainty in the Eurozone is causing turbulence in the currency markets.</p>	<p>Borrowing costs could increase. Investments could be impaired if Financial Institutions were subject to default. Costs could rise generally.</p>

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

4. Material Items of Income and Expense

There were no material items of income or expense in the financial year 2012/13.

5. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Chief Finance Officer on 28 June 2013. 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 2013, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The Regional CCTV project was brought to a close in May 2013, as a result the Welsh Government required the repayment of their interest free loan in the sum of £805k. Entries have been made in the accounts to reflect this event.

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					Movement in Usable Reserves £'000	Movement in Unusable Reserves £'000
	Council Fund Balance £'000	earmarked Capital Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Usable Reserves £'000		
2012/13							
Adjustments primarily involving the Capital Adjustment Account:							
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement:							
Charges for depreciation and impairment of non-current assets	13,654	-	-	-	13,654	(13,654)	
Revaluation losses on Property, Plant and Equipment	2,182	-	-	-	2,182	(2,182)	
Revaluation losses on Assets Held for Sale	280	-	-	-	280	(280)	
Movement in the market value of Investment Properties	707	-	-	-	707	(707)	
Amortisation of intangible assets	154	-	-	-	154	(154)	
Capital grants and contributions applied	(15,996)	-	-	-	(15,996)	15,996	
Revenue expenditure funded from capital under statute	2,395	-	-	-	2,395	(2,395)	
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	931	-	-	-	931	(931)	
Administration costs of asset disposal in advance of receipt	16	-	-	-	16	(16)	
Difference between asset value & Lease liability	150	-	-	-	150	(150)	
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:							
Statutory provision for the financing of capital investment	(8,034)	-	-	-	(8,034)	8,034	
Capital expenditure charged against the Council Fund balance	-	-	-	-	-	-	
Adjustments primarily involving the Capital Grants Unapplied Account:							
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(125)	-	-	125	-	-	
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	-	-	

2012/13

	Usable Reserves					Unusable Reserves	
	Council Fund Balance £'000	£'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Usable Reserves £'000	Movement in Unusable Reserves £'000	
Adjustments primarily involving the Capital Receipts Reserve:							
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(825)	-	825	-	-	-	
Mortgage Principal transfer from deferred capital receipts to capital receipts reserve	-	-	3	-	3	(3)	
Finance Lease Rental Principal	-	-	2	-	2	(2)	
Use of Capital Receipts Reserve to finance new capital expenditure	-	-	(602)	-	(602)	602	
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	25	-	(36)	-	(11)	11	
Use of Capital Receipts Reserve to repay debt	-	-	-	-	-	-	
Amelioration of Finance Lease Rentals	47	-	-	-	47	(47)	
Additional Finance Lease Asset	(1,167)	-	-	-	(1,167)	1,167	
Adjustments primarily involving the Capital Reserves:							
Use of Capital Reserve to finance new capital expenditure	-	(1,395)	-	-	(1,395)	1,395	
Adjustment primarily involving the Financial Instruments Adjustment Account:							
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(3)	-	-	-	(3)	3	
Adjustments primarily involving the Pensions Reserve							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 45)	13,824	-	-	-	13,824	(13,824)	
Employer's pensions contributions and direct payments to pensioners payable in the year	(13,618)	-	-	-	(13,618)	13,618	
Adjustment primarily involving the Accumulated Absences Account:							
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(698)	-	-	-	(698)	698	
Total Adjustments	(6,101)	(1,395)	192	125	(7,179)	7,179	

2011/12 Comparative Figures

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

2011/12 Comparative Figures

	Usable Reserves					Unusable Reserves	
	Council Fund Balance £'000	Earmarked Capital Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Usable Reserves £'000	Movement in Unusable Reserves £'000	
Adjustments primarily involving the Capital Receipts Reserve:							
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,658)	-	1,658	-	-	-	
Use of Capital Receipts Reserve to finance new capital expenditure	-	-	(1,133)	-	(1,133)	1,133	
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	65	-	(65)	-	-	-	
Use of Capital Receipts Reserve to repay debt	-	-	(44)	-	(44)	44	
Amelioration of finance lease rental income	7	-	-	-	7	(7)	
Adjustments primarily involving the Deferred Capital receipts Reserve:							
Mortgage Principal transfer from Deferred Capital Receipts to Capital Receipts Reserve	-	-	4	-	4	(4)	
Adjustments primarily involving the Financial Instruments Adjustment Account:							
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(162)	-	-	-	(162)	162	
Adjustments primarily involving the Pensions Reserve:							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 45)	10,917	-	-	-	10,917	(10,917)	
Employer's pensions contributions and direct payments to pensioners payable in the year	(14,048)	-	-	-	(14,048)	14,048	
Adjustment primarily involving the Accumulated Absences Account:							
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	667	-	-	-	667	(667)	
Total Adjustments	(7,274)	(574)	420	(830)	(8,258)	8,258	

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 2011 £'000	Transfers Out 2011/12 £'000	Transfers In 2011/12 £'000	Balance at 31 March 2012 £'000	Transfers Out 2012/13 £'000	Transfers In 2012/13 £'000	Balance at 31 March 2013 £'000
Council Fund:							
Balances held by schools under a scheme of delegation	4,393	(836)	698	4,255	(916)	436	3,775
Service Reserves:							
Community Development	547	(226)	320	641	(148)	303	796
Infrastructure	133	-	15	148	(20)	74	202
Tramway - Maintenance Programme	260	-	65	325	-	-	325
Environmental & Technical Services	64	(12)	17	69	(6)	335	398
IT - Disaster Recovery, General IT Investment	260	-	337	597	(123)	173	647
Human Resources	102	(39)	25	88	(9)	9	88
Revenues & Benefits	141	(43)	44	142	-	299	441
Internal Audit - Software, IT systems etc	199	(20)	21	200	(36)	-	164
Other Services	388	(74)	225	539	(128)	321	732
Theatres - Repairs & Renewals	310	(151)	63	222	(222)	-	-
Housing Strategy & Private Sector Housing	351	(138)	-	213	(14)	200	399
Social Services Reserves	1,207	(1,066)	2,337	2,478	(1,367)	514	1,625
Education Services Reserves	1,231	(291)	56	996	(229)	101	868

	Balance at 1 April 2011	Transfers Out 2011/12	Transfers In 2011/12	Balance at 31 March 2012	Transfers Out 2012/13	Transfers In 2012/13	Balance at 31 March 2013
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<i>Corporate Reserves:</i>							
Demand Led Risk Reserve	265	(371)	311	205	(439)	234	-
Single Status Job Evaluation	2,401	(2,673)	532	260	(260)	-	-
Insurance Reserves	1,299	(320)	227	1,206	(558)	243	891
Revenue Budget Support 2011/12	490	(490)	-	-	-	-	-
Revenue Budget Support 2012/13	-	-	423	423	(423)	-	-
Revenue Budget Support 2013/14	-	-	-	-	-	125	125
Redundancy & Retirement	734	(255)	77	556	(170)	156	542
Spend to Save Reserve	524	(117)	-	407	(69)	-	338
PFI Unitary Charge	9,920	-	511	10,431	(4)	145	10,572
Regional Transformation Fund	510	(437)	-	73	(49)	-	24
Community Projects	351	(119)	62	294	(79)	20	235
Other	528	(183)	24	369	(174)	462	657
Earmarked Grants Reserves	775	(764)	950	961	(635)	618	944
Total Earmarked Reserves	27,383	(8,625)	7,340	26,098	(6,078)	4,768	24,788
Total Capital Reserves	3,916	(3,129)	2,110	2,897	(3,874)	2,501	1,524

8. Other Operating Expenditure

2011/12 £000		2012/13 £000
10,331	Police Precept	10,615
1,416	Community Council Precepts	1,539
5,241	Fire Authority Levy	5,207
351	Other Levies	366
(306)	Gains/Losses on the disposal of non-current assets	106
-	Finance Lease Liabilities	(1,016)
17,033	Total	16,817

9. Financing and Investment Income and Expenditure

2011/12 £000		2012/13 £000
8,103	Interest payable & similar charges	8,277
18,622	Pensions interest cost	17,827
(18,790)	Expected return on pensions assets	(15,511)
(293)	Interest receivable & similar income	(380)
(3,096)	Income & expenditure in relation to investment properties & changes in their fair value	289
2,382	Trading Operations	2,285
6,928	Total	12,787

10. Local Taxation and Non Specific Grant Income

2011/12 £000		2012/13 £000
(53,820)	Council Tax income	(56,005)
(26,671)	Non domestic rates	(30,640)
(122,661)	Non-ring fenced government grants	(118,098)
(12,030)	Capital grants & contributions	(16,121)
(215,182)	Total	(220,864)

11. Property, Plant and Equipment

Movements on Balances

Movements in 2012/13:	Other Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infra-structure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant & Equipment £'000	PFI Assets included in Property, Plant & Equipment £'000
Cost or Valuation								
At 1 April 2012	271,615	38,437	97,283	5,651	40	2,942	415,968	51,567
Additions	3,330	2,733	8,825	175	-	8,622	23,685	297
Revaluation Increases/(Decreases) recognised in the Revaluation Reserve	(646)	-	-	-	-	-	(646)	(99)
Revaluation Increases/(Decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,182)	-	-	-	-	-	(2,182)	(198)
Derecognition - Disposals	(244)	(1,575)	-	-	-	-	(1,819)	-
Transfers from Assets under Construction	693	170	-	-	-	(1,022)	(159)	-
Assets Reclassified (to)/from Held for Sale	(467)	-	-	-	(40)	-	(507)	-
Other Movements in Cost or Valuation, etc	(88)	372	-	-	-	-	284	-
At 31 March 2013	272,011	40,137	106,108	5,826	-	10,542	434,624	51,567
Accumulated Depreciation & Impairment								
At 1 April 2012	(14,566)	(24,815)	(37,908)	(2,149)	-	-	(79,438)	(7,559)
Depreciation Charge	(5,339)	(3,261)	(4,671)	(382)	-	-	(13,653)	(974)
Depreciation Written Out to the Revaluation Reserve	-	-	-	-	-	-	-	-
Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-	-
Derecognition - disposals	189	1,505	-	-	-	-	1,694	-
At 31 March 2013	(19,716)	(26,571)	(42,579)	(2,531)	-	-	(91,397)	(8,533)
Net Book Value								
at 31 March 2013	252,295	13,566	63,529	3,295	-	10,542	343,227	43,034
at 31 March 2012	257,049	13,622	59,375	3,502	40	2,942	336,530	44,008

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

Capital Commitments

At 31 March 2013, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2013/14 and future years budgeted to cost £17.9m. Similar commitments at 31 March 2012 were £5.6m. The major commitments are:

Council Fund Capital Programme Scheme	Contracted Future Cost
	£'000
A548 Llangernyw Landslip	219
Colwyn Bay Waterfront Project - Phase 1a Engineering Works	176
Colwyn Bay Waterfront Project - Phase 1b Construction	5,686
Colwyn Bay Waterfront Project - Porth Eirias Construction	648
Afon Bach Flood Alleviation Scheme, Llansannan	58
Bron y Nant Crematorium - New Cremators & Mercury Abatement Equipment	98
Coast Protection Works at Penrhyn Beach East, Penrhyn Bay	176
Ysgol y Gogarth Extension & Refurbishment	10,415
Ysgol Glan Morfa Extension	256
Market Hall, Colwyn Bay Demolition & Development	174
Total	17,906

Revaluations

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

Disclosure Note regarding Schools

All schools funded by Conwy County Borough Council as Local Education Authority are included within the Statement of Accounts 2012/13. The status of Voluntary Aided, Voluntary Controlled and Foundation Schools will be reviewed in 2013/14 if guidance is given in the Code 2013/14.

12. Heritage Assets

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

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

	Sculptures	Art Collection	Brass, Copper, Silver, etc	Other	Total Assets
	£'000	£'000	£'000	£'000	£'000
Cost or Valuation					
1 April 2012	30	63	72	29	194
Revaluations	-	-	-	-	-
31 March 2013	30	63	72	29	194

The Authority's Heritage Assets are reported in the Balance Sheet at market value and were valued by external valuers commissioned by the Council for the 2011/12 financial year end.

Sculptures

The sculptures consist of two marble busts on marble pillars and a group of marble Alice in Wonderland figures.

Art Collection

The art collection consists of several watercolour and oil paintings including portraits of local and other figures, together with local and other scenes.

Brass, Copper, Silver, etc

The collection consists of several items including a round copper wall plaque, two brass locomotive plates and a silver mace and stand, together with other silver trophies and bowls.

Other

The other items consist of civic regalia, photographs, tapestries, cut glass, seals, furniture, a ceramic vessel, printed plans, etc.

Additions and Disposals in 2012/13

There were no significant additions, disposals or any other movements during 2012/13.

13. Investment Properties

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

	2012/13 £000	2011/12 £000
Rental income from Investment Property	418	438
Net gain/(loss)	418	438

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

Fair Value of Investment Properties	2012/13	2011/12
	£'000	£'000
Balance at start of year	18,385	16,016
Additions:		
▪ Purchases	-	-
▪ Construction	-	-
▪ Subsequent Expenditure	-	-
Disposals	-	(163)
Net gains/(losses) from fair value adjustments	(707)	2,582
Transfers:		
▪ (to)/from inventories	150	-
▪ (to)/from Property, Plant and Equipment	140	-
Other changes	(160)	(50)
Balance at year end	17,808	18,385

14. Intangible Assets

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

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

Original Life	Remaining Life	Other Assets
10 Years	1 Years	E-Mail System
10 Years	3 Years	Integrated HR/Payroll Software
10 Years	6 Years	Social Care System
10 Years	7 Years	Environmental Information Management System
10 Years	10 Years	Integrated HR/Payroll Software Upgrade

The carrying amount of intangible assets is amortised on a straight-line basis. Of the amortisation of £154k (£163k 2011/12) charged to revenue in 2012/13, £54k (£54k 2011/12) was charged to Social Services, £22k (£22k 2011/12) was charged to Cultural, Environmental, Regulatory and Planning Services, £0 (£9k 2011/12) was charged to Education and Children's Services and £3k (£3k 2011/12) was charged to Central Services to the Public. The remaining £75k (£75k 2011/12) 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:

	2012/13		2011/12	
	Other Assets	Total	Other Assets	Total
	£'000	£'000	£'000	£'000
Balance at start of year:				
▪ Gross Carrying Amounts	1,457	1,457	1,457	1,457
▪ Accumulated Amortisation	(672)	(672)	(509)	(509)
Net carrying amount at start of year	785	785	948	948
Additions:				
▪ Purchases	287	287	-	-
Amortisation for the period	(154)	(154)	(163)	(163)
Net carrying amount at end of year	918	918	785	785
Comprising:				
▪ Gross carrying amounts	1,744	1,744	1,457	1,457
▪ Accumulated amortisation	(826)	(826)	(672)	(672)
	918	918	785	785

There are no internally generated intangible assets.

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

	Carrying Amount		Remaining Amortisation Period
	31 March 2013 £'000	31 March 2012 £'000	
Social Care System	327	381	6 years
HR/ Payroll System	265	121	3/10 years

15. Financial Instruments

Categories of Financial Instruments

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

	Long-term		Current	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
	£'000	£'000	£'000	£'000
Investments				
Loans and receivables	1,010	1,001	9,298	6,721
Available-for-sale financial assets	1,431	1,396	-	-
Total Investments	2,441	2,397	9,298	6,721
Debtors				
Loans and receivables	1,765	825	-	-
Financial assets carried at contract amounts	-	-	39,061	30,422
Total Debtors	1,765	825	39,061	30,422
Borrowings				
Financial liabilities at amortised cost	103,578	95,993	31,612	27,502
Total Borrowings	103,578	95,993	31,612	27,502
Other Long Term Liabilities				
PFI and finance lease liabilities	27,517	28,353	162	204
Total Other Long Term Liabilities	27,517	28,353	162	204
Creditors				
Financial liabilities carried at contract amount	-	-	21,473	19,302
Total Creditors	-	-	21,473	19,302

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

Analysis of cash short term Investments:

	31 March 2013	31 March 2012
	£'000	£'000
Financial Assets - Investments	9,298	6,721
Cash Equivalents - Investments	11,460	17,620
Cash Equivalents - Foundation Schools Investments	509	561
Accruals	(36)	(49)
Investments	21,231	24,853

Analysis of long and short term actual debt outstanding:

	31 March 2013 £'000	31 March 2012 £'000
Financial Liabilities: Long Term Borrowing	103,578	95,993
Financial Liabilities: Short Term Borrowing	31,612	27,502
	135,190	123,495
Less PWLB Interest Accruals	(1,763)	(1,666)
Market Loans Interest Accruals	(176)	(189)
Stepped Loan Effective Interest Rate adjustment	(154)	(155)
Premium adjustment to Modified Loan	706	707
Debt Outstanding	133,803	122,192

Income, Expense, Gains & Losses

	2012/13				2011/12			
	Financial Liabilities measured at Amortised Cost £'000	Financial Assets: Loans and Receivables £'000	Financial Assets: Available for Sale £'000	Total £'000	Financial Liabilities measured at Amortised Cost £'000	Financial Assets: Loans and Receivables £'000	Financial Assets: Available for Sale £'000	Total £'000
Interest expense	5,747	-	-	5,747	5,535	-	-	5,535
Losses on derecognition	-	-	-	-	-	-	-	-
Reductions in fair value	-	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-	-	-
Fee expense	28	-	-	28	20	-	-	20
Total expense in Surplus or Deficit on the Provision of Services	5,775	-	-	5,775	5,555	-	-	5,555
Interest income	-	(257)	-	(257)	-	(277)	-	(277)
Interest income accrued on impaired financial assets	-	-	-	-	-	-	-	-
Increase/Decrease in fair value	-	17	(35)	(18)	-	(142)	(7)	(149)
Gains on derecognition	-	-	-	-	-	-	-	-
Fee income	-	-	-	-	-	-	-	-
Total Income in Surplus or Deficit on the Provision of Services	-	(240)	(35)	(275)	-	(419)	(7)	(426)
Net (Gain) Loss for the year	5,775	(240)	(35)	5,500	5,555	(419)	(7)	5,129

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 2013 of 1.77% to 3.13% for loans from the PWLB and 0.35% to 1.3% for other loans receivable and payable, based on new lending rates for equivalent loans at that date
- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	31 March 2013		31 March 2012	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Financial Liabilities	155,438	216,872	141,698	184,535
Long-Term Creditors	-	-	-	-
Total	155,438	216,872	141,698	184,535

	31 March 2013		31 March 2012	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Loans & Receivables	64,359	64,537	58,260	58,359
Long-Term Debtors	-	-	-	-
Total	64,359	64,537	58,260	58,359

16. Inventories

	Consumable Stores		Maintenance Materials		Finished Goods		Work in Progress		Total	
	2012/13 £'000	2011/12 £'000	2012/13 £'000	2011/12 £'000	2012/13 £'000	2011/12 £'000	2012/13 £'000	2011/12 £'000	2012/13 £'000	2011/12 £'000
Balance Outstanding at Start of Year	30	26	778	533	272	213	55	138	1,135	910
Movement in Year	12	4	(109)	245	11	59	71	(83)	(15)	225
Balance Outstanding at Year End	42	30	669	778	283	272	126	55	1,120	1,135

17. Construction Contracts

The Authority was not the contractor in any construction contracts in 2012/13 or 2011/12.

18. Debtors

	31 March 2013 £'000	31 March 2012 £'000
Central Government Bodies	20,165	13,268
Other Local Authorities	5,338	4,464
NHS Bodies	886	797
Public Corporations and Trading Funds	-	1
Other Entities and Individuals	13,972	13,050
Total	40,361	31,580
Less Bad Debt Provision	(1,300)	(1,158)
Net Debtors	39,061	30,422

19. Cash and Cash Equivalents

	31 March 2013 £'000	31 March 2012 £'000
Cash Held by the Authority	761	530
Bank Current Accounts	199	(6,635)
Short-term Deposits	11,460	17,620
Short-term Deposits - Foundation Schools	509	561
Total Cash and Cash Equivalents	12,929	12,076

20. Assets Held for Sale

	Current	
	2012/13	2011/12
	£'000	£'000
Balance outstanding at start of year	1,432	2,222
Assets newly classified as held for sale:		
▪ Property, Plant & Equipment	467	450
▪ Intangible Assets	-	-
▪ Investment Properties	160	-
Other Assets/Liabilities in Disposal Groups	-	-
Revaluation Losses	(336)	(252)
Revaluation Gains	-	-
Impairment Losses	-	-
Assets declassified as held for sale:		
▪ Property, Plant & Equipment	-	-
▪ Intangible Assets	-	-
▪ Investment Properties	-	-
Other Assets/Liabilities in Disposal Groups	-	-
Assets Sold	(807)	(1,488)
Transfers from Non-Current to Current	-	-
Other Movements	125	500
Balance outstanding at year end	1,041	1,432

21. Creditors

	31 March 2013 £'000	31 March 2012 £'000
Central Government Bodies	331	675
Other Local Authorities	1,892	2,673
NHS Bodies	700	383
Public Corporations & Trading Funds	37	65
Other Entities & Individuals	18,675	15,710
Total	21,635	19,506

22. Provisions

	Insurance Provisions £'000	Equal Pay and EVR £'000	Other Provisions £'000	Total £'000
Balance at 1 April 2011	933	3,329	129	4,391
Additional Provisions made in 2011/12	685	388	-	1,073
Amounts used in 2011/12	(831)	(1,329)	(37)	(2,197)
Unused Amounts reversed in 2011/12	-	-	-	-
Balance at 31 March 2012	787	2,388	92	3,267
Long Term	-	-	-	-
Short Term	787	2,388	92	3,267

Balance at 1 April 2012	787	2,388	92	3,267
Additional Provisions made in 2012/13	1,042	194	619	1,855
Amounts used in 2012/13	(110)	(345)	-	(455)
Unused Amounts reversed in 2012/13	-	-	-	-
Balance at 31 March 2013	1,719	2,237	711	4,667
Long Term	-	-	600	600
Short Term	1,719	2,237	111	4,067

Insurance Provisions – Municipal Mutual Insurance (MMI)

Provision has been made in the sum of £385k in respect of the Scheme of Arrangement for the winding up of the Municipal Mutual Insurance Company (MMI). The scheme was triggered on 13 November 2012.

The provision equates to a 15% levy on claims previously paid by MMI in respect of the former constituent authorities.

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. Motor claims have a £250 own damage excess.

It is expected that of the total value of claims outstanding of £1.335m that are likely to be settled the Authority will bear £166k of that sum by way of policy excesses and its insurers will bear the balance of £1.169m. It is anticipated that all these claims will be settled in 2013/14.

The figures quoted above include one catastrophic motor claim reserved at £500k, which accounts for the marked increase in the value of claims outstanding.

Equal Pay Provision

A provision for possible future settlement of Equal Pay claims arising as a result of the implementation of the Single Status agreement. The provision is in the sum of £2m at 31/3/2013 (£2m at 31/3/2012). The timing of the settlement of Equal Pay claims is uncertain but may be in 2013/14.

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

Early Voluntary Retirement Provision

The Compensation and Earliness costs due to be paid to the Pension Fund in respect of staff retiring early. The balance at 31/3/2013 is £237k (£388k 31/3/2012) which it is estimated will be settled in 2013/14.

Victoria Pier, Colwyn Bay

A provision of £600k for the legal or constructive obligation in respect of ensuring the safety and security of the Victoria Pier, Colwyn Bay.

All other Provisions are not material.

23. Usable Reserves

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

24. Unusable Reserves

	31 March 2013 £'000	31 March 2012 £'000
Revaluation Reserve	51,183	52,858
Available for Sale Financial Assets Reserve	1,432	1,396
Capital Adjustment Account	156,308	149,765
Financial Instruments Adjustment account	(806)	(809)
Pensions Reserve	(123,928)	(96,209)
Deferred Capital Receipts Reserve	1,208	94
Unequal Pay Back Pay Account	(2,000)	(2,000)
Accumulated Absences Account	(2,024)	(2,722)
Total Unusable Reserves	81,373	102,373

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.

2011/12 £'000	Revaluation Reserve	2012/13 £'000
50,018	Balance at 1 April	52,858
4,374	Upward revaluation of assets	118
(571)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(820)
3,803	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the provision of services	(702)
(835)	Difference between fair value depreciation and historical cost depreciation	(820)
(128)	Accumulated gains on assets sold or scrapped	(153)
(963)	Amount written off to the Capital Adjustment Account	(973)
52,858	Balance at 31 March	51,183

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.

2011/12 £'000	Available for Sale Financial Assets Reserve	2012/13 £'000
1,389	Balance at 1 April	1,396
-	- Upward revaluation of investments	-
7	Upward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	36
-	- Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income	-
1,396	Balance at 31 March	1,432

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.

2011/12	Capital Adjustment Account	2012/13
£'000		£'000
143,157	Balance at 1 April	149,765
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(12,144)	▪ Charges for depreciation & impairment of non-current assets	(13,654)
(3,626)	▪ Revaluation losses on Property, Plant & Equipment	(2,182)
(252)	▪ Revaluation losses on Assets Held for Sale	(280)
(163)	▪ Amortisation of Intangible Assets	(154)
(1,794)	▪ Revenue expenditure funded from capital under statute	(2,395)
(1,352)	▪ 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	(931)
(74)	▪ Administration costs of asset disposal in advance of sale	(4)
-	▪ Difference between asset value and lease liability on new finance leases	(150)
(19,405)		(19,750)
964	▪ Adjusting amounts written out of the Revaluation Reserve	973
(18,441)	Net written out amount of the cost of non-current assets consumed in the year	(18,777)
	Capital financing applied in the year:	
1,133	▪ Use of the Capital Receipts Reserve to finance new capital expenditure	602
44	▪ Use of the Capital Receipts Reserve to repay debt	-
12,029	▪ Capital grants & contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	15,996
830	▪ Application of grants to capital financing from the Capital Grants Unapplied Account	-
7,781	▪ Statutory provision for the financing of capital investment charged against the Council Fund	8,034
574	▪ Capital expenditure charged against the Council Fund	1,395
3,950		7,250
2,658	▪ Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement	(707)
149,765	Balance at 31 March	156,308

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.

2011/12 £'000	Financial Instruments Adjustment Account	2012/13 £'000
(970)	Balance at 1 April	(809)
-	Premiums incurred/discounts earned in the year & charged/credited to the Comprehensive Income & Expenditure Statement	-
18	Proportion of premiums/discounts incurred/earned in previous financial years to be charged against the Council Fund Balance in accordance with statutory requirements	19
143	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	(16)
(809)	Balance at 31 March	(806)

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.

2011/12 £'000	Pensions Reserve	2012/13 £'000
(68,268)	Balance at 1 April	(96,209)
(31,072)	Actuarial gains or (losses) on pensions assets & liabilities	(27,513)
(10,917)	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	(13,824)
14,048	Employer's pension contributions payable in the year	13,618
(96,209)	Balance at 31 March	(123,928)

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.

2011/12 £'000	Deferred Capital Receipts Reserve	2012/13 £'000
106	Balance at 1 April	94
-	Finance Lease Assets	1,167
(7)	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	(47)
(5)	Transfer to the Capital Receipts Reserve upon receipt of cash	(6)
94	Balance at 31 March	1,208

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.

2011/12 £'000	Unequal Pay Back Pay Account	2012/13 £'000
(2,000)	Balance at 1 April	(2,000)
-	- Decrease in provision for back pay in relation to Equal Pay cases	-
-	- Cash settlements paid in year	-
-	- 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	-
(2,000)	Balance at 31 March	(2,000)

Accumulated Absences Account

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

2011/12 £'000	Accumulated Absences Account	2012/13 £'000
(2,056)	Balance at 1 April	(2,722)
2,056	Settlement or cancellation of accrual made at the end of the preceding year	2,722
(2,722)	Amounts accrued at the end of the current year	(2,024)
(666)	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	698
(2,722)	Balance at 31 March	(2,024)

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

2011/12 £'000		2012/13 £'000
(12,145)	Depreciation of Non Current Assets	(13,654)
-	Impairment of Non Current Assets	-
(164)	Amortisation of Intangible Fixed Assets	(154)
3,131	Pension Fund adjustments	(206)
162	Other non cash Financial Instrument adjustments	3
-	Provision for equal pay	-
(117)	Increase/decrease in impairment for provision for bad debts	(142)
1,124	Contributions to Provisions	(1,400)
(1,352)	Carrying amount of PP&E, investment property and intangible assets sold	(931)
11,938	Other non-cash movement	9,565
225	Increase/(Decrease) in Inventories	(15)
492	Increase/(Decrease) in Debtors	5,835
(2,389)	(Increase)/Decrease in Creditors	1,115
905	Net non cash movements	16

26. Cash Flow Statement – Investing Activities

2011/12 £'000		2012/13 £'000
27,721	Purchase of property, plant and equipment, investment property and intangible assets	25,110
261,868	Purchase of short –term and long-term investments	274,458
(1,620)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(819)
(257,676)	Proceeds from short-term and long-term investments	(271,881)
(13,992)	Other receipts from investing activities	(14,113)
16,301	Net cash flow from investing activities	12,755

27. Cash Flow Statement – Financing Activities

2011/12 £'000		2012/13 £'000
(69,247)	Cash receipts of short-term and long-term borrowing	(91,275)
-	Other receipts from financing activities	-
1,210	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	835
55,600	Repayments of short- term and long- term borrowing	79,791
564	Other payments for financing activities	2,637
(11,873)	Net cash flow from financing activities	(8,012)

28. Amounts Reported for Resource Allocation Decisions

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

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

The following tables shown on pages 77 to 80 provide the detail of the reconciliation from the analysis by service to the amounts included in the Comprehensive Income and Expenditure Statement.

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

Service Income and Expenditure 2012/13	Education Services	Social Services	Infrastructure	Environmental Services	Community Development Services	Regulatory Services & Housing	Financial Services	Property Management & Asset Services	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	(17,364)	(8,564)	(6,856)	(7,922)	(5,265)	(3,020)	(3,115)	(2,730)	(54,836)
Government grants	(20,166)	(8,457)	(276)	(2,631)	(5,117)	(3,766)	(45,875)	-	(86,288)
Total Income	(37,530)	(17,021)	(7,132)	(10,553)	(10,382)	(6,786)	(48,990)	(2,730)	(141,124)
Employee Expenses	74,377	22,906	6,092	7,150	8,735	5,264	5,093	2,150	131,767
Other Service Expenses	40,575	42,875	8,276	16,367	9,283	6,597	47,605	2,584	174,162
Total Expenditure	114,952	65,781	14,368	23,517	18,018	11,861	52,698	4,734	305,929
Net Expenditure	77,422	48,760	7,236	12,964	7,636	5,075	3,708	2,004	164,805

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

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

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

	2012/13 £'000	2011/12 £'000
Net expenditure in the Service Analysis	164,805	164,214
Net expenditure of services & support services not included in the Analysis	22,952	22,379
Amounts in the Comprehensive Income & Expenditure Statement not reported to management in the Analysis	15,942	15,669
Amounts included in the Analysis not included in the Comprehensive Income & Expenditure Statement	(17,226)	(16,585)
Cost of Services in the Comprehensive Income & Expenditure Statement	186,473	185,677

Reconciliation to Subjective Analysis

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

	Service Analysis	Services & Support services not in Analysis	Amounts in the Comprehensive I&E Statement but not reported to management in the Analysis	Amounts not included in I&E	Allocation of Recharges	Net Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
2012/13								
	(54,836)	(9,558)	(1,313)	5,813	19,622	(40,272)	-	(40,272)
Fees, charges & other service income	-	-	-	-	-	-	(380)	(380)
Interest & Investment Income	-	-	-	-	-	-	(56,005)	(56,005)
Income from Council Tax	(86,288)	(2,822)	(1,984)	4,870	-	(86,224)	(164,860)	(251,084)
Government grants & contributions	(141,124)	(12,380)	(3,297)	10,683	19,622	(126,496)	(221,245)	(347,741)
Total Income								
Employee Expenses	131,767	10,661	(1,640)	(2,704)	(536)	137,548	2,317	139,865
Other Service Expenses	174,162	24,671	228	(25,623)	(19,086)	154,352	-	154,352
Depreciation, amortisation & impairment	-	-	16,271	-	-	16,271	-	16,271
Investment Property Income & Change in Fair Value	-	-	-	418	-	418	289	707
REFCUS	-	-	4,380	-	-	4,380	-	4,380
Equal Pay Provision	-	-	-	-	-	-	-	-
Interest payments	-	-	-	-	-	-	8,278	8,278
Precepts & Levies	-	-	-	-	-	-	17,727	17,727
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	-	-	(911)	(911)
Trading Operations	-	-	-	-	-	-	2,285	2,285
Total Expenditure	305,929	35,332	19,239	(27,909)	(19,622)	312,969	29,985	342,954
Surplus or Deficit on the Provision of Services	164,805	22,952	15,942	(17,226)	-	186,473	(191,260)	(4,787)

2011/12 Comparative Figures	Service Analysis	Services & Support services not in Analysis	Amounts in the Comprehensive I&E Statement but not reported to management in the Analysis	Amounts not included in I&E	Allocation of Recharges	Net Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	(54,431)	(9,685)	(2,566)	5,700	16,882	(44,100)	-	(44,100)
Fees, charges & other service Income	-	-	-	-	-	-	(293)	(293)
Interest & Investment Income	-	-	-	-	-	-	(53,820)	(53,820)
Income from Council Tax	(80,833)	(3,571)	(2,428)	4,795	-	(82,037)	(161,362)	(243,399)
Government grants & contributions	(135,264)	(13,256)	(4,994)	10,495	16,882	(126,137)	(215,475)	(341,612)
Total Income								
Employee Expenses	130,803	10,444	(301)	(2,424)	(591)	137,931	(168)	137,763
Other Service Expenses	168,675	25,191	556	(25,094)	(16,291)	153,037	-	153,037
Depreciation, amortisation & impairment	-	-	16,186	-	-	16,186	-	16,186
Investment Property Income & Change in Fair Value	-	-	-	438	-	438	(3,096)	(2,658)
REFCUS	-	-	4,222	-	-	4,222	-	4,222
Equal Pay Provision	-	-	-	-	-	0.00	-	0.00
Interest payments	-	-	-	-	-	-	8,103	8,103
Precepts & Levies	-	-	-	-	-	-	17,339	17,339
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	-	-	(306)	(306)
Trading Operations	-	-	-	-	-	-	2,382	2,382
Total Expenditure	299,478	35,635	20,663	(27,080)	(16,882)	311,814	24,254	336,068
Surplus or Deficit on the Provision of Services	164,214	22,379	15,669	(16,585)	-	185,677	(191,221)	(5,544)

29. Acquired and Discontinued Operations

There were no acquired or discontinued operations in the year.

30. Trading Operations

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

		2012/13 £'000	2011/12 £'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 2013 amounted to £325k.</p>	Turnover	(773)	(819)
	Expenditure	914	896
	Deficit	141	77
	Deficit (after IAS19 adjustment)	138	73
<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 2012/13 in the case of Venue Cymru. Theatr Colwyn was re-opened in September 2011. The reserve for Theatres' repairs and renewals were fully utilised in 2012/13 to meet costs. The summary below shows all associated expenditure and income.</p>			
<p>Venue Cymru - Theatre - Conference Centre - Arena - Catering</p>	Turnover	(5,046)	(4,900)
	Expenditure	7,056	6,672
	Deficit	2,010	1,772
	Deficit (after IAS19 adjustment)	1,989	1,753
<p>Theatr Colwyn</p>	Turnover	(226)	(164)
	Expenditure	406	748
	Deficit	180	584
	Deficit (after IAS19 adjustment)	178	583
Total	Deficit	2,331	2,433
	Deficit (after IAS19 adjustment)	2,305	2,409
Total Trading Operations	Revenue Provision	(20)	(27)
	Deficit per Income & Expenditure Account	2,285	2,382

31. Agency Services

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

Expenditure on these activities was as follows:

	2012/13 £'000	2011/12 £'000
Trunk Roads	5,198	5,161
Nursing Care	1,356	1,397
Total	6,554	6,558

Houses into Homes

The six North Wales councils act as agents of Welsh Government in providing recyclable loans under the Houses into Homes Scheme, for the repair of properties which have been long term vacant, with the aim of bringing them back into use. Flintshire County Council is the lead/banker authority for the North Wales region and responsible for administering the fund. Total income of £2.333m was received from Welsh Government during 2012/13 with payments against this sum amounting to £1.847m. Conwy County Borough Council did not receive any funds in 2012/13.

32. Pooled Budgets

In 2009/10, Conwy CBC entered into a pooled budget arrangement with Betsi Cadwaladr University Health Board (BCU) 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.

During the course of 2012/13, the Conwy equipment loans store ceased, and a new Local Authority/ Health joint equipment store began. This store covers the Conwy, Gwynedd and Ynys Mon Local Authority areas. It is managed by BCU, which also hosts the pooled budget. In 2012/13, therefore, there was a mix of 'old' pool hosted by Conwy and 'new' pool hosted by BCU. The 2012/13 figures in the table below relate only to the pool hosted by Conwy.

The new pool will be fully operational for the whole of 2013/14. It is estimated that Conwy CBC will contribute £195k towards running costs and equipment purchases (out of an estimated total pooled budget of £1.264m).

	2012/13 £'000	2011/12 £'000
Funding provided to the pooled budget:		
▪ Conwy CBC	301	300
▪ Betsi Cadwaladr UHB	-	45
	301	345
Expenditure met from the pooled budget:		
▪ Conwy CBC	280	296
▪ Betsi Cadwaladr UHB	4	47
	284	343
Net deficit/(surplus) arising on the pooled budget during the year	(17)	(2)

33. Members' Allowances

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

	2012/13 £000	2011/12 £000
Basic Allowance	779	812
Special Responsibility Allowance	246	238
Expenses	25	32
Total	1,050	1,082

34. Officers' Remuneration

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

	Post Title	Salary	Expense Reimbursement	Total Remuneration excl Pension Contributions	Employers Pension Contributions	Total Remuneration
		£	£	£	£	£
2012/13	Chief Executive	105,851	2,131	107,982	22,334	130,316
2011/12	Acting Corporate Director/ Chief Executive	93,692	1,868	95,560	19,301	114,861
2012/13	Strategic Director (Democratic, Regulation & Support)	94,298	2,138	96,436	19,897	116,333
2011/12	Acting Chief Executive/Strategic Director (Democratic, Regulation & Support)	100,140	3,807	103,947	20,629	124,576
2012/13	Strategic Director (Finance & Efficiencies)	85,982	479	86,461	18,143	104,604
2011/12	Acting Corporate Director/Strategic Director (Finance & Efficiencies)	84,393	1,585	85,978	17,385	103,363
2012/13	Strategic Director (Economy & Place)	52,864	658	53,522	11,155	64,677
2011/12	Strategic Director (Economy & Place)	-	-	-	-	-
2012/13	Statutory Director of Social Services	67,828	376	68,204	14,312	82,516
2011/12	Statutory Head of Social Services	64,568	3,101	67,669	13,301	80,970
2012/13	Statutory Head of Education Services	71,703	2,970	74,673	15,129	89,802
2011/12	Statutory Head of Education Services	71,703	4,142	75,845	14,771	90,616
2012/13	Head of Corporate Human Resources	67,293	1,253	68,546	14,199	82,745
2011/12	Head of Corporate Human Resources	62,884	2,013	64,897	12,954	77,851
2012/13	Head of School Improvement	-	-	-	-	-
2011/12	Head of School Improvement	62,575	1,410	63,985	5,542	69,527
2012/13	Head of IT Services	62,884	1,490	64,374	13,268	77,642
2011/12	Head of IT Services	62,884	2,472	65,356	12,954	78,310
2012/13	Head of Service-Provider Services	62,884	1,321	64,205	13,269	77,474
2011/12	Head of Service-Provider Services	62,884	2,139	65,023	12,954	77,977
2012/13	Head of Service-Environmental Services	64,457	1,488	65,945	13,600	79,545
2011/12	Head of Service-Environmental Services	62,884	1,773	64,657	12,954	77,611
2012/13	Head of Audit & Procurement Services	68,233	1,230	69,463	14,397	83,860
2011/12	Head of Audit & Procurement Services	66,999	2,565	69,564	13,801	83,365
2012/13	Head of Regulatory Services	50,404	-	50,404	10,635	61,039
2011/12	Head of Regulatory Services	63,619	1,494	65,113	8,439	73,552
2012/13	Head of Community Development Services	62,884	1,800	64,684	13,268	77,952
2011/12	Head of Community Development Services	61,452	1,721	63,173	12,659	75,832
2012/13	Head of Revenue & Benefits Assessment Services	62,884	2,774	65,658	13,269	78,927
2011/12	Head of Revenue & Benefits Assessment Services	61,233	2,478	63,711	12,614	76,325
2012/13	Head of Property Management & Asset Services	61,452	1,151	62,603	12,966	75,569
2011/12	Head of Property Management & Asset Services	60,021	1,104	61,125	12,364	73,489
2012/13	Head of Law & Governance	64,636	864	65,500	13,637	79,137
2011/12	Head of Law & Governance (Note 1)	N/A	N/A	N/A	N/A	N/A

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.

Note 1

For the Head of Law and Governance the pay was below the reporting threshold in 2011/12.

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	2012/13 Number		2011/12 Number	
	Non-Schools	Schools	Non-Schools	Schools
£60,000 - £64,999	4	10	3	7
£65,000 - £69,999	0	6	0	5
£70,000 - £74,999	1	2	0	3
£75,000 - £79,999	0	1	0	0
£80,000 - £84,999	0	1	0	1
£85,000 - £89,999	0	1	0	2
£90,000 - £94,999	0	2	0	2
£95,000 - £99,999	0	0	0	0
£100,000 - £104,999	0	0	0	0
£105,000 - £109,999	0	1	0	1

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:-

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12
							£	£
£0 - £20,000	18	37	31	37	49	74	339,682	306,783
£20,001 - £80,000	3	3	12	13	15	16	452,412	628,243
£80,001 - £100,000	-	-	-	-	-	-	-	-
£100,001 - £150,000	-	-	-	-	-	-	-	-
Total	21	40	43	50	64	90	792,094	935,026

35. External Audit Costs

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

Disclosure of Fees Payable to the Wales Audit Office and KPMG

	2012/13	2011/12
	£'000	£'000
Fees payable to WAO and KPMG with regard to external audit services carried out by the appointed auditor for the year.	198	199
Fees payable to WAO in respect of statutory inspections and National Fraud Initiative	144	150
Fees payable to KPMG for the certification of grant claims and returns for the year.	104	95
Fees payable in respect of other services provided by KPMG during the year.	7	51
	453	495

The estimated fee for certification of grant claims and returns related to 2012/13 is £100k and is not included above.

36. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2012/13

	2012/13	2011/12
	£'000	£'000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	113,351	117,945
Improvement Agreement Grant	1,160	1,165
PFI - Capital Element	3,587	3,551
<i>Sub Total</i>	<i>118,098</i>	<i>122,661</i>
Capital Grants:		
<i>Welsh Government:</i>		
General Capital Grant (Non REFCUS)	1,445	954
School Buildings Improvement Grant	455	328
Specific Capital Grant (Non REFCUS)	101	28
Conwy Package (Transport Schemes)	462	884
Flying Start	103	120
21st Century Schools Grant	4,585	743
Flood Alleviation Schemes	21	49
Composting Scheme	-	76
Sustainable Waste Management Grant	522	926
Recycling Grant	200	-
Strategic Regeneration Area	-	1,155
Colwyn Bay Waterfront Coastal Defence	3,757	695
Convergence (Colwyn Bay Waterfront Coastal Defence)	3,370	3,151
Convergence (Other)	71	2,703
Other WG Grants	775	128
Other Varous Grants	254	90
<i>Sub Total</i>	<i>16,121</i>	<i>12,030</i>
Grand Total	134,219	134,691
Credited to Services		
<i>Welsh Government:</i>		
Concessionary Fares	2,580	2,577
Cymorth - the Children and Youth Support Fund/ Families 1st	1,341	1,161
Flying Start Revenue Grant	1,248	1,186
Mental Handicap Strategy Grant	1,859	1,842
PFI	1,471	1,663
Post-16 Provision in Schools	4,618	4,438
Supporting People	7,453	6,845
Sustainable Waste Management Grant	2,331	1,925
Foundation Phase Grant	3,234	3,031
Post 16 Special Schools and SEN	1,258	1,267
School Effectiveness Grant	855	982
Substance Misuse Action Fund	713	652
Revenue Expenditure Funded from Capital under Statute	1,985	2,390
European Social Fund	954	1,051
DWP - Housing Benefits Grant	44,336	42,566
14-19 Learning Pathways	648	733
Pupil Deprivation Grant	1,013	-
Other Grants	8,327	7,728
Grand Total	86,224	82,037

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 2013	31 March 2012
	£'000	£'000
Capital Grants Receipts in Advance		
Section 106 Agreements	1,116	931
Total	1,116	931

37. Related Parties

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

Central Government

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

Precepts and Levies

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

The Strategic Director (Democratic, Regulation and Support) acts as the Treasurer to the North Wales Fire Authority; the levy to the North Wales Fire Authority paid during the year was £5,206,959 (2011/12: £5,240,568), and was also Interim Chief Executive Officer for the North Wales Police Authority; the precept paid to the North Wales Police Authority for the year was £10,615,174 (2011/12: £10,331,011).

Charitable and Voluntary Organisations

The Council appoints Members, Strategic Directors, Heads of Service, and other Officers to certain charitable and voluntary bodies. Other Officers are not included in the disclosure of transactions with related parties as it is not considered that these Officers are in a position to exert the same level of influence within the Council as Members, Strategic Directors and Heads of Service. During 2012/13 a total of £398,976 (including year end creditors of £19,517) (2011/12: £467,500 (including year end creditors of £31,283)) was paid to these bodies by way of grants and the purchasing of services. In 2012/13 the Council received income of £380,653 (including year end debtors of £88,398) (£804,913 in 2011/12 (including year end debtors of £101,824)) 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 £108,656 (no year end creditor) were paid in 2012/13 (£106,682 in 2011/12 (no year end creditor)), and from which the Council received income of £26,075 (including a year end debtor of £1,535) (£1,370 in 2011/12 (no year end debtor)).

Strategic Directors and Heads of Service

Heads of Service and Strategic Directors were sent a declaration of interest with related parties return for the year 2012/13.

A total of £15,265 (no year end creditor) was paid by the Council in 2012/13 under such dealings (£0 in 2011/12), and a total of £780 (no year end debtor) was received by the Council (£0 in 2011/12).

In addition, the Strategic Director (Democratic, Regulation and Support) is the treasurer of Craig y Don Playschool, to which the Authority paid £8,340 (no year end creditor) (£9,901 in 2011/12 (no year end creditor)).

Members

Members were sent a declaration of interest with related parties return for the year 2012/13.

A total of £346,403 (including year end creditors of £24,043) was paid by the Council in 2012/13 under such dealings (2011/12: £315,762 (including year end creditors of £13,027)), and a total of £5,209 (no year end debtor) was received by the Council (£6,236 in 2011/12 (no year end debtor)).

Five Conwy Members sat on the Board of Management of Cartrefi Conwy. Due to the nature of the parties, transactions are incurred in the normal course of activity.

Other

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

38. Capital Expenditure and Capital Financing

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

	2012/13	2011/12
	£'000	£'000
Opening Capital Financing Requirement	154,707	151,186
Capital Investment		
Property, Plant & Equipment	23,761	24,020
Investment Properties	-	-
Intangible Assets	287	-
Revenue Expenditure funded from Capital under Statute	4,380	4,183
Value of Leased Assets	572	27
Sources of Finance		
Capital Receipts	(597)	(1,103)
Government Grants & Other Contributions	(17,980)	(15,251)
Sums set aside from revenue:		
Direct Revenue Contributions	(1,395)	(574)
MRP	(8,034)	(7,781)
Closing Capital Financing Requirement	155,701	154,707
Explanation of movements in year		
Increase in underlying need to borrow	1,868	4,853
Finance Leases	281	(310)
PFI contracts	(1,155)	(1,022)
Increase/(Decrease) in Capital Financing Requirement	994	3,521

39. Revenue Expenditure Funded From Capital Under Statute

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

	Renovation Grants and Renewal Areas		Other		Total	
	2012/13 £'000	2011/12 £'000	2012/13 £'000	2011/12 £'000	2012/13 £'000	2011/12 £'000
Balance at 31 March	-	-	-	-	-	-
Transfer from Debtors	-	-	-	-	-	-
Expenditure in year	1,558	1,349	2,822	2,834	4,380	4,183
Grants	(845)	(1,349)	(1,140)	(1,040)	(1,985)	(2,389)
Written Off to Revenue	(713)	-	(1,682)	(1,794)	(2,395)	(1,794)
Balance at 31 March	-	-	-	-	-	-

'Other' revenue expenditure funded from capital under statute includes Local Investment Fund grants, Regeneration of Llandudno Junction - Conwy Road, Ty Hapus, Party in the Parc, Rural Development Plan Projects, contribution to North Wales Regional Waste Project, Conwy Physical Regeneration Initiative - Listed Buildings, Cwrt Café and Centre for Learning and Development, and Colwyn Bay THI.

40. Leases

Authority as Lessee

Finance Leases

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

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

	31 March 2013 £'000	31 March 2012 £'000
Other Land & Buildings	449	210
Vehicles, Plant, Furniture & Equipment	583	583
Total	1,032	793

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 2013 £'000	31 March 2012 £'000
Finance lease liabilities (NPV of minimum lease payments)		
▪ Current	162	204
▪ Non-Current	693	373
Finance costs payable in future years	1,146	1,020
Minimum Lease Payments	2,001	1,597

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2013 £'000	31 March 2012 £'000	31 March 2013 £'000	31 March 2012 £'000
No later than one year	211	231	162	204
Later than one year and not later than 5 years	491	239	372	187
Later than 5 years	1,299	1,127	321	186
Total	2,001	1,597	855	577

Operating Leases

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

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

	31 March 2013 £'000	31 March 2012 £'000
No later than 1 year	978	1,077
Later than 1 year and not later than 5 years	499	714
Later than 5 years	1,504	1,447
Total	2,981	3,238

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

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

	2012/2013 £'000	2011/2012 £'000
Minimum lease payments	1,077	1,082
Payments receivable in respect of properties occupied by homeless families	(755)	(858)
Total	322	224

Authority as Lessor

Finance Leases

The Authority has leased out several properties on finance leases with remaining terms of up to 16 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 2013 £'000	31 March 2012 £'000
Finance lease debtor (NPV of minimum lease payments)		
▪ Current	51	8
▪ Non-Current	1,148	72
Unearned finance income	413	22
Unguaranteed residual value of property	(275)	(18)
Gross Investment in the lease	1,337	84

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

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

	Gross Investment in the Lease		Minimum Lease Payments	
	31 March 2013 £'000	31 March 2012 £'000	31 March 2013 £'000	31 March 2012 £'000
No later than one year	92	13	92	13
Later than one year and not later than 5 years	364	50	364	50
Later than 5 years	881	21	881	21
Total	1,337	84	1,337	84

Operating Leases

The Authority leases out property for various purposes including:

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

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

	31 March 2013 £'000	31 March 2012 £'000
No later than 1 year	796	824
Later than 1 year and not later than 5 years	1,385	1,266
Later than 5 years	9,238	9,768
Total	11,419	11,858

The minimum lease payments receivable do not include rent that is contingent on turnover. In 2012/13 contingent rents received amounted to £255,519. In 2011/12 this figure was £286,635.

41. Private Finance Initiatives and Similar Contracts

Three Schools PFI Project

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

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

Contracts were signed on 12 March 2003, and construction started at the end of March 2003. The Unitary Charges (the monthly payment made by the Council to the private sector for the 3 fully serviced schools) were payable from 1 August 2004 for a contract period of 25 years. The Unitary Charge in the financial year 2012/13 was £6.8m (net of availability and performance deductions of £3k) for the period April 2012 to March 2013 inclusive. (Unitary Charge in the financial year 2011/12 was £6.6m net of minimal availability and performance deductions). The full year charge in 2013/14 is estimated to be approximately £6.9m at a price base of 1 April 2013.

The outstanding undischarged obligation arising from the PFI transaction is approximately £125.3m (£130.4m in 2011/12), 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

	£'000
1 April 2011	44,982
Movement 2011/12	(974)
31 March 2012	44,008
Movement 2012/13	(974)
31 March 2013	43,034

Value of Liabilities resulting from PFI and Similar Contracts

	Finance Lease Creditor	Lifecycle Timing Differences	Total
	£'000	£'000	£'000
1 April 2011	(28,610)	(391)	(29,001)
Movement 2011/12	1,022	-	1,022
31 March 2012	(27,588)	(391)	(27,979)
Movement 2012/13	1,155	-	1,155
31 March 2013	(26,433)	(391)	(26,824)

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

	Service Charges	Repayments of Liability	Interest	Total
	£'000	£'000	£'000	£'000
Within 1 Year	3,460	1,072	2,336	6,868
Within 1 to 5 Years	15,197	4,987	8,275	28,459
Within 5 to 10 Years	21,873	8,453	7,584	37,910
Within 10 to 15 Years	28,663	8,444	3,593	40,700
Within 15 to 20 Years	7,577	3,477	313	11,367

42. Impairment Losses

During 2012/13, the Authority did not recognise any impairment losses (in 2011/12 the Authority did not recognise any impairment losses).

43. Termination Benefits

The Authority terminated the contracts of a number of employees in 2012/13 incurring liabilities of £792k (£935k in 2011/12) – see Note 34 for the number of exit packages and total cost per band.

The liability of £792k is further analysed below:

£445k was payable to 30 employees as a result of service efficiencies and restructures.

A sum of £53k was paid to 7 employees as a result of school modernisation.

A sum of £12k was paid to 2 employees as a result of social services modernisation.

A sum of £282k was payable to 25 employees as a result of other reasons.

44. Pension Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the Authority are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the Authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Authority is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. In 2012/13, the Council paid £4.163m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.09% of pensionable pay. The figures for 2011/12 were £4.175m and 14.12%. There were no contributions remaining payable at the year end (31 March 2012 – Nil).

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

45. Defined Benefit Pension Schemes

Participation in Pension Schemes

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

The Authority participates in two post employment schemes:

- The Local Government Pension Scheme. The Authority participates in schemes administered locally by Gwynedd Council and Flintshire County Council – these are funded defined benefit final salary schemes, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- Arrangements for the award of discretionary post retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets

built up to meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

- The employers contribution rate for the Gwynedd scheme in 2012/13 was 21.1% (2011/12 20.6%). The rate will be 21.6% in 2013/14. The total amount paid to the Gwynedd scheme in 2012/13 was £11.833m in respect of standard pension contributions (£13.459m in 2011/12).

Transactions Relating to Post-Employment Benefits

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2012/13	2011/12	2012/13	2011/12
	£'000	£'000	£'000	£'000
Comprehensive Income & Expenditure Statement				
Cost of services:				
▪ Current service cost	(11,142)	(10,941)	-	-
▪ Past service (cost)/credit	(147)	(78)	-	-
▪ Settlements & Curtailments	(219)	(66)	-	-
Financing & Investment Income & Expenditure				
▪ Interest cost	(16,892)	(17,579)	(935)	(1,043)
▪ Expected return on scheme assets	15,511	18,790	-	-
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	(12,889)	(9,874)	(935)	(1,043)
Other Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement				
▪ Actuarial gains and losses	(25,999)	(29,926)	(1,514)	(1,146)
Total Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement	(38,888)	(39,800)	(2,449)	(2,189)
Movement in Reserves Statement				
▪ Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the code	13,824	10,917	-	-
Actual amount charged against the Council Fund Balance for pensions in the year:				
▪ Employers' contributions payable to scheme	13,618	14,048	-	-
Retirement benefits payable to pensioners	10,844	11,245	1,509	1,524

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2013 is a loss of £109.648m.

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 2013 £'000	31 March 2012 £'000	31 March 2013 £'000	31 March 2012 £'000
Opening balance	350,344	318,190	20,156	19,487
Current service cost	11,142	10,941	-	-
Interest cost	16,893	17,579	935	1,043
Contributions by plan participants	3,673	3,792	-	-
Actuarial gains and losses	45,603	10,945	1,514	1,148
Benefits paid	(10,844)	(11,245)	(1,509)	(1,524)
Past service costs/(credit)	143	76	4	2
Curtailments	219	66	-	-
Liabilities Discharged	(400)	-	-	-
Closing Balance	416,773	350,344	21,100	20,156

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 2013 £'000	31 March 2012 £'000
Opening balance at 1 April	274,291	269,409
Expected rate of return	15,511	18,790
Actuarial gains and losses	19,605	(18,981)
Employer contributions	12,474	12,332
Contributions by scheme participants	3,673	3,792
Benefits paid	(11,209)	(11,051)
Unfunded Benefits Paid	(1,509)	(934)
Unfunded Benefits Contributions	1,509	934
Liabilities Discharged	(400)	-
Closing balance	313,945	274,291

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 £35.189m (2011/12: £0.161m).

Scheme History

	2008/09 £'000	2009/10 £'000	2010/11 £'000	2011/12 £'000	2012/13 £'000
Present value of liabilities:					
Local Government Pension Scheme	259,586	438,345	318,190	350,344	416,773
Discretionary Benefits	19,266	23,289	19,487	20,156	21,100
Fair value of assets in the Local Government Scheme	185,702	266,331	269,409	274,291	313,945
Surplus/(Deficit) in the scheme:	(93,150)	(195,303)	(68,268)	(96,209)	(123,928)
Local Government Pension Scheme	(73,884)	(172,014)	(48,781)	(76,053)	(102,828)
Discretionary Benefits	(19,266)	(23,289)	(19,487)	(20,156)	(21,100)

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 £123.928m 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 2014 is £12.408m. Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2014 are £1.5m.

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 2013.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Discretionary Benefits	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
Long-term expected rate of return on assets in the scheme:				
Equity Investments	4.5%	6.2%	-	-
Bonds	4.5%	3.3%	-	-
Property	4.5%	4.4%	-	-
Cash	4.5%	3.5%	-	-
Mortality Assumptions:				
Longevity at 65 for current pensioners				
▪ Men	20.5	20.5	20.5	20.5
▪ Women	23	23	23	23
Longevity at 65 for future pensioners				
▪ Men	23.3	23.3	23.3	23.3
▪ Women	25.6	25.6	25.6	25.6
Rate of Inflation	2.8%	2.5%	2.8%	2.5%
Rate of Increase in salaries	5.1%	4.8%	5.1%	4.8%
Rate of Increase in pensions	2.8%	2.5%	2.8%	2.5%
Rate for discounting scheme liabilities	4.5%	4.8%	4.5%	4.8%
Take-up of option to convert annual pension into retirement lump sum	50%	50%	-	-

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

	31 March 2013 £'000	31 March 2012 £'000
Equity Investments	241,577	213,875
Bonds	40,903	35,700
Property	25,172	21,969
Cash	6,293	2,747
Total	313,945	274,291

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2012/13 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2013:

	2008/09 %	2009/10 %	2010/11 %	2011/12 %	2012/13 %
Differences between the expected and actual return on assets	(36.08)	23.22	(8.14)	(6.91)	(6.24)
Experience gains and losses on liabilities	(0.01)	0.03	19.22	(1.11)	(0.07)

46. Contingent Liabilities

Municipal Mutual Insurance (MMI) Provision

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

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

Aberconwy Borough Council	£122,811
Colwyn Borough Council	£0
Gwynedd County Council	£55,121
Clwyd County Council	<u>£207,386</u>
Total	£385,318

This sum represents a 15% Levy on claims previously paid by MMI in respect of the former constituent authorities, has now been provided for in the accounts of the Authority. See Note 22 - Provisions.

Municipal Mutual Insurance (MMI) Contingent Liability

The present actuarial opinion is that the Levy could ultimately fall in a range between 9.5% and 28% but is expected to be at 15%, however, theoretically the exposure of a Scheme Creditor is 100%.

Should the Levy ultimately be determined at finalisation of the run-off at less than 15%, then a refund will be due to the Authority. Should the Levy rise to 28%, which is the expected worst case scenario, then a further £333,944 liability would arise.

47. Contingent Assets

There are no outstanding contingent assets.

48. Joint Arrangements & Joint Committees

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

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

- i) North Wales Residual Waste Treatment Partnership (NWRWTP) (with Flintshire (lead Authority), Anglesey, Denbighshire & Gwynedd).
Conwy's contribution to the NWRWTP in 2012/13 was £215k.
- ii) TAITH (North Wales Regional Transport Consortia) (with Flintshire (lead authority), Anglesey, Denbighshire, Wrexham & Gwynedd).
Conwy's contribution from TAITH in 2012/13 was £97k.

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

http://www.flintshire.gov.uk/wps/portal/english/services?WCM_GLOBAL_CONTEXT=/Web+Content/Flintshire/English/Services/100004/200110

49. Nature and Extent of Risks Arising from Financial Instruments

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

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

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

Credit Risk

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

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

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

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

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

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

Limit - £5m

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

4. Building Societies

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

5. Money Market Funds (MMF)

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

The Authority's maximum exposure to credit risk of £5m in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2013 that this was likely to crystallise.

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

	Amount at 31 March 2013	Historical Experience of Default	Historical experience adjusted for market conditions at 31 March 2013	Estimated Maximum Exposure to Default & Uncollectability at 31 March 2013	Estimated Maximum Exposure at 31 March 2013
	£'000	%	%	£'000	£'000
Customers	7,653	0	0	0	0

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

	31 March 2013 £000	31 March 2012 £000
< 3 Months	5,651	4,640
3-6 Months	126	289
6-12 Months	384	807
> 12 Months	1,492	2,582
Total	7,653	8,318

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

Liquidity Risk

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

	31 March 2013 £'000	31 March 2012 £'000
< 1 Year	29,790	25,500
1 – 2 Years	299	-
2 – 5 Years	955	-
5 – 10 Years	1,801	-
10 – 25 Years	9,501	5,213
> 25 Years	90,656	90,655
Total	133,002	121,368

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 2013, 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	376
Impact on Surplus or Deficit on the Provision of Services	376
Decrease in Fair Value of fixed rate Investment assets	-
Impact on Other Comprehensive Income & Expenditure	-
Decrease in fair Value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income & Expenditure)	25,311

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

Price Risk

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

Foreign Exchange Risk

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

50. Trust Funds

1. The Council currently administers 24 Education Trust Funds. The funds are not assets of the Council and are not, therefore, included within the Balance Sheet.

The Trust Funds operate for a variety of causes from school prize funds to maintaining children's play areas. Each one consists of a relatively small sum of money received largely from individuals and invested in order to provide an annual income.

The Fund balances at 31 March 2013 amounted to £112,078 and the income for the year was £5,201. (Fund Balances at 31 March 2012 amounted to £107,566 and income for the year 2011/12 was £5,041.)

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 113.
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 117.

51. Forward Commitments

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

52. Council Tax

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into ten valuation bands with estimated 1 April 2003 values for this specific purpose. Charges are calculated by taking the amount of income required for Conwy County Borough Council and the 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 2012/13 was calculated as follows: -

Band	Equivalent Number of Dwellings after Discount	Band D Adjustment	Band D Equivalent
A*	9	5/9	5.14
A	4,219	6/9	2,812.67
B	6,734	7/9	5,237.36
C	13,137	8/9	11,677.33
D	10,299	1	10,298.50
E	7,812	11/9	9,547.69
F	4,471	13/9	6,458.11
G	1,730	15/9	2,882.92
H	374	18/9	748.50
I	131	21/9	305.67
			49,973.89
Council Tax Base after allowing for losses on collection			49,474.15

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

	2012/13	2011/12
	£'000	£'000
Council Tax raised	56,005	53,820

53. National Non-Domestic Rates (NNDR)

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

For 2012/13 the rate set by the Welsh Government was 0.452p per £1 of rateable value of the non-domestic properties (2011/12: 0.428p). At 31 March 2013 there were 5,032 properties on the local valuation list in Conwy, representing a rateable value of £79,082,394 (2011/12: £79,151,328). The net income accruing to the Council from the NNDR is as follows:-

	2012/13	2011/12
	£'000	£'000
National Non-Domestic Rate raised	26,443	25,723
Less Cost of Collection Allowance	(264)	(263)
Less sum paid to the National Pool	(26,179)	(25,460)
	-	-
Receipts from the National Pool	30,640	26,671
Net Income from the National Non-Domestic Rates	30,640	26,671

WELSH CHURCH ACT FUND

STATEMENT OF ACCOUNTS 2012/13

Explanatory Foreword

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

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

The Council is the corporate trustee of the Welsh Church Act Funds in the area of Conwy County Borough. It holds some funds disaggregated from the Clwyd fund at reorganisation in 1996. It also has a share of the Gwynedd fund, 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 18 to 37, which are applicable to the items in the Welsh Church Act Accounts. The accounts also follow the Charity Commission Statement of Recommended Practice.

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

INCOME AND EXPENDITURE ACCOUNT

	Notes	2012/13	2011/12
		£	£
Resources Arising			
Rent of Land	1	-	890
Investment Interest	2	7,327	7,423
Less Fund Manager's Fees		(163)	(141)
		7,164	8,172
Use of Resources			
Allocations	3	(9,058)	(9,995)
Prior Year Adjustment	1	(1,699)	
		(10,757)	(9,995)
Change in Resources Before Investment Gains or Losses		(3,593)	(1,823)
Other Realised Gains and Losses:			
Transfer of Land Value	1	(10,676)	-
Realised gains (Losses) on Investment Disposals		63	124
Unrealised Gains (Losses) on Investment Values		(323)	(1,912)
		(10,936)	(1,788)
Resources Retained (Shortfall) for Future Use		(14,529)	(3,611)
Resources Brought Forward		285,130	288,741
Resources Carried Forward		270,601	285,130
Movement in Year		(14,529)	(3,611)

BALANCE SHEET AT 31 MARCH

	Notes	2013	2012
		£	£
Fixed Assets			
Land	1	4,657	15,333
Investments	2	74,125	74,933
		78,782	90,266
Current Assets			
Debtors (distribution due from Gwynedd Council)	3	6,781	6,811
Cash	2	67,985	74,863
Current Assets (held by Gwynedd Council)	2	129,255	127,249
		204,021	208,923
Current Liabilities			
Creditors	3	(12,202)	(14,059)
Net Assets		270,601	285,130
Fund Balance		270,601	285,130

NOTES TO THE WELSH CHURCH ACT FUND ACCOUNTS

Income and Expenditure Account

Note 1

Rent from land administered by Conwy amounted to £890 in 2011/12. However, in 2012/13 it was discovered that the land had been vested in the former Clwyd County Council before re-organisation in 1996, and so the rent paid from 1996 onward was not actually due to the fund. In settlement, 3 years back rent was paid to Conwy County Borough Council amounting to £1,699. The value of the land was estimated at £10,676, and this has been recognised as a disposal in the Income and Expenditure Account.

Note 2

The main source of income is investment income from assets administered by Gwynedd on behalf of the fund; this amounted to £6,944 (£6,811 in 2011/12). 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 £383 (£470 in 2011/12), the interest rate used in the calculation is the average of the 7 day LIBOR rate for the months April to March.

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

Note 3

Under the provisions of the Welsh Church Act, Conwy allocates grants to various organisations. The amount available for distribution in 2012/13 was estimated at £23,230 (£16,751 in 2011/12) and the actual amount distributed was £9,058 (£9,995 in 2011/12). The balance of the funds available for distribution in 2012/13 has been carried forward for distribution in 2013/14.

Balance Sheet

Note 1

The land held on behalf of the fund by Conwy was valued at £10,676, this has now been disposed of, thus reducing the overall value of land. Conwy's share of the land held by the main fund is £4,657 (£4,657 in 2011/12).

Note 2

The investments held by the main fund are mainly in UK Equities, £416,191 (£420,727 in 2011/12), of which Conwy is allocated 17.810244%. The balance of the main fund is held as cash deposits on which interest accrues. In 2012/13 this amounted to £714,044 (£704,686 in 2011/12) which is included in the current assets figure along with Debtors which amounted to £6,232 (£9,785 in 2011/12). Conwy is allocated 17.810244% of the total. The cash amount held by Conwy in 2012/13 amounted to £67,985 (£74,863 in 2011/12), of this amount £57,542 (£57,542 2011/12) 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 2012/13 is shown as a debtor on the balance sheet. The creditor amount shown on the balance sheet is made up of Conwy's share of the creditors to the main fund, and funds that have been allocated to an applicant forming part of the distributed cash, but as at the end of the financial year had not yet been paid.

YMDDIRIEDOLAETH ADDYSG LLANRWST

Statement of Accounts 2012/13

Explanatory Foreword

In 2012/13 the Council was the Custodian Trustee for this fund.

Accounting Policies

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

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

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2013

	2012/13		2011/12	
	£		£	
RESOURCES ARISING				
Donations	-		-	
Investment Interest	4,553		5,371	
Less Expenditure	(8,500)		(25,000)	
		(3,947)		(19,629)
Resources Brought Forward	879,555		899,184	
Resources Carried Forward	875,608		879,555	
Movement in Year		(3,947)		(19,629)

BALANCE SHEET AT 31 MARCH

	2013	2012
	£	£
Current Assets		
Investments	875,608	879,555
Current Liabilities	-	-
Fund Balance	875,608	879,555

Note

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

GLOSSARY OF TERMS

ACCOUNTING PERIOD

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

ACCOUNTING POLICIES

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

ACCRUALS

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

ACTUARIAL GAINS AND LOSSES

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

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

AGENCY ARRANGEMENTS

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

AMORTISATION

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

ASSET

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

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

AUDIT OF ACCOUNTS

An independent inspection of the Authority's financial affairs.

BALANCE SHEET

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

BUDGET

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

CAPITAL EXPENDITURE

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

CAPITAL FINANCING

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

CAPITAL PROGRAMME

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

CAPITAL RECEIPT

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

CASH

Comprises cash on hand & demand deposits

CASH EQUIVALENTS

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

CASH FLOWS

Inflows & outflows of cash & cash equivalents.

CIPFA

The Chartered Institute of Public Finance and Accountancy.

CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING IN THE UK

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

COMMUNITY ASSETS

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

COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT

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

CONSISTENCY

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

CONSTRUCTIVE OBLIGATION

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

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

CONSUMER PRICE INDEX (CPI)

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

CONTINGENT ASSET

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

CONTINGENT LIABILITY

A contingent liability is either:

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

CORPORATE AND DEMOCRATIC CORE

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

CREDITOR

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

CURRENT SERVICE COST (PENSIONS)

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

DEBTOR

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

DEFINED BENEFIT PENSION SCHEME

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

DEPRECIATED REPLACEMENT COST (DRC)

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

DEPRECIATION

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

DISCRETIONARY BENEFITS (PENSIONS)

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

EFFECTIVE INTEREST RATE

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

EMPLOYEE BENEFITS

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

EQUITY

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

EVENTS AFTER THE BALANCE SHEET DATE

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

EXCEPTIONAL ITEMS

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

EXISTING USE VALUE (EUV)

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

EXPECTED RETURN ON PENSION ASSETS

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

EXTRAORDINARY ITEMS

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

FAIR VALUE

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

FINANCE LEASE

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

FINANCIAL INSTRUMENT

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

FINANCIAL REPORTING ADVISORY BOARD (FRAB)

The independent body that advises the Government on accounting issues.

FINANCING ACTIVITIES

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

GOING CONCERN

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

GOVERNMENT GRANTS

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

HERITAGE ASSETS

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

HOUSING BENEFITS

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

HOUSING REVENUE ACCOUNT (HRA)

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

IMPAIRMENT

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

INCOME

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

INFRASTRUCTURE ASSETS

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

INTANGIBLE ASSETS

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

INTEREST COST (PENSIONS)

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

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

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

INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS (IPSAS)

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

INVENTORIES

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

INVESTING ACTIVITIES

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

INVESTMENT PROPERTY

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

INVESTMENTS (PENSION FUND)

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

LASAAC

Local Authority (Scotland) Accounts Advisory Committee.

LEASE

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

LIABILITY

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

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

LIQUID RESOURCES

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

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

LONG-TERM CONTRACT

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

MATERIALITY

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

MINIMUM REVENUE PROVISION (MRP)

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

NET BOOK VALUE

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

NET DEBT

The Authority's borrowings less cash and liquid resources.

NON-DISTRIBUTED COSTS

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

NON-DOMESTIC RATES (NDR)

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

OPERATING ACTIVITIES

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

OPERATING LEASE

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

PAST SERVICE COST (PENSIONS)

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

PENSION SCHEME LIABILITIES

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

PRECEPT

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

PRIOR YEAR ADJUSTMENT

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

PRIVATE FINANCE INITIATIVE (PFI)

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

PROJECTED UNIT METHOD

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

PROVISION

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

PUBLIC PRIVATE PARTNERSHIPS (PPP)

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

PUBLIC WORKS LOAN BOARD (PWLB)

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

RATEABLE VALUE

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

RELATED PARTIES

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

RELATED PARTY TRANSACTIONS

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

REMUNERATION

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

RESERVES

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

RESIDUAL VALUE

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

RETAIL PRICE INDEX (RPI)

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

RETIREMENT BENEFITS

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

REVENUE EXPENDITURE

The day-to-day expenses of providing services.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

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

REVENUE SUPPORT GRANT

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

SERVICE CONCESSION ARRANGEMENT

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

SOFT LOAN

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

SOLACE

Society of Local Authority Chief Executives

TEMPORARY BORROWING

Money borrowed for a period of less than one year.

TERMINATION BENEFITS AND EXIT PACKAGES

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

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

TRUST FUNDS

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

UK GAAP

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

USEFUL ECONOMIC LIFE (UEL)

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

WORK IN PROGRESS

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

Annual Governance Statement

2012/2013

Version	Date	Author	Approved By	Date for Review
6	5/6/13	Improvement & Audit Group	Executive Team SMT Audit Committee	

1 The Purpose of the Annual Governance Statement

The changing needs of our citizens and communities and the significant reductions in resources and government reforms, present a challenge to all councils. In addressing these challenges every Council must ensure that governance arrangements (the way we direct and control our business and relate to communities) support the effective delivery of services and management of risk. 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.

A governance framework supported by a Local Code of Corporate Governance, has been in place at Conwy County Borough Council (the Authority), for the year ending 31st March 2013 and up to the date of approval of the annual statement of accounts. This accords with proper practice. The governance framework comprises the systems, processes, culture and values under which the Authority operates and through which it accounts to, engages with and 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 and continuous improvement.

The governance framework is designed to manage risk to a reasonable level rather than eliminate all risk. It can therefore only provide reasonable and not absolute assurance of effectiveness.

This statement represents the Authority's self assessment of compliance with our Code of Corporate Governance and whether we have met the requirements of the Accounts and Audit Regulations 2011. This statement should be read together with the performance management accountability arrangements as detailed in the Annual Report which is published by 31st October each year¹.

2 Scope of Responsibility

The Authority is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority also has a duty under the Local Government Act 1999, to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Authority is responsible for putting in place proper arrangements for the governance of its affairs and for ensuring that there is a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.

To demonstrate good governance, the Authority must demonstrate that it is complying with the core (and supporting) principles contained within the Framework for Delivering Good Governance in Local Government (2007) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) in 2001. This statement has been prepared in accordance with that guidance.

¹ www.conwy.gov.uk/accountability

3 The Governance Framework

This statement describes the key elements of the Authority's Governance Framework and our self assessment of the compliance with the Council's Code of Corporate Governance. The governance assurances contained in this statement are structured around each of the 6 core governance principles contained in the Framework for Delivering Good Governance in Local Government.

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

Principle 1

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

P1.1 Current Arrangements

- A) In March 2012 the Local Service Board published a long term **integrated partnership plan**, '*One Conwy 2012 - 2025*²' which sets out the vision for working together for a better future for Conwy County. It is based on 8 citizen focused outcomes. The plan is integrated because it combines the actions from the Health, Social Care and Wellbeing Strategy, Children and Young People Plan and Community Safety Strategy. There are **Strategic Partnerships** for Children and Young People, Community Safety and Health and Wellbeing which support the implementation of *One Conwy*. In addition there is a Rural Development Partnership and Communities First Partnership. There is a Governance Toolkit and Partnership Performance Management Framework to review the effectiveness of these partnerships and the Conwy and Denbighshire Local Strategic Boards have a joint Information Strategy and Engagement Strategy.
- B) In alignment to *One Conwy*, the Authority publishes a strategic **Corporate Plan** to provide a focus on the Authority's key priorities for improvement. The current plan for 2012 - 2017 is also based on the 8 citizen outcomes. The Corporate Plan was approved in draft in March 2012 and a final version was approved in September 2012 by the newly elected administration. In accordance with the requirement to review the plan annually, a review of progress made to deliver the priorities was presented to Elected Members in January 2013 in order that they could review the ongoing relevance and financial position of the Corporate Plan priorities. Members of the Public were also invited to provide feedback via the Council website. A Corporate Plan review report and recommended amendments was presented to Principal Overview and Scrutiny Committee and Cabinet in April 2013 and was formally approved by Council in May 2013. The Corporate Plan provides a framework that helps shape budget plans, and against which the Authority can assess and account to the community on the level of progress against targets set, and areas for further improvement.
- C) Other strategic plans were also approved in 2012/13. The Sustainability Strategy 2012 – 2017 was approved in January 2012. This is a 5 year Strategy to address the long term effect of our actions on our natural environment, our communities and our economy to prevent them from compromising the survival of future generations. In March 2012 the Authority approved a

² www.conwy.gov.uk/oneconwy

Strategic Equality Plan 2012 – 2015 to meet the requirements of the Equality Act 2010. The Plan identifies the Authority's equality objectives in relation to each of the protected groups. Also in March 2012³ the Authority published the Local Development Plan (LDP) for independent examination in public. The LDP will provide guidelines about what can be built and where it can be built in the county of Conwy up to 2022 to meet the needs of the community for the future and safeguard the county's unique environment. Two Planning Inspectors were appointed to undertake the examination of the Conwy LDP and to determine whether the LDP is sound. Their role was to consider all the evidence and produce a report for the County Borough Council assessing the soundness of the LDP and to give recommendations for any necessary changes.

- D) The Authority also has priorities set out in the **Outcome Agreement 2010 - 2013**. This is a 3 year agreement between the Welsh Government and individual Local Authorities with actions and targets to be completed in each of the 3 financial years. The final year of the agreement finished on 31st March 2013. The agreement sets out how the Authority will work collaboratively to improve outcomes for local people, within the context of the Government's national priorities. Successful completion of the annual actions and targets within the agreement results in the payment of an annual Outcome Agreement Grant to the Local Authority. The grant is currently worth just over £1 million per annum and is paid on a sliding scale of 100%, 75%, 50% and 25% depending on the overall judgement of successful completion of actions and targets for each financial year. For the first two years of the Outcome Agreement the Authority has received 100% of the grant. At the time of print, the grant allocation for 2012/13 was not yet known. The Welsh Government are currently reviewing the Outcome Agreement process and it is anticipated that new agreements will be set with each Local Authority for a further three years, starting from the financial year 2013/14. The details of the new Outcome Agreement are currently being reviewed by the new Minister for Local Government and Government Business, Lesley Griffiths.
- E) The Authority is involved in several collaboration projects and approved a **statement on collaboration** (November 2010) to ensure that good governance and value for money are achieved and that the priorities and values of the Authority are promoted and safeguarded when **working in partnership**. The Authority has also continued to work regionally to support the Welsh Government 'Programme for Government' and where appropriate, the development of the 'Compact' for collaborative working initiatives. Key collaborations include, Regional Social Care Partnership, Regional Residual Waste Project, the Regional School Effectiveness and Improvement Service and a Regional Commissioning, Procurement and Monitoring hub to secure greater efficiency in the procurement of high cost residential care packages for children and adults. In addition, Flintshire, Denbighshire and Conwy County Councils are collaborating to produce a joint set of Contract Procedure Rules (CPRs) following publication of the WLGA model set of CPRs in March 2013. A decision was taken for the Highways and Infrastructure service to be brought back in house in December 2012 following the departure of the joint Head of Service, due to concerns that the collaboration was not realising anticipated benefits. This has seen technical departments being merged into the Environment, Roads and Facilities Service (ERF). A Head of Service for ERF was appointed in February 2013 and a programme to amalgamate the three services was established at the same time. In addition a decision was taken to cease collaborative working in regulatory services and to bring services in house for similar reasons. Key collaborations are listed within the Annual Report for 2011/12. During 2012/13 a review of all collaborative arrangements was undertaken. The review ensured that the Authority has a comprehensive database and clear categorisation of the different types and levels of partnership working across all service areas,

³ Approved in January / March 2012 which was the financial year 11/12'

the review also ensured that the benefits of each collaborative project are identified and that there is a governance process in place to support the development of any future collaborative arrangements. All key collaboration projects are monitored through the two Corporate Improvement Boards. The review will be presented for approval in May 2013.

- F) The **Performance Management Framework**, (PMF) was reviewed during 2012/13 and will be presented for approval in May 2013. The framework seeks to provide a clear link as to how the delivery of objectives set for individual officers in their personal development plans, contributes to the achievement of service plans which in turn help deliver the Corporate Plan and therefore the Authority's contribution to improving the County of Conwy as set out in the Integrated Community Plan, "One Conwy 2012 - 2025". The PMF details the steps that should be taken to develop citizen outcome focused priorities and performance targets and how they are cascaded to Service Plans and individual Performance Development Reviews. Progress against actions and performance measures is monitored twice yearly through the **Service Performance Reviews**. The reviews form a self evaluation of performance and are a method of seeking assurance from Heads of Service that internal control arrangements are in place within their service area. The Service Performance Reviews are attended by a Strategic Director, the Deputy Leader, Portfolio Cabinet Member, and Scrutiny Chair, who provide support and challenge to the service self evaluation. A **Corporate Performance Report** is produced every six months and an **Annual Report** accounting for performance and benchmark with other Authorities is published by 31st October each year.
- G) The Council is committed to improving its procurement processes and the Corporate Procurement Service is actively involved in supporting services to procure goods and services in compliance with relevant legislation and the internal rules of the Authority embodied in its Contract Standing Orders. The Council has strong links with both the Welsh Government through its Value Wales Team and neighbouring public sector bodies. The Council is a member of the North Wales Procurement Partnership established to accelerate and increase procurement savings by jointly procuring a selection of goods and services. However, the Partnership is being dissolved, partly in recognition that the Council has agreed to support the National Procurement Service, and in recognition that in its current form the North Wales Procurement Partnership is not operationally efficient. The agreement to sign up to the National Procurement Service was made in December 2012, this will enable the Authority to undertake procurement of common and repetitive spend items on a National basis across the whole of the public sector, with the aim of securing efficiency savings and price savings by reducing the number of procurement exercises and aggregating buying power. In order to ensure the successful delivery of services and completion of projects, central guidance and support is provided in respect of **procurement and project management**. All significant programmes and projects are monitored through the 2 **Improvement Boards** which are aligned to the **Overview and Scrutiny Committees** to which projects can be referred for further scrutiny and challenge. There was a formal review of the terms of reference of the Improvement Boards and revised terms of reference and alignment of the portfolios to the 8 citizen outcomes was completed and re-launched in August 2012.
- H) There are robust arrangements for effective **financial control** through the Council's accounting procedures and Financial Regulations. These include established budget planning procedures, which are subject to risk assessment, and regular reports to members comparing actual revenue and capital expenditure to annual budgets and a Business Planning Framework process that supports the Authority's resource allocation process. In February 2013 Council approved a medium term financial framework (MTFF) which clarifies the financial planning process and the links between medium term resource allocation and the corporate priorities. The **Chief Finance Officer's** role (S151 Officer) is included in the

responsibilities of the Strategic Director of Finance and Efficiencies. The Director has responsibility for the proper administration of the Council's financial affairs, as required by Section 151 of the Local Government Act 1972. The Strategic Director of Finance and Efficiencies is a member of the Executive group and reports to the Chief Executive. The Council complies fully with the principles of CIPFA's Statement on the role of the Chief Financial Officer in Local Government (2010). Procedures for tendering and contract letting are included in the Council's Contract Standing Orders. The Authority has been awaiting the issue of a draft set of model Contract Procedure Rules (CPRs) by the WLGA for adoption by all Welsh local authorities. These were produced in March 2013 and work is ongoing to develop a joint set of CPRs with Denbighshire and Flintshire County Councils. The Council's **Treasury Management** arrangements follow professional practice and are subject to regular review. The Council's annual Statement of Accounts is prepared following the Code of Practice on Local Authority Accounting and is subject to audit by WAO.

P1.2 Review of Effectiveness

The review of effectiveness is informed by the work of the CEO and Strategic Directors who have responsibility for the development and maintenance of the governance environment and culture. The Head of Internal Audit is required to produce an Annual Report giving an opinion on the adequacy and effectiveness of the Council's internal control environment, providing details of any weaknesses that would qualify this opinion and drawing attention to any issues that are relevant to the preparation of the Annual Governance Statement. The report also provides evidence and assurance that the Internal Audit Service operates to the standards set out in the Code of Practice for Internal Audit in Local Government in the UK to enable the Council to take assurance from this opinion. The service performs regular reviews of the financial systems and controls to provide assurance to the Council through its Audit Committee.

The Head of Audit Annual Report was presented to the Audit Committee on the 20th May 2013 and concludes that the Council has satisfactory internal control, risk management and corporate governance processes in place to manage the achievement of the Authority's objectives for the 12 months ended 31st March 2013. An audit review into the collaborative working arrangements with Denbighshire County Council in respect of Home to School Transport due to a significant budget overspend in respect of 2011/12 was performed during 2012/13. A decision was subsequently taken for the Highways and Infrastructure service to be brought in-house due to concerns that the collaboration was not realising anticipated benefits. The findings in respect of follow up audits conducted during 2012/13 were reported to Audit Committee on a quarterly basis and demonstrated that of 332 improvement actions made by Internal Audit, only 73 were outstanding or subject to ongoing work with no critical or major improvement actions identified as outstanding.

Due to the issues identified in respect of procurement and contracting procedures across the Authority during 2010/11 and 2011/12 and in particular the Maesdu Bridge contract, further contract audit work was performed during 2012/13 to support the Contracts Forum in implementing the improvement actions contained in the KPMG Contracting and Procurement report and various other Internal Audit reports in respect of this area of work. The service identified that all recommendations contained in the KPMG report have been satisfactorily implemented with the exception of 3 which are subject to ongoing work. It is considered that the merger of the technical departments to create the Environment, Roads and Facilities Service will support the contracting and procurement improvements implemented by the Contracts Forum. An internal audit of the Ysgol Gogarth project demonstrated that the contract is well managed with clear project management arrangements in place. A further review of contract management procedures will be undertaken during 2013/14 to ensure that all internal controls have been embedded in processes and procedures.

The Council is carefully monitoring progress on the improvements required to ensure future compliance with the Council's tendering procedures and legal requirements and improved management of major contracts. The Council has already taken steps to improve many of these processes, including:

- establishing a new Project and Programme Forum for managers;
- establishing the Contract Forum to drive improvement in respect of construction and engineering based contracts;
- rolling out management training that focuses on realising benefits from external procurement;
- a hardened tone from the top about compliance; and
- a series of internal audits in risk areas.

Due to the issues identified regarding the fraudulent use of the Substance Misuse Action Fund grant by a "Forces for Good" employee during 2011/12, the Council has put in place additional controls to mitigate the risks represented by payments to third parties. Additional audit resources have been targeted at grant related expenditure during 2012/13.

In January 2013 WAO undertook a review of the Authority's Annual Governance Statement. The key question was "In producing its Annual Governance Statement, has the Council evaluated the effectiveness of its governance arrangements comprehensively and thoroughly"? The report concluded that:

- The Council's review of its governance arrangements have been sufficiently wide-ranging
- The Council's review of its governance arrangements has been thorough and robust
- The Council has identified areas in need of improvement in its governance arrangements and made plans to address them

There were no recommendations for improvement.

Evidence of the successful completion of significant projects in 2012/13 can be demonstrated by the completion of Phase One of the Colwyn Bay Waterfront development. Benefits appraisal and lessons learnt reports (End of Projects reports) that were presented to the Improvement Boards during 2012/13 include an end of project report on the Homelessness and accommodation project.

The Programme and Project Managers Forum (PPM) was set up in January 2012 and meets on a quarterly basis. Attendees include identified Programme and Project Managers from across the Authority as well as Project Support Officers and Officers wishing to develop their skills.

The role of the Forum is to share knowledge and best practice and provide Project and Programme Managers with the corporate knowledge (i.e. governance, standing orders etc) that they require to implement their Projects and Programmes.

The Council has a recent history of managing its spending plans within the approved budget. Successive Annual Improvement Reports produced by the Wales Audit Office (WAO) consider the overall control environment to be generally sound, with robust systems of internal financial control and financial management arrangements in operation. The Annual Improvement Report (AIR) 2013 stated that, "The Council complied with its responsibilities relating to financial reporting and use of resources but needs to continue improving its arrangements to secure its use of resources". "Although the Council is improving its financial planning process, taking an innovative approach to identifying savings, the Council has previously acknowledged the potential value in aligning a robust Medium Term Financial Plan more explicitly with the ambitions emerging from its new Corporate Plan.

The Council has produced a more comprehensive Medium Term Financial Framework to support the link between Council priorities and the allocation of resources. Conwy has a history of effective financial management in overall terms. In common with all Public Sector organisations the Authority delivered significant budgetary savings during 2012/13 in the sum of £5.454m. 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 £5.157m for 2013/14, £6.4m for 2014/15 and £5m annually thereafter.

The Annual Report on the Authority's assessment of its performance and published Performance Indicators are audited by WAO through their Corporate and Performance Assessment. Their conclusions are summarised in their Annual Improvement Report (AIR). The AIR 2013 concluded that "The Council is making good progress in many respects in delivering its improvement programme and its public reporting provides a fair and balanced assessment of progress. The Council is making good progress in delivering improvement in all of its priority areas. Corporate performance management arrangements support reliable self-evaluation but some aspects of the Council's evaluation are not robust enough. The Council's planning for improvement and its arrangements to support improvement are sound."

There were no recommendations or proposals for improvement contained in the AIR, however the Improvement Assessment Letter issued in January 2013 made two proposals for improvement:

- P1** Improve the consistency of the quality of self evaluation within individual services.
- P2** Include more information in the Performance Report on the equality impact assessments undertaken on the Improvement Objectives.

Heads of Service provide assurance in their professional capacity for their service area through the presentation of reports, and biannual service reviews that provide assurance of risk management, the implementation of external and internal recommendations and progress on performance. Effectiveness is challenged through reviews undertaken both internally (Scrutiny, Internal Audit, Service Performance Reviews, Corporate Improvement Boards and the Improvement and Audit Group) and through reports published by external auditors and inspectors.

The Authority has a self assessment process that is conducted by teams of staff and elected members who make recommendations on ways to improve governance and performance within the Authority. The process was reviewed in 2012 and re-launched as 'Improving Conwy'. The format was refocused on reviewing improvements to support the Corporate Plan priorities. This has been an effective method of ensuring staff involvement from all levels of the organisation and allows them to gain experience outside their normal area of work. The recommendations are reported to Cabinet and accepted recommendations are monitored through service performance reviews for progress and implementation.

P1.3 Conclusion of Self Assessment

The Authority has a clear community and corporate strategic direction which is based upon citizen focused outcomes. Sound processes are in place to ensure the economic, effective and efficient use of resources and for securing continuous improvement in the way that functions are exercised.

P1.4 Recommendations for Improvement

- R1.1** Review the Medium Term Financial Framework to address areas for improvement identified in the AIR 2013.
- R1.2** Improve the consistency of the quality of self evaluation within individual services.

- R1.3** Include more information in the Performance Report on the equality impact assessments undertaken on the Improvement Objectives.
- R1.4** Progress the joint set of CPRs with Denbighshire and Flintshire County Councils.

Principle 2

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

P2.1 Current Arrangements

- A) Conwy County Borough Council has an approved **Constitution** which sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. Some of these processes are required by law, while others are a matter for the Council to choose. The **Constitution**, which can be found on the Council's website⁴, sets out:
- how the Council operates and makes decisions;
 - the procedures to ensure that decision-making is transparent and accountable to local people and other stakeholders;
 - the key roles of all members and senior officers, including the lead responsibilities for corporate governance of the Leader, the Chief Executive and other designated senior officers;
 - a scheme of delegated powers for decision-taking;
 - responsibilities for reviewing and agreeing the Council's corporate governance arrangements;
 - arrangements for ensuring it is regularly reviewed and updated;
 - related codes and protocols.
- B) **Policy approval and decision-making** is undertaken by Elected Members, the meetings of which are open to the public except where exempt matters are being discussed under Schedule 12A Local Government Act 1972. Approval is given by:
- (i) the Council, which meets a minimum of four times a year. It approves overall policies and sets the budget each year. The Council agrees the form of the Authority's Committees (in accordance with the provisions of the Local Government (Wales) Measure 2011 where appropriate), appoints the Leader of the Council (who in turn appoints the Council's Cabinet) and carries out all other functions assigned to it under the Constitution (which includes any statutory functions which are the responsibility of the Council);
 - (ii) Cabinet, which meets at least monthly, approves all decisions which do not fall to be determined under (i) or (iii) of this para (B), and
 - (iii) the Council's scheme of delegation to committees and officers as set out in the Constitution.

⁴ <http://www.conwy.gov.uk/section.asp?cat=1877&Language=1>

In May 2012 the County Council Elections were held in every Local Authority in Wales except Anglesey. There was no overall majority within Conwy County Borough Council and a coalition Cabinet was formed consisting of Plaid Cymru, Labour, Liberal Democrat and Independent Councillors. A Cabinet reshuffle took place in November 2012 owing to the resignation of a Cabinet Member. The roles and responsibilities of each Cabinet Member are published on the Council website. The Cabinet also meets informally (**Informal Cabinet**) to receive briefings and to discuss emerging issues but no decisions are made at Informal Cabinet meetings. There are four **Overview and Scrutiny committees**: Principal and Overview (which meets monthly), Partnerships, Customers and Communities (which meet 6 weekly). Their role is to review, scrutinise and hold to account the performance of the Cabinet, decision-making committees and officers. A Scrutiny "Call-In" process for decisions which have been made but not yet implemented is incorporated in the Constitution in order to consider their appropriateness. In addition, the Authority has three regulatory committees: **Planning Committee, Audit Committee & Licensing and Regulation Committee**. There is also a **Standards Committee** (which includes lay members), which aims to promote high standards of conduct and behaviour by Elected Members. These committees meet regularly throughout the year and all meeting dates are published on an annual timetable of meetings which is available on the Authority's website. In May 2012, in accordance with the Local Government (Wales) Measure 2011, the Council established a **Democratic Services Committee**. The functions of the committee are to ensure there is adequate support for meetings of the Council and its Committee's; to promote the role of Overview and Scrutiny; provide support and advice to individual Councillors in carrying out their roles as members and resource Member development and training. The Committee can make reports and recommendations to the Council in relation to such provision. The Committee meets 4 times a year. The Audit Committee is independent of the executive and scrutiny functions and its purpose is to provide independent assurance of the adequacy of the internal control framework including governance and risk management, to provide independent scrutiny of the Authority's financial and non-financial performance and to oversee the financial reporting process. In accordance with the requirements of the Local Government (Wales) Measure, the Authority appointed a Lay Member to the Audit Committee in June 2012. The Chair of the Audit Committee was appointed at the meeting of the 30th July 2012 in accordance with the Terms of Reference of the Committee.

- C) The **Report Review Group** (RRG) consists of the Chief Executive, Strategic Directors, Head of Law and Governance, Head of Information Technology, Head of Environment, Roads and Facilities, Head of Corporate Human Resources and Deputy Leader. They meet twice a month to oversee the reports scheduled to go to Cabinet, and consider the forward work plans of the Scrutiny functions to form a view of developing work patterns and identify any capacity issues that might arise. In addition, the Group ensures synergy between the work plans of Council, Cabinet, the Scrutiny function, and Strategic Management. All reports considered by the Council, Cabinet and Committees and the minutes of decisions taken are, unless exempt, made available on the Council's website.
- D) The Chief Executive Officer (CEO) and Strategic Directors are accountable for ensuring that the Council Priorities are delivered, and performance against key targets is regularly monitored via the performance management framework and is reported to Members. A third Strategic Director with responsibility for Economy and Place was appointed in July 2012. The interim Director of Social Services was formally appointed to the role in December 2012. The CEO and Strategic Directors together with the Statutory lead for Education and Director of Social Services, the Head of Corporate Human Resources and the Monitoring Officer meet twice a month as an **Executive Group**. The senior management of the council meet monthly as the **Senior Management Team** (SMT), comprising the CEO, Strategic Director and all

Heads of Service from across the Authority. The CEO has a schedule of regular meetings with the Leader and there are frequent meetings between senior managers and Cabinet through Informal Cabinet meetings.

- E) Agreed arrangements enable the Council to comply with statutory requirements in respect of **child protection** and the **protection of vulnerable adults**. Recruitment procedures help to ensure that Council employees and members working with children or vulnerable adults are checked for their suitability to do so.
- F) In accordance with its statutory responsibilities, the Council has in place a **Health and Safety Policy** and related procedures. There is a Health and Safety Programme Board which co-ordinates the HSE Intervention Strategy Project.
- G) The Council operates a **Data Protection** policy and also has procedures in place to meet its responsibilities under the **Environmental Information Regulations** and the **Freedom of Information Act, 2000**. In compliance with the latter, the Council's website includes an Access to Information Publication Scheme which provides guidance on information which the Council publishes routinely. The website also includes other information which the Council is required to publish, such as allowances paid to members in accordance with statutory provisions. In May 2012 the Council volunteered to take part in an Information Commissioner's Office (ICO) Audit. The audit identified that overall the Council's systems are sound but did identify areas for improvement. In response to the proposals for improvement, an Information Management Board has been established to provide strategic direction for information management and to monitor the implementation of the action plan created to address the proposals. An Information Management Strategy is currently being produced.

P2.2 Review of Effectiveness

The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. As part of this, the Constitution is kept under regular review by the Monitoring Officer. The Monitoring Officer is also the Senior Responsible Officer in respect of the Regulation of Investigatory Powers Act 2000. The Authority monitors the effectiveness of Member and Senior Management relationships through the Corporate Risk Register (CR021) and is challenged on the self assessment of effectiveness of managing this risk through the biannual meetings with WAO and KPMG. Assurances are also sought from Heads of Service in respect of risk management and the control environment for which they have responsibility. The Authority completed a performance appraisal for the CEO. Objectives have also been set for the Strategic Directors, Director of Social Services and Statutory Head of Education Services. Performance and Development Reviews (PDR's) have also been held for all Heads of Service.

An external report was received from Care and Social Services Inspectorate Wales (CSSIW) in July 2012 following the evaluation of Adult Services that took place in April 2012. The report concludes that CCBC is committed to developing its vision for the future of adult social care through transformation of its services to achieve better outcomes for people that prioritises prevention and early intervention. However work is required to secure wider ownership of shared agendas, particularly health partners in strengthening joint commissioning arrangements, and the potential of the voluntary sector needs to be more effectively explored and captured in supporting delivery of local priorities.

A national report undertaken by CSSIW on the education of looked after children was published in August 2012. It concluded that the attainment of looked after children and young people is improving slowly but many are not achieving their potential, there is too much variation in attainment, and

weaknesses in data hamper its evaluation. The report did note as good practice that the introduction of a Virtual School Head for all looked after children within Conwy County Borough Council has been shown to improve their education.

P2.3 Conclusion of Self Assessment

The Authority is satisfied that there are clearly defined functions and roles to facilitate Members and Officers working together to achieve a common purpose.

P2.4 Recommendations for Improvement

R 2.1 That the Information Management Strategy is submitted for approval.

R 2.2 That the proposals for improvement noted by CSSIW are addressed.

Principle 3

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

P3.1 Current Arrangements

A) The Ethical elements of the Governance Framework include:

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

These are compliant/consistent with Welsh Government guidance

B) The Head of Law and Governance is the designated 'Monitoring Officer' in accordance with the Local Government and Housing Act, 1989, and ensures compliance with established policies, procedures, laws and regulations. A formal appointment to the post was made in March 2012. After appropriate consultation, this officer will report to Council in respect of any proposals, decisions or omissions which could be unlawful or which have been the subject of an Ombudsman Investigation resulting in a finding of maladministration.

C) The Council has an **Anti-Fraud and Corruption Strategy** that identifies the responsibilities of both elected members and staff in promoting a culture of honesty and integrity. Also identified are the measures for prevention, detection, and investigation of allegations of fraud and corruption, information sharing with other agencies, and the use of Disciplinary agencies as

and when appropriate. These include procedures designed to combat money-laundering. Whistle blowing arrangements are also in place.

- D) **Internal Audit** operated to the standards set out in the 'Code of Practice for Internal Audit in Local Government in the United Kingdom, 2006' produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) during 2012/13. The Terms of Reference define the purpose, authority and responsibility of the internal audit activity. These have been incorporated into an Internal Audit Charter to comply with the new Public Sector Internal Audit Standards requirements which come into force on the 1st April 2013 and were approved by Audit Committee on the 20th May 2013. Internal Auditing is an independent objective assurance and consulting activity designed to add value and improve the Authority's operations. It helps the Authority to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- E) The Authority has a **Standards Committee** to promote and enforce high standards of conduct and behaviour by elected members. The Committee comprises three elected members, one community councillor and 5 independent members. The role of the Committee includes:
- 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;
 - Considering and granting indemnities to Members in respect of the costs of representation at hearings relating to the Code of Conduct;
 - Reviewing the Members' register of gifts and hospitality;
 - Considering the Ombudsman's report on an annual basis.

P3.2 Review of Effectiveness

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

The Ombudsman's report on maladministration complaints is submitted to the Council's Scrutiny Committee on an annual basis. The number of complaints referred to the ombudsman has ranged from 4 in 2009/10 to 3 in 2010/11, 0 in 2011/2012 and 1 in 2012/13.

P3.3 Conclusion of Self Assessment

The Authority has good processes in place to embed and monitor a culture of high standards of conduct and behaviour which are reviewed annually. The Authority has a new set of corporate values which were reviewed in conjunction with the Corporate Plan 2012 - 17.

P3.4 Recommendations for Improvement

There are no recommendations

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

P4.1 Current Arrangements

- A) There are four **Overview and Scrutiny committees**: Principal and Overview, Partnerships, Customers and Communities. Their role is to review, scrutinise and hold to account the performance of the Cabinet, check whether existing policies are effective and help to shape new policies; review or investigate matters of particular concern either within the Council or within the community. A Scrutiny “Call-In” process for decisions which have been made but not yet implemented is incorporated in the Constitution to enable the Overview and Scrutiny Committees to consider whether the decisions being taken are appropriate. In compliance with the Local Government (Wales) Measure 2011, a **Democratic Services Committee** was established in May 2012. The role of the committee is to designate the Head of Democratic Services (who is responsible for overview and scrutiny support, members’ services and committee services) and to keep under review the provision of staff, accommodation and other resources made available to the Head of Democratic Services to ensure that these are adequate. Agenda Management of all political meetings include declarations of interest and all meetings are documented and minutes are published on the Council website.
- B) The Authority has a **Risk Management Policy** and **Procedural Manual** in place. They were reviewed and approved in December 2011 and have recently been reviewed in March 2013. They were approved by SMT in July 2013. A policy and procedural manual for primary and secondary schools is also been reviewed. The Risk Policy and Procedural Manual incorporate the framework for managing risks throughout the Authority and include the roles and responsibilities for risk management. In addition to Service risk registers, the Authority has an established Corporate Risk Register. Each risk is assigned to a corporate lead officer and lead elected member. The register is maintained and managed through the Improvement and Audit Group, the Executive Group and SMT. The risks are reported to elected members formally through the democratic process. The Authority discusses its corporate risks with its External Auditors on a regular basis and this process allows the risks to be considered in a regular and structured manner with a degree of external support and challenge. Training on risk management is scheduled twice a year through the Corporate Training Team and this training has now been extended to members of staff in schools. In addition, the corporate risks are considered during the **Business Planning Framework** process that supports the Authority’s resource allocation process.
- C) An **Improvement and Audit Group** ensures that identified risks and external and internal audit recommendations for improvement are being appropriately addressed. These measures

incorporate principles of performance management and internal control. The group comprises the Strategic Director Finance and Efficiencies, Head of Audit and Procurement Services, Audit Manager, Corporate Performance and Improvement Manager; Corporate Performance and Improvement Officer, Corporate Partnerships Manager with attendance from the Monitoring Officer as and when required.

- D) The Authority has a Research and Information Unit which provides statistical data and needs analysis to support and inform decisions. The Authority has a **Corporate Information and Customer Service** Unit (CICS) that is responsible for the Corporate Complaints Procedure and each service has a complaints link officer. The CICS unit has completed a review of complaints analysis in order to provide greater detail on the types of complaints received. Reports now identify common themes so that services can learn from the feedback received. This information is reported to Elected Members and is used by services as a method of feedback from the community on where service improvement is needed.
- E) The Authority has a **Civil Contingencies Unit** which is responsible for ensuring relevant emergency plans and procedures are in place to deal with an emergency incident within the County. The team's role is to co-ordinate crisis management plans so that the public are supported and that business continuity for Council Services is retained. This involves partnership working with various agencies and organisations both internally and externally and across the whole North Wales region. Each Service within the Authority has its own Emergency Plan to detail such arrangements. There are regular training sessions and an annual emergency exercise. In 2011/12 the emergency exercise was Exercise Phoenix. The exercise was subject to evaluation and lessons learnt recommendations which are being implemented. In 2012/13 the Exercise was Exercise Medusa which tested the authority's Business Continuity arrangements. A report has now been written which has identified recommendations to further improve the council's resilience. Training for Heads of Service was delivered in June 2013 and an emergency exercise is scheduled for autumn 2013. In February Cabinet approval was given for a business case for a regional approach to Civil Contingencies. The lead authority for developing this project is Flintshire County Council.
- F) The **Audit Committee** meets on a regular basis, at least quarterly to consider the effectiveness of the Council's internal control, risk management and governance arrangements, monitors the work of internal and external auditors and inspectors, and monitors the relationships between auditors and staff and the responses to audit and inspection recommendations. It also has responsibility for approving the annual Statement of Accounts and its associated reports (which include this statement).
- G) The Council has an objective and professional relationship with its external auditors and statutory inspectors, as evidenced by the Annual Improvement Report⁵. This can be found on the Council's or WAO's website. The Strategic Directors, Leader and Deputy Leader, and officers from Internal Audit and Corporate Performance and Improvement meet regularly with external regulators to discuss the Corporate Risk Register, key developments, the findings of all external reports and to update on progress being made to implement recommendations.

P4.2 Review of Effectiveness

⁵ www.conwy.gov.uk/accountability or www.wao.gov.uk

An annual report of Scrutiny is published each year. In 2011/12 there was an external review of scrutiny arrangements which concluded that the Authority has appropriate arrangements in place. WAO are currently undertaking an Improvement Study on Scrutiny arrangements throughout all Local Authorities in Wales. It is anticipated that a national conference will be arranged during the autumn of 2013 to promote the outcomes of this study. There has also been an external audit of information management which concluded there were sound systems in place, but made some recommendations for improvement

A Complaints and Compliments Report is published annually providing a summary of the number of complaints and compliments received. Further work has been undertaken to improve the analysis of the complaints.

The Annual Improvement Report on the Authority published by Wales Audit Office reviews the effectiveness of corporate governance and corporate performance and concluded that there were no areas of concern.

The Head of Audit Annual Report for 2012/13 concludes that CCBC has satisfactory internal control, risk management and governance processes in place to manage the achievement of the Authority's objectives.

External regulators are invited to provide support and challenge to the Authority's risk assessment process bi annually.

P4.3 Conclusion of Self Assessment

The Authority has access to information on which to base decisions which are made transparent through public documented meetings. Decisions are subject to effective scrutiny and there are sound risk management processes in place.

P4.4 Recommendations for Improvement

There are no recommendations for improvement.

Principle 5

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

P5.1 Current Arrangements

- A) Conwy County Borough Council reviewed the **Members' Development Strategy in readiness for the new administration**. The strategy aims to provide elected members with access to appropriate levels of knowledge, skills and development opportunities needed to fulfil their roles. A **Member induction programme** was organised to ensure all newly elected Members were made aware of their role and responsibilities and how the Authority functions.
- B) The requirement for a **Corporate People's Strategy** has been developed through a programme approach within Conwy, called the **Valuing Staff Programme**. This Programme was replaced by a Valuing Staff Strategic Board in June 2013. The following projects represent all aspects of the process of staff management from recruitment to leaving the Authority. As such, the framework is detailed in the Programme Definition Document:

- Recruitment procedures
 - Staff Induction
 - Equal Pay structure that meets the requirements of the Single Status Agreement 1997
 - Equality for all – developed through the Strategic Equality Plan
 - Staff Engagement
 - Staff Development and appraisal (including a competency framework and appraisal process to review individual performance and to help ensure that employees are adequately skilled and for their work)
 - Corporate Training and Development
 - Talent Spotting - Realising the potential
 - Coaching
 - Succession Planning
- C) All members of staff are issued with a contract, job description and have an annual performance development review (PDR). A new competency framework has been developed and is being rolled out across the Authority which includes the trialling of group PDRS for specific staff groups. Completion of the roll out will finish in August 2013.
- D) Information is cascaded to staff through Team Brief, Email, the intranet and staff newsletter. Staff are invited to share their ideas through the Staff Council and the ideas online webpage. In addition to Committee papers, Members are given a fortnightly Member Information pack on recent activity across the Authority. Team meetings are regularly held by all services, but in order to improve communication below Head of Service level, it has recently been decided to establish a Middle Managers' Forum to support a more informed and inclusive approach and promote good governance, communication and compliance amongst all staff.
- E) Induction training was undertaken to promote Members understanding of the role of the Audit Committee in relation to the work of Internal and External Audit and its wider role within the Corporate Governance arrangements of the Council. In addition, Pre-Audit Committee briefings were held with the Chair, Vice Chair and Finance and Resources Cabinet Member to discuss agenda items and support effective challenge. An Audit Committee Forward Work Programme was developed for 2012/13 and briefing sessions held prior to each Audit Committee to provide guidance and support to Members in fulfilling their role. The Chair and Vice Chair of the Audit Committee attended a CIPFA seminar on The Role of the Influential Audit Committee in January 2013 to develop their knowledge of the new Public Sector Internal Audit Standards, other new developments and ways to improve the impact and influence of the Audit Committee within the Authority.

P5.2 Review of Effectiveness

All Corporate Priorities and Corporate Risks are assigned to Senior Managers and Cabinet Members in order that they can be held to account for the effectiveness of implementation. The implementation of the Members' Development Strategy is monitored by the Member Development Working Group and the implementation of the Valuing Staff Programme is monitored by one of the Corporate Improvement Boards. In 2011/12 the Authority retained accreditation on the Core Standard IIP Framework in addition to achieving Bronze status on the new, more exacting assessment scale. The accreditation feedback confirmed that there is significant evidence of good people practice within the Authority.

P5.3 Conclusion of Self Assessment

The Authority has recently reviewed both Member and Staff development processes and has a schedule in place to develop and monitor the capacity and capability of members and officers to ensure they are effective. The percentage of members of staff who have received a PDR is regularly monitored and reported to Members. The end of financial year figure for 11/12 was 70.47% which was an increase on the previous year's out turn of 64.57%. The % of staff who had a PDR in 12/13 was 68.77%. This reduction may be attributable to the time taken to roll out the new PDR process. Improvement will continue to be driven through Service Performance Reviews and Internal Audit work.

P5.4 Recommendations for Improvement

- R5.1 Complete the roll out the revised PDR competency framework and continue to monitor and improve the % of PDRs undertaken.
- R5.2 Establish a Middle Managers' Forum to promote good governance, improve communication and support compliance with legislation, policies and procedures.

Principle 6

Engaging with Local People and other stakeholders to ensure robust public accountability

P6.1 Current Arrangements

- A) **Community Engagement** has been fundamental in the development of all strategic plans and key decisions. Improving good customer service and ensuring people in Conwy are informed, included and listened to is one of the eight citizen outcomes within 'One Conwy 2012 – 2025' and the Corporate Plan. The Authority approved a **Community Involvement Framework** and staff toolkit in August 2011. The framework and toolkit are currently being reviewed, The Conwy & Denbighshire LSB is drafting an engagement strategy. Community engagement activities and feedback is logged in a **Community Involvement Database** which was commissioned by Conwy LSB to ensure feedback from engagement activities and proposed consultations are shared and accessible to all partner agencies. Conwy County Borough Council has a **Communication Strategy** which is also currently being reviewed by the Communication group. The Communication Group is chaired by the CEO. The Authority's approach to community engagement is also supported by a **Customer Charter**. The Authority also has a number of forums to extend engagement with the community. There is a Town and Community Council Forum, a Third Sector Partnership Committee and a Youth Council. Locality plans have been developed in partnership with Town and Community Councils and local Members for the rural and 4 coastal localities. They detail local community priorities for improvement in the area. They are currently being reviewed and updated. A **Complaints and Compliments Report** is published annually and evaluated for lessons that can be learnt from customer concerns.
- B) All Cabinet and Council meetings are held in public (with the exception of exempt items) and an annual report on the Scrutiny function is published each year. A **combined Forward Work Programme** for Cabinet, and the four Overview and Scrutiny Committees is publicly available. In order to improve community involvement, a measure has been developed for the Corporate Plan 2012 – 2017 to monitor the number of items requested for scrutiny which have been submitted on behalf of the public.

- C) There are a **variety of channels of communication** to support the community to engage with the Authority and vice versa. Most recently the Authority is working to develop a social media presence. Databases are kept to target voluntary groups, equality groups, the youth council, other public sector partners and town and community councils.
- D) The Community are encouraged to give their opinion on all key decisions and contribute towards the Corporate Plan. The Annual Report on the Authority's performance is published in a limited print run and is available in key reception areas and on the website. Notification is published on the website and through the **Council Bulletin**.
- E) The Authority has a **Joint Consultative Committee (JCC)** and a **Staff Council** to ensure that there is regular communication. A monthly team brief and a quarterly staff newsletter are also published. For specific activities, staff workshops are held to broaden staff involvement in policy development and key decisions. For example staff were invited to workshops to contribute to the draft Environment, Roads and Facilities structure and service team events have been held to gain staff contributions to efficiency savings.
- F) The Authority maintains relationships with the leaders of other stakeholder organisations through the Local Service Board and the **Regional Leadership Board**. Senior Managers and Members represent the Authority at various collaborative Boards.

P6.2 Review of Effectiveness

The Authority has mechanisms in place and is committed to engaging with the Community, but needs to improve the analysis of effectiveness to ensure that the mechanisms are appropriate.

A Customers' Programme has been developed to improve coordination of current arrangements and to implement all customer focussed recommendations made by our regulators.

P6.3 Conclusion of Self Assessment

The Authority has good processes for engaging with Local People and other stakeholders to ensure there is public accountability. The Authority needs to improve the co-ordination and performance analysis of the effectiveness of the engagement.

P6.4 Recommendations

- R6.1** Complete the review of the Communication Strategy and Plan for the Authority and progress implementation of the action plan.
- R6.2** Review the process and continue to promote stakeholders use of the Community Involvement Database.
- R6.3** Continue to implement the recommendations made by WAO to improve public engagement.
- R6.4** Consider the feasibility and cost effectiveness of undertaking a community survey.

7 Programme of Improvement for Governance Issues

- 7.1** The Council has good governance arrangements in place, but is not complacent. The need to continually review arrangement and to consider best practice elsewhere is necessary to ensure good governance is maintained. This Annual Governance Statement has identified

areas where further improvements need to be made.

7.2 The governance issues identified in the Annual Governance Statement action plan for 2011/12 were reviewed by the Improvement and Audit Group and by Audit Committee and the majority of the actions were completed. Some recommendations were no longer applicable and those outstanding have been carried forward and included in this statement. It is intended that each of the actions identified within this improvement programme will be included in future Service Performance Reviews. Progress against the improvement measures required will be co-ordinated and monitored by the Improvement and Audit Group and reported to Audit Committee. In addition, all improvement actions identified by our external regulators and the Internal Audit Service are supported by detailed action plans with timescales for implementation, which are monitored by the Improvement and Audit Group, the Internal Audit Service and Audit Committee.

8 Assurance Summary

8.1 Good governance is the foundation for the delivery of good quality services that meet all local people's needs and it is fundamental to showing that public money is well spent. Based on the review, assessment and on-going monitoring work undertaken during 2012/13 we have reached the opinion that good governance arrangements are in place, key systems are operating soundly and that there are no fundamental control weaknesses in evidence. However, no system of control can provide absolute assurance against misstatement or loss. Based on the various assurances given, this statement is intended to provide reasonable assurance that satisfactory corporate governance arrangements are in place and working effectively.

8.2 We propose over the coming year to take steps to address the governance issues identified in this statement to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvement identified in our review of effectiveness and we will monitor our implementation and operation as part of our next annual review.

Signed

Signed

Date

Date

**Iwan Davies
Chief Executive**

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