



*Statement of
Accounts
For The
Financial Year
2008/09*

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STATEMENT OF ACCOUNTS 2008/09

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INTRODUCTION

Conwy County Borough Council is a unitary authority providing all major services such as education, social services, leisure, housing, planning and highways. On 29 September 2008, the Council transferred its HRA stock to Cartrefi Conwy - a newly created housing association.

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

Political Governance

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

- 22 Conservative
- 13 Independents
- 13 Plaid Cymru
- 7 Labour and
- 4 Liberal Democrats

Council

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

Cabinet

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

EXPLANATORY FOREWORD

1. The Council's Statement of Accounts is intended to provide clear information about the financial impact of the Council's activities during the period covered, in a format which is easily understood.
2. The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting 2008 (SORP), which provides guidelines on the minimum levels of information to be provided, and the Best Value Accounting Code of Practice (BVACOP).
3. The Statement of Accounts comprises a series of accounts and statements, each having a particular purpose, as follows:-
 - (i) **Statement of Accounting Principles and Policies**

This sets out the principles and policies to provide the bases upon which the Council's Accounts have been prepared.
 - (ii) **Income and Expenditure Account**

The Income and Expenditure Account brings together all the functions of the Authority and summarises all the resources that the Authority has generated, consumed or set aside in providing services during the year. However, this accounting basis is currently out of line with the statutory provisions that specify the net expenditure that authorities need to take into account when setting local taxes. In order to give a full presentation of the financial performance of an authority during the year and actual spending power carried forward to future years, the outturn on the Income and Expenditure Account needs to be reconciled to the balance established by the relevant statutory provisions.
 - (iii) **The Statement of Movement on the Council Fund Balance**

This statement reconciles the surplus or deficit on the Income and Expenditure Account with the movement on the Council Fund Balance taking into account statutory and non-statutory movements.
 - (iv) **The Statement of Total Recognised Gains and Losses**

This statement brings together all of the recognised gains and losses of the Council and identifies those that have not been recognised in the Income and Expenditure Account.
 - (v) **Balance Sheet**

The Balance Sheet shows the financial position of the Council at 31 March 2009. It shows the balances and reserves and long-term indebtedness, and the fixed and net current assets employed in the Council's operations.
 - (vi) **The Cash Flow Statement**

This statement summaries the inflows and outflows of cash arising from transactions with third parties for Revenue and Capital purposes.

(vii) **Housing Revenue Account**

This Account reports on the Income and Expenditure incurred on the provision of Council housing. On 29 September 2008, the Council transferred its housing stock to Cartrefi Conwy – a newly created housing association.

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

Revenue expenditure covers spending on the day to day costs of the Council's services such as staff salaries, maintenance of buildings and general supplies and equipment. This expenditure is paid for by the income the Council receives from Council taxpayers, business ratepayers, the fees and charges made for certain services, and by the grants the Council receives 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, capital grants and the sale of fixed assets. Amounts borrowed for capital purposes are repaid in part each year as part of the Council's revenue expenditure.

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

The Council's net revenue budget for 2008/09 was originally set at £177.7m (£171.7m in 2007/08) and took account of known and estimated pay awards and price increases.

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

The budget was closely monitored and controlled during the year and reported to Cabinet, in accordance with approved Council procedures. During the course of the financial year budgetary pressures were identified due to rising energy and fuel prices, offset by a one-off VAT windfall and savings in interest paid due to re-scheduling of loans. Overspends in Social Services Children's and Older People's services were mitigated by savings on the Provider Unit. The Council agreed to set aside resources into the Job Evaluation and Retirement reserves. Furthermore, the Council has made provision for known liabilities where required by statute for future liabilities including the 0.3% Pay Award for 2008/09.

Actual net expenditure totalled £177.5m, and it is pleasing to note that the Council achieved an overall net spend within the budget, despite the normal variations of over and under spends in individual services. The main components of the revenue budget for 2008/09 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 DECEMBER	FINAL OUTTURN	VARIANCE (Col 4 - Col 3)	NOTES
	2008/09 £'000	2008/09 £'000	2008/09 £'000	2008/09 £'000	
Resource Base					
Revenue Support Grant	(111,267)	(111,267)	(111,267)	0	
NNDR Grant	(29,792)	(29,792)	(29,792)	0	
Council Tax	(36,655)	(36,655)	(36,481)	174	1
Sub-Total	(177,714)	(177,714)	(177,540)	174	
Budget					
Contribution from Reserves	(90)	(90)	(90)	0	
Contribution from Balance	0	0	0	0	
Contribution to/from Reserves					
- Demand Led Reserve - to fund Childrens Services	0	53	0	(53)	2
- Additional contribution to Demand Led Services (risk contingency)	0	365	365	0	
- Contribution to Treasury Management Reserve	0	0	200	200	3
- Contribution from Reserves for Council Tax income	0	0	(144)	(144)	1
Education	70,154	69,997	69,997	0	
Social Services	44,259	43,587	43,587	0	
Highways	10,655	11,626	11,621	(5)	
Environmental Services	12,207	12,484	12,484	0	
Private Sector Housing	776	478	433	(45)	4
Levies	5,600	5,600	5,659	59	5
Capital Financing Costs	9,873	9,873	9,587	(286)	6
Corporate Interest Earned	(2,091)	(2,166)	(2,090)	76	6
Pay Provision across Authority	0	0	72	72	7
Occupational Health	90	90	124	34	8
Other	26,281	25,817	25,735	(82)	9
Total	177,714	177,714	177,540	(174)	

Notes

1. Shortfall in budgeted income from Council Tax due to reduced collection rates
2. Childrens Services over spend less than projected
3. Contribution to reserve to assist with budgetary pressures in 2009/10
4. Savings from vacant posts
5. Overspend on Coroners fees reflecting higher level of deaths within Conwy area
6. Reductions in interest paid due to re-scheduling, offset by reductions in interest earned due to economic downturn
7. Provision for additional 0.3% Pay Award for 2008/09 offset by strike savings
8. Additional referrals to Occupational Health
9. Other minor budgetary adjustments across other service areas

The general Council Fund balance is a measure of the uncommitted reserves which the Council holds to meet cash flow requirements and unforeseen future events. The Council fund balance remained at a level of £3.0m at the year end, which is deemed to be a prudent amount. Other reserves are shown in Note 28 to the Accounts.

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

The Accounts as presented comply with the requirements of the above standard in that they reflect in the revenue accounts the current year cost of pension provision to employees as advised by the Council's actuary. The Statements also contain, within the Balance Sheet, the actuary's assessment of the Authority's share of the Pension Fund liability as at 31 March 2009 and the reserve needed to fund that liability.

The Pension Fund liability that is disclosed within the Balance Sheet is the total projected deficit that exists over the expected life of the fund. This deficit will change on an annual basis dependent on the performance of investments and the actuarial assumptions that are made in terms of current pensioners, deferred pensioners and current employees. In 2008/09 there was a marked reduction in the value of the assets held by the fund due to the prevailing economic situation and this has led to an increase in the net liability.

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

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

6. Capital Expenditure

In addition to spending money providing services on a day to day basis, the Council also spends money providing new or refurbished facilities such as schools, roads and housing. The total capital spending during 2008/09 was £34.5m. The following is a summary of the service areas which incurred capital investment in 2008/09 and how it was financed:-

Capital Expenditure	2008/09 Actual £'000
Capital Expenditure by Service:	
Education	8,431
Environmental & Technical Services	7,111
Infrastructure & Transport	4,467
Private Sector Housing	3,558
Community Development - Regeneration	1,751
Community Development - Leisure Services	1,545
Community Development - Libraries	262
Social Care	1,332
Planning & Countryside	974
Information Technology	724
Engineering & Design	647
Theatres	81
Housing Revenue Account	3,009
Other	482
Net Accruals	91
Total Capital Expenditure	34,465

Capital Financing	2008/09 Actual £'000
Financed By:	
Supported Borrowing	5,968
Prudential Borrowing	2,919
Capital Receipts	2,583
Capital Grants	21,255
Capital Reserves	720
Revenue	1,020
Total Capital Financing	34,465

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

Major projects undertaken during 2008/09 were as follows:-

- Colwyn Bay Streetscape Enhancements improving the visual impact of the town centre
- Conwy Estuary Strategic Route providing a safe off-road route for use by cyclists and pedestrians around the Estuary
- Health precinct at Colwyn Bay Leisure Centre – a project in partnership with the Local Health Board & Trust and Age Concern, to develop a holistic approach to health care.
- Flood Alleviation works at Afon Bach, Llanrwst
- Major school refurbishment projects at the foundation schools assisted by Welsh Assembly Government Grants
- Replacement of deteriorating street lighting and road resurfacing at various locations throughout the County
- Preliminary works on the structural repair of Maesdu Road bridge.

The Council's long term debt outstanding at 31 March 2009 was £113.9m, being a reduction of £26m due to repayment of debt on stock transfer.

The Limits to Borrowing Activity in 2008/09, set in accordance with the Prudential Framework for local authority capital investment introduced through the Local Government Act 2003 (the Prudential Code) were as follows:-

	£
Authorised Limit for External Debt	180m
Operational Boundary for External Debt	170m

7. Housing Revenue Account (HRA)

The most significant impact on the 2008/09 accounts was the Large Scale Voluntary Transfer (LSVT) of the Council dwellings to the new landlord, Cartrefi Conwy on 29 September 2008. The transfer has required a number of significant entries to the accounts which are reflected in Housing Revenue Account. A summary of the entries is as follows:-

- Writing out the value of the Housing Stock and other assets transferred from the Balance Sheet (£138.5m)
- Welsh Assembly funding (£25.8m) to pay off an equivalent value of the loans outstanding that related to housing stock and other assets transferred, plus an additional £7.3m to cover the charges for early repayment of these loans
- Recording the transfer agreement whereby Cartrefi Conwy would incur expenditure (£142.1m) in bringing the housing stock up to Welsh Housing Quality Standard

Cartrefi Conwy became responsible for managing and maintaining the housing stock. As the liability to maintain and repair the houses involved over a 30 year period was greater than their value, this resulted in a negative valuation for the transfer and so no receipt was generated from the sale. The deficit necessitated Welsh Assembly Government to fund the costs associated with facilitating the transfer through the initial gap funding payments to Cartrefi Conwy and the repayment of the Council House debt portfolio. The majority of the figures included in the Housing Revenue Account (HRA) for 2008/09 on pages 86 to 94 are for the period 1 April 2008 to 28 September 2008.

The Council has an ongoing responsibility to prepare Housing Revenue Accounts despite the absence of any stock until formal approval by the Welsh Assembly Government is granted to do otherwise. Commonly local authorities prepare Accounts for the year following transfer before such an approval is considered.

In 2008/09, our HRA operated at a deficit of £1.9m (2007/08: £420k surplus) bringing the level of the housing revenue account reserve to £189k.

The level of HRA balance at the closure of 2008/09 shows a nearly balanced position following the settlement of the pension liability of £1.8m paid to Gwynedd Pensions in respect of all staff transferring to Cartrefi Conwy.

STATEMENT ON INTERNAL CONTROL 2008/2009

1. SCOPE OF RESPONSIBILITY

Conwy County Borough Council (“the Authority”) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Wales Programme for Improvement (WPI) was introduced in 2002; the 2005 circular provides an update to the Programme. WPI requires all Local Authorities to modernise their services, to fulfill the duties placed on them under the Local Government Act 1999, and 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 also responsible 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 and effective governance.

2. THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority’s policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

Authorities in Wales have the opportunity to produce either a Governance Statement or a Statement on Internal Control for the financial year 2008/2009. Conwy has decided to continue with the Statement on Internal Control (SIC) because it is felt that this Statement better reflects and represents the governance and internal control arrangements in force throughout 2008/2009. The Authority will prepare a Governance Statement in 2009/10.

3. THE INTERNAL CONTROL ENVIRONMENT

The Authority has a sound control environment of which the key elements are shown below. The internal control environment is now well established within Conwy and is mainstreamed within the Council’s business arrangements.

The Senior Executive Team (SET) met on the first and third Tuesdays of each month up until August 2008, and comprised the Chief Executive, the two Corporate Directors, the Monitoring Officer, the Section 151 Officer, together with the Statutory Head of Education. From August 2008 onwards the Executive Group met under the same date arrangements and included the Chief executive, the two Corporate Directors, the Monitoring Officer and the Section 151 Officer.

A Report Review Group (RRG) oversees the reports scheduled to go to Cabinet, and considers the forward work plans of the Scrutiny functions to form a view of the developing work patterns and identify any capacity issues that might arise. In addition the Group attempts to ensure synergy between the work plans of Cabinet, the Scrutiny function, and Strategic Management.

The Strategic Management Team (SMT) meets monthly and comprises all the Heads of Service, together with the Chief Executive and the two Corporate

Directors. All major management and strategic issues flow through this group, and draft plans and policies affecting the organisation are included within the agenda before becoming policy through the democratic process.

The groups were established to deliver the required capacity to take key decisions on management issues across the Council, to consider risk, policy development, publicity issues and to be alert to adverse incidents affecting Conwy. In addition the groups also consider national, sub regional and local issues, together with cross authority issues in an attempt to reduce silo working and to promote consistency. They also engage with Members so that there is a common understanding and purpose to the work of the Council.

A new political Administration came into operation in May 2008, including 17 new Elected Members. The comprehensive induction programme for new and returning Members included training on Governance, Conduct and Finance.

3.1 The Key Elements of the Control Environment.

- The Council conducts its affairs within the Constitution that sets out the Council's Policy Framework and how the Authority operates, how decisions are made, and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people.
- The Constitution encompasses Standing Orders, Financial Regulations and the Scheme of Delegated Powers, together with Codes of Conduct for both Members and employees. The Constitution is regularly reviewed and updated, and is available in hard copy form, and is on the Council Website and Intranet.
- The key elements of a Local Code of Corporate Governance, reflecting the framework produced by CIPFA/SOLACE, are in place. The Council's Standards Committee is active in its role of promoting and ensuring the highest standards of probity by Members. The Authority has an Anti-Fraud and Corruption Strategy that identifies the responsibilities of both 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.
- Well-established procedures are in place for setting and monitoring the Authority's objectives, and the Authority has an appropriate policy and decision-making process. Priorities and longer-term aims are thoroughly re-examined each year by Cabinet and senior officers at strategic planning meetings that review the actions which support the delivery of the Corporate Plan. A new Corporate Plan was developed for the Authority during 2008/2009, and its production followed the well established processes that operate within Conwy. In preparation for identifying the key strategic deliverables included within the Corporate Plan, the process also included representatives from key partner agencies.
- The Internal Audit Section, although independent and not part of the day to day processes, provides recommendations on the improvement of internal control within the Authority.
- The Community Strategy has identified five themes that are supported by the key strategic deliverables identified within the Corporate Plan. The Authority operates a priority and risk-led budgeting process that aims to direct revenue and capital resources towards strategic priorities and risks. A Strategic Capital Group oversees the development of this process in respect of capital resources. The Capital Group operates within the principles contained within

the approved Capital Governance Framework.

- Statutory obligations, priorities, and service priorities are encapsulated into the Service Business Plans and are supported by the Operational Plans produced on an annual basis by services.
- The Authority's themes, priorities and key strategic deliverables are communicated throughout the community and the Authority via the web site, press releases, team briefs, and the publication of the Annual Improvement Plans. In addition Conwy circulates a Council Newspaper to all residents informing the community of its achievements, challenges and services.
- Progress towards the achievement of the objectives is monitored at service performance reviews operating within the Authority.
- A number of Improvement Boards were in place during 2008/2009 to monitor projects and initiatives initiated to assist in the delivery of our priorities.

3.2 The Facilitation of Policy and Decision Making.

- The Council met approximately every 12 weeks during 2008/2009, and the Cabinet met every second and fourth Thursdays in each month to fulfill its policy and decision making role. In addition the Authority has three regulatory committees. The Planning Committee met monthly, the Audit Committee met quarterly, and the Licensing and Regulation Committee met six times during the year. A Schools Forum operates in accordance with Guidance from WAG; this also met during 2008/2009.
- The Cabinet carries out functions that are not the responsibility of any other part of the Authority. Members of the Cabinet are assigned specific portfolio areas that assist the Cabinet in monitoring the activities of the authority.
- As set out above, the formal decision making process is underpinned by a Scheme of Delegated Powers and Codes of Conduct.
- The Authority operates with four Scrutiny Committees including the Principal and Overview Scrutiny Committee. They are charged with policy development, and review and the scrutiny of decisions taken by the Cabinet. The Committees each have a structured work programme and transparent terms of reference.
- To facilitate corporate governance, the Authority has a Standards Committee and an Audit Committee, the former of which includes a majority of members who are independent of the Authority.
- Meetings are open to the public with items exceptionally dealt with in private as permitted or required by the law.
- Agendas, reports, minutes and the Forward Plans are publicly available on the web site.

3.3 Ensuring Compliance with Established Policies, Procedures, Laws and Regulations.

- The Authority's Head of Legal and Democratic Services is designated as the Monitoring Officer within Conwy. It is the function of the Monitoring Officer to ensure compliance with established policies, procedures, laws and regulations.

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

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

The Authority has a well-established Audit Committee that monitors and evaluates internal control arrangements, and members of the committee are provided with copies of all external audit reports. Copies of all internal audit reports are provided to Members of the Committee (and to other senior Members and officers) and the Committee has the opportunity to question the Head of Audit and Procurement Services and other officers on any matters raised in reports and service responses.

- The Authority is subject to external audit by KPMG and the Wales Audit Office (WAO) and is subject to further external inspection and review by a number of agencies. The work delivered on behalf of the Auditor General is illustrated as follows :-
- KPMG - Audit of the Accounts, conclusion on arrangements for securing value for money, audit of the improvement plan, local performance work, local government studies, audit of grant claims
- WAO - Inspection, other WAO work including work undertaken as part of the Auditor General's forward programme for the Audit Committee of the Welsh Assembly Government.
- The Authority has an active and constructive approach to the reports and recommendations made by external agencies with regular meetings being held between senior officers of the Council and external inspectors. The WAO Project Manager and KPMG have an open invitation to attend the Audit Committee. The Authority has an Improvement and Audit Group to inform the Joint Risk Assessment Process with external regulators and to ensure that identified risks are being appropriately addressed. In addition the Group also progress chases recommendations made by both Internal Audit and our regulators and inspectors.
- The Authority has various corporate strategies and policies in place to support compliance with our agreed procedures. These strategies include the Corporate People Strategy, Procurement, Health and Safety, and Complaints.
- The Authority complies with the requirements of equalities law in all its business.
- Compliance with established policies, procedures, laws and regulations is carefully monitored. Every report produced has a section that considers a range of implications together with sections identifying how the decision within a report complies with the Corporate Plan and other key drivers within the organisation including risk.

3.4 Identifying, Assessing, and Managing the Risks to the Authority's Objectives.

- The Authority approved and adopted a detailed Risk Management Strategy and Policy in October 2005, which incorporated the framework for managing risks throughout the Council, and included the roles and responsibilities for risk management.
- The Cabinet and Scrutiny Committees are mindful that risk is considered as a key element of their decision-making and each report to those bodies contains a section commenting on risk issues. The Chief Executive is the Risk Management Champion within the Authority, and is supported by senior officers who have driven the process to date.
- Each Head of Service is the responsible officer for risk management within respective services.
- The Authority has an established Corporate Risk Register. It is maintained and managed through the Executive Group and the Senior Management Team (SMT). The risks are reported to Members formally through the democratic process and through Informal Cabinet. The Register is considered regularly by Heads of Service as part of the Senior Management Team (SMT) meetings. The authority considers its risk together with its external auditors on a quarterly basis, and this process allows the risks within the Risk Assessment Template to be considered in a regular and structured manner and with external support and challenge. In addition, the corporate risks are also considered during the Business Planning Framework process that supports the Authority's resource allocation process.
- When the Authority sets its budget its Members take account of the level of risk and uncertainty regarding its budgetary estimates and prevailing circumstances. The budget process is underpinned by risk awareness as a core principle of business and financial planning.
- Service risk registers were compiled and reviewed during 2008/2009 to identify and consider the key risks affecting the delivery of services. Through the Joint Risk Assessment process, the Auditors coordinated their response to the self-assessment of risks undertaken by our services. The agreed conclusions form the Summary Risk Assessment Template.
- The Authority does not have a comprehensive Business Continuity Plan in place across the whole of the Authority. It does have plans for major emergencies such as flooding and a possible pandemic.

3.5 Ensuring Best Value and Continuous Improvement.

- The external agencies, Internal Audit, Scrutiny Committees and internal project boards achieve this in a number of ways including reviews and inspections. The external auditor monitors the achievements.
- The Authority introduced Improvement Boards during 2007/2008 to drive service modernisation, organisational development, partnership working and to challenge the use of resources within the Authority. The four Boards met regularly during 2008/2009 and contribute to the Council's objective of ensuring best value and continuous improvement.
- The Authority has developed an internal review process aimed at monitoring improvement across nine key themes adopted by Conwy. The assessment is conducted by panels of staff and Elected Members and makes

recommendations on ways to improve performance, outputs and outcomes within the Authority.

- The Authority constantly seeks ways of ensuring the economical, effective and efficient use of resources and strives for continuous improvement in the way its functions are exercised.
- The Head of Financial Services or his representative assesses all reports and developments that contain financial consequences.
- The Authority is actively involved in joint working with partners such as the Police, the Local Health Board, other Local Authorities, and the Probation Service.
- The Authority contributes to a number of benchmarking clubs, across a range of services, that allow comparison of performance, costs and best practice.
- The Authority has taken a pro-active approach to the e-government agenda, and in addition has also implemented business systems such as Human Resources/Payroll system, and a Social Care System. The Authority is also using the e-government agenda to drive forward improvements in transactional efficiencies, and has further developed its transactional facilities through the Council's Website.
- The Authority is committed to modernising its procurement processes and has strong links with both the Welsh Assembly Government, through its Value Wales Team, and neighbouring Public Sector bodies. The Authority is a member of the Joint Procurement initiative that operates for the six North Wales Authorities, this unit was set up to deliver a regional Procurement Team to accelerate and increase procurement savings by jointly procuring a selection of goods and services.
- The Authority is committed to ensuring services are delivered by individuals with the capacity and skills to enable continuous improvement. Conwy gained the Investors in People award for the whole Authority in September 2008, and as the assessment report highlighted, is committed to developing and training its workforce.
- The Authority has responded positively to the Wales Programme for Improvement in relation to achieving, measuring and demonstrating efficiency gains, and is further developing its processes to build on the positive comments included in the Annual Letter published by the Wales Audit Office and KPMG in November 2008.
- The Council's Engineering and Design Services have a corporate Asset Management Plan (AMP) in place for the majority of Conwy's operational assets etc, and service based AMP for Highways was substantially completed during 2008/2009.

3.6 The Financial Management of the Authority and the Reporting of Financial Management.

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

- The Authority operates a scheme of delegated budgets supported by central and departmental finance units. These are underpinned by professional protocols setting out the responsibilities and lines of reporting for service Accountants.
- Budget monitoring reports, indicating full year forecasts, are reported to Cabinet and the Executive Group on a monthly basis, and the Principal Overview and Scrutiny Committee on a quarterly basis. These reports identify reasons for variances and set out any corrective action that is proposed. Detailed monitoring reports are prepared monthly for service managers and Heads of Service to assist budget holders in the discharge of their financial responsibilities.
- A number of project specific Project Boards have been established to monitor the progress and estimated spend on key strategic projects.
- Treasury Management is conducted in accordance with a Treasury Management Annual Strategy and Plan, and borrowing is in accordance with the Prudential Code. The Authority has responded pro-actively to the Prudential Code, and prudential indicators are reported to Members. The Authority has developed a policy setting out the conditions under which prudential borrowing can be utilised.
- The Authority attracts a large number of grants to finance projects and initiatives. Some grants are long standing while others are more recent and reflect policies from the Welsh Assembly Government. The Authority is mindful of the sustainability issues arising out of all grant support. Consequently a grants protocol has been developed to ensure that a consistent approach is adopted by the Authority for all grants, with a particular emphasis on applying for and accepting new sources of finance.

3.7 The Performance Management of the Authority and the Reporting of Performance Management.

- The Authority has an established Corporate Improvement and Development Team (CIDT) that undertakes a range of duties aimed at supporting the improvement agenda within Conwy. The Team also supports the reporting of performance consistently across all services. The Team is directed by the Corporate Director of Improvement and Development.
- A new Corporate Information and Research unit was established within the CIDT to provide a proactive approach to analysis and interpretation of performance and demographic data to better inform decision making.
- The Annual Improvement Plan is a strategic document that outlines how we will secure continuous improvement in the way in which we exercise our functions.
- The Principal Overview and Scrutiny Committee monitors the performance of services through reviewing performance measurement data, including performance indicators, and Policy Agreements.
- Statutory and local performance targets and measures are reported to Scrutiny Committees on a quarterly basis.
- Service Performance Reviews were held three times during 2008/2009 across the Authority.

- During 2008/2009 Estyn (Her Majesty's Inspectorate for Education and Training in Wales) conducted a major inspection under Section 38 of the Education Act 1997 and Children's Act 2004. The inspection took place in November 2008 and concluded that Conwy's performance and prospects for improved performance were very good. The Education service scored highly in the areas of strategic management, support for school improvement, promoting social inclusion and wellbeing, additional learning needs and support services. The lowest score within the assessment related to access and school organisation where the assessment in this area concluded that 'good features outweigh shortcomings'.
- During the same period Estyn also conducted an inspection of the quality of our youth support service. This inspection focused heavily on the Children and Young Peoples Partnership. Again the inspection produced excellent results for Conwy and concluded that the service was delivered where good features were evident with no important shortcomings.
- The Authority has established an internal Performance and Policy Network to enable business and performance officers within different services to share notable practice.
- Biannual reviews of our progress and improvements made in responding to external regulator recommendations are reported to the Audit Committee.
- During 2008/2009 a number of Corporate Performance Reviews have taken place to help focus services on their role in the delivery of the key objectives of the Authority. The Reviews are based on the key themes from the Councils Corporate Plan, and the process aims to align priorities and service delivery, to identify and manage risk, and to better inform future planning and priority setting.
- During 2008/2009 an Improvement and Audit Group was established between the Corporate Improvement and Development Team and Internal Audit. The Group's main purpose is to coordinate review work associated with performance, compliance and improvement.

4. REVIEW OF EFFECTIVENESS

- Conwy CBC undertook a comprehensive and inclusive Corporate Assessment and Improvement (CAI) review during 2005/2006. The review followed a disappointing report from the WAO that recommended a Section 10 Corporate Governance Inspection. The review started in April 2005 and the final report was presented to and accepted by the Authority in November 2005.
- An inspection of Conwy was carried out by the WAO during 2006/2007 to establish whether the actions identified within the CAI project assisted Conwy to realise its potential for continuous improvement of services thereby assisting the Council to be more effective. The Inspection concluded that "the Council has adopted a positive, constructive and Authority-wide approach that with greater refinement and more effective and accountable leadership will drive continuous improvement in services".
- A further follow up inspection was carried out in November 2007 to establish whether the Authority's improvement programme was effective. The WAO concluded that 'the Council's improvement programme is an effective process to initiate and manage change that with further refinement will contribute to continuous improvement of services'.

- The latest Annual Letter produced in November 2008 commented that 'the Council's Improvement Plan has been delivered appropriately and represents a balanced picture of the performance in the last year'.
- The Council submitted the CAI project for consideration of an award in the 'Our Authority' category through the Excellence Wales process. Conwy received a commendation from the judging panel in respect of 'Transforming our Organisation' in March 2009.
- The internal corporate assessment focused on the governance aspects covered by an external assessment, and robustly challenged the key governance areas for the Authority. To a large extent, the outcome of the CAI project continues to inform this Statement on Internal Control (SIC) with regard to the effectiveness of the organisation's internal control environment.
- In addition, ongoing reviews of the effectiveness of the Council are informed by the work of Internal Audit and the officers within the Authority who have responsibility for the development and maintenance of the internal control environment, and also by comments made by our external auditors and other review agencies and inspectorates.
- A large number of projects have been commissioned within a project management structure to address a number of key actions falling out of the original CAI report. The Report identified nine key themes and these are now being reviewed as part of an Authority wide project aimed at a self assessment of delivering short, medium and long term benefits to the Authority in all aspects of corporate governance, and will address many of the internal control aspects contained within the SIC.
- The Authority's Constitution was thoroughly reviewed during 2006/2007. The updated Constitution meets the Authority's needs, and the revised schemes of delegation ensures that decisions are being made at appropriate levels within the Authority. The Contract Standing Orders and Financial Regulations were amended during 2007/2008 and reflect changes in the Council's working practices and the external environment making them more service enabling. The Constitution is under regular review to ensure it meets statutory requirements and the changing working environment.
- Whilst it is evident that key elements of a Local Code of Corporate Governance (in accordance with the CIPFA/SOLACE framework) are in place, the Authority has not adopted and applied that optional framework. The adoption of the framework to support the production of the SIC, together with appropriate awareness raising and the seeking of formal assurances from key officers would assist in embedding appropriate governance arrangements within the Authority. In this regard, the Authority is also mindful of the need to put improved processes in place to produce a governance statement in future years, and consideration will need to be given to the close linking of its Corporate Health Performance Review.
- There is a well-established Scrutiny function that has been revised and updated in the light of experience. Scrutiny Committees each have forward work programmes to focus their work throughout the year. The Authority also has a Principal Overview and Scrutiny Committee that oversees and coordinates the work of the other Scrutiny Committees. Whilst there is evidence that the Scrutiny function has improved in some respects in recent years, there remains the challenge to ensure that the Scrutiny function works more effectively and in the best interests of the Authority.

- The Monitoring Officer carries out a continuous review of all legal and ethical matters, receiving copies of all agendas, minutes, reports and associated papers, commenting when necessary, or taking appropriate action, should it be required.
- The Standards Committee is responsible for standards and probity, and receives regular reports from the Monitoring Officer.
- The Audit Committee carries out an overview of the activities of the Council's internal and external audit functions. Members are provided with copies of all reports produced by Internal Audit, the Wales Audit Office, and KPMG. They approve the annual plans for each, and receive regular progress reports throughout the year. The Head of Audit and Procurement submits to them an Internal Audit Annual Statement of Assurance. The external auditors submit a Report to Those Charged with Governance, and an Annual Letter.
- The Internal Audit service is a directly employed in-house service, providing a continuous review in accordance with the Authority obligations under the Code of Practice for Internal Audit in Local Government in the UK. Revised Accounts and Audit Regulations came into force from the 1 April 2005 in respect of all Welsh Local Authorities. The Regulations require each Authority to conduct a review at least once a year of the effectiveness of its system of internal control and to include a statement on internal control prepared in accordance with proper practice in its annual accounts.
- The Audit Committee received the 2008/2009 Statement of Assurance in May 2009, this covered assurances on Internal Control, Corporate Governance, and Risk Management. The Internal Audit opinion was able to draw a reasonable conclusion that for the 12 months ended 31st March 2009, Conwy County Borough Council had satisfactory internal control, risk management and corporate governance processes to manage the achievement of the organisation's objectives.
- The Council's external auditors (KPMG and the Wales Audit Office) review the activities of the Council and audit the annual accounts. Conclusions and significant issues arising are reported to Members and Management in their key reports.
- Risk Management within the Authority has further improved during 2008/2009. The Risk Management Strategy was in operation throughout 2008/2009 following its approval in October 2005. KPMG conducted an audit of Conwy's risk management arrangements during 2008/2009 and concluded that 'there are promising signs that risk management processes are getting better, but there are still opportunities for improvement'.
- Risk was a significant feature of the budget setting considerations for the Council during 2008/2009 when setting the budget and Council Tax for 2009/2010.
- The Authority has a recent history of managing its spending plans within the approved budget, successive Annual Letters produced by the WAO and latterly the WAO and KPMG consider the overall control environment to be generally sound, with robust systems of internal financial control and financial management arrangements in operation. A recent audit by KPMG of Financial Management Arrangements in Conwy, published in October 2008, concluded that 'Conwy has established financial management arrangements which help to achieve the strategic and operational objectives of the Authority'.

- The Authority has adopted a Business Planning Framework and carries out regular monitoring and review of progress against agreed outcomes as detailed within the services' Annual Operational Plans. Monitoring of our Annual Improvement Plan is also conducted at midyear and reported to the Executive Group, SMT, Cabinet, and the Principal Overview and Scrutiny Committee. Strategic Planning sessions are held with the Cabinet and senior officers to identify and agree Key Strategic Deliverables as identified within our Corporate Plan. Regular monitoring enables us to review our progress against targets set within statutory and local performance measures. We report progress and planned improvement activity in our annual Improvement Plan.
- Performance Management is carried out within the Authority, and has developed during 2008/2009. There is a more consistent approach within the Authority and a significant amount of work has been undertaken to apply this approach during the year.

5. SIGNIFICANT INTERNAL CONTROL ISSUES

- The review of effectiveness set out in section 4 above demonstrates that the control environment described in section 3 is effective. Further evidence to support this conclusion comes from:-
 - the Internal Audit Annual Statement of Assurance for 2008/2009
 - the latest Annual Letter to the Council (November 2008),
 - and the latest Opinion Audit to Those Charged with Governance (September 2008).
- No significant internal control issues have been identified, and based on the various assurances given, satisfactory corporate governance arrangements are deemed to be in place and working effectively.
- However, it is recognised that improvements can be made to the internal control environment within Conwy.
- In order to ensure continuous improvement of the control environment the following actions are deemed to be the Authority's more pressing priorities:-
 - Establish a clear set of tolerances and establish risk appetite for the Authority which will allow a more consistent and meaningful Corporate Risk register and Risk Assessment Template to be used for work flow purposes.
 - Deliver risk training sessions to appropriate officers and Members across the Authority.
 - Complete Business Continuity Plans and put in place arrangements to allow the Authority to respond pro actively to the Civil Contingencies Act.
 - Implement and monitor revised Improvement Board arrangements and ensure they become more strategic and continue to add value to the organisation.
 - Continue to develop the review process to inform the Authority of progress in relation to the nine key themes adopted by the Authority.

- Undertake a review of the Authority's Scrutiny function following the implementation of new arrangements in May 2008.
- Embed the Performance Management Framework around the themes of the Corporate Plan to ensure that consistent and greater performance management operates throughout the Authority.
- Develop processes and arrangements to ensure the production of a Governance Statement for 2009/2010, and ensure that the arrangements operate through the day to day workings of the Authority to deliver effective governance.
- Develop a more detailed Financial Strategy that looks ahead and identifies financial issues beyond the forthcoming financial year.
- Conduct an expenditure analysis in relation to significant contracts operating within the Authority, with a view to achieving better use of resources.

Detailed action plans will be prepared to support each of these issues, and will feature within the project management approach being applied within the Authority. Progress will be both internally and externally monitored during 2009/2010.

Signed

B Davies

Chief Executive

Date

28/09/2009

D O Roberts

Council Leader

Date

28/09/2009

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 2009.

SIGNED:

Councillor A Hinchliff
Chair of Audit Committee

DATED: **28/09/2009**

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 fairly the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2009.

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

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

SECTION 151 OFFICER'S CERTIFICATE

I certify that the Statement of Accounts presents fairly the financial position of Conwy County Borough Council at 31 March 2009 and its income and expenditure for the year then ended.

SIGNED:

A H Kirkham
Head of Financial Services

DATED: **28/09/2009**

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

We have audited the accounting statements and the related notes of Conwy County Borough Council for the year ended 31 March 2009 under the Public Audit (Wales) Act 2004. Conwy County Borough Council's accounting statements comprise the Income and Expenditure Account, Statement of Movement on Council Fund Balance, Statement of Total Recognised Gains and Losses, Balance Sheet, Cash Flow Statement, Housing Revenue Account Income and Expenditure Account and Statement of Movement on Housing Revenue Account Balance. The accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to Conwy County Borough Council in accordance with Part 2 of the Public Audit (Wales) Act 2004 and for no other purpose, as set out in paragraph 46 of the *Statement of the responsibilities of the auditors appointed by the Auditor General for Wales and his inspectors, and of the bodies that they audit and inspect (2008)* prepared by the Auditor General for Wales. Our audit work has been undertaken so that we might state to Conwy County Borough Council, as a body, those matters which we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Conwy County Borough Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the responsible financial officer and the independent auditor

The responsible financial officer's responsibilities for preparing the Statement of Accounts in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 - a Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

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

We report to you our opinion as to whether the accounting statements and related notes present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 – a Statement of Recommended Practice, the financial position of Conwy County Borough Council and its income and expenditure for the year.

We review whether the Statement on Internal Control reflects compliance with 'The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003' published by CIPFA in April 2004. We report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information we are aware of from our audit. We are not required to consider, nor have we considered, whether the Statement on Internal Control covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Local Government body's corporate governance procedures or its risk and control procedures.

We read other information published with the accounting statements, and related notes and consider whether it is consistent with the audited accounting statements and related notes. This other information comprises only the Explanatory Foreword and the Accounts of the Welsh Church Act Fund and Ymddiriedolaeth Addysg Llanrwst. We consider the implications for our report if we become aware of any apparent misstatements or material

inconsistencies with the accounting statements and related notes. Our responsibilities do not extend to any other information.

Basis of audit opinion

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

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

Opinion on the accounting statements of Conwy County Borough Council

In our opinion the accounting statements and related notes present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of Conwy County Borough Council as at 31 March 2009 and its income and expenditure for the year then ended.

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Our conclusion on Conwy County Borough Council's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2009 will be reported separately in the published Relationship Manager's Annual Letter.

Certificate of completion

We certify that we have completed 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 and Inspection Practice issued by the Auditor General for Wales.

KPMG LLP
Appointed Auditor
Chartered Accountants
Marlborough House
Fitzalan Court
Fitzalan Road
Cardiff
CF24 0TE

28th September 2009

STATEMENT OF ACCOUNTING PRINCIPLES AND POLICIES

1. **General**

The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in Great Britain 2008 (SORP 2008), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), and the guidance notes issued by CIPFA relating to the application of Accounting Standards (SSAPs and FRSs).

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

2. **Provisions**

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

3. **Reserves**

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

4. **Fixed Assets**

4.1 Measurement

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

Operational assets are included at the lower of Net Current Replacement Cost and Net Realisable Value in Existing Use.

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

Intangible assets are shown at depreciated historic cost.

Infrastructure and community assets are shown at depreciated historic cost.

Non-operational land and buildings and other non-operational assets are included at the lower of net current replacement cost and realisable value.

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

Because of its importance to the accounts, all of the Council's Housing Stock has been valued prior to disposal, based on Existing Use Value for Social Housing. In

the absence of guidance from the Welsh Assembly, the HRA asset valuation was based on the methodology issued by the Department of Communities and Local Government.

The discount factor used was 47%. The percentage discount reflects the ratio of Local Authority rents received against those in the open market and the resultant difference in yields that the market would apply in each sector.

A programme of Asset Valuation is planned to ensure that all fixed assets are revalued at least every five years, and assets were revalued during the latter part of the financial year 2004/05 by the Council's Property Services Department, with an effective date of Valuation of 31 March 2005. A programme is in place to review impairment of the value of assets held on an annual basis.

4.2 Disposals

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

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

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

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

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

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

6. **Depreciation**

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

	<u>Years</u>
Council Dwellings	30
Buildings	10 - 100
Vehicles, Plant, Furniture and Equipment	2 - 10
Infrastructure Assets/Community Assets	2 – 40

7. **Intangible Assets**

Intangible Assets are payments of a Capital nature which do not result in a tangible asset. Examples are Software Licences, Trademarks and Patents. The Council's Intangible Assets for the financial year 2008/09 included expenditure on a Human Resources/Payroll System, Web site development and an integrated management system. Intangible assets will be charged to revenue over the economic life of the asset. The life range for Intangible Assets is a maximum of 10 years.

8. **Capital Receipts**

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

In 2004/05 the set aside of 75% of Housing Right to Buy sales to redeem debt became at the discretion of the Local Authority. Conwy County Borough Council has elected not to set aside Housing Right to Buy Capital Receipts.

9. **Government Grants**

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

10. **Operating Leases**

The Authority has a number of Operating Leases and these are charged to revenue in the year during which costs are incurred.

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

PFI contracts are agreements to receive services, where the responsibility for making available the fixed assets needed to provide the service passes to the PFI contractor. Payments made by the Council under a contract are generally charged to revenue to reflect the value of services received in each financial year.

Prepayments

A prepayment for services receivable under the contract arises when assets are transferred to the control of the PFI contractor, usually at the start of the scheme. The difference between the value of the asset at the date of transfer and any residual value that might accrue to the authority at the end of the contract is treated as a contribution made to the contractor and is accounted for as a prepayment. The prepayment is written down (charged) to the respective revenue account over the life of the contract to show the full value of services received in each year. However, as the charge is a notional one, it is reversed out in the Statement of Movement on the General Fund Balance to remove any impact on Council Tax or rents.

Dowry payments, made at the start of the contract, which result in lower unitary payments over the life of the contract are accounted for by setting up the

contribution (dowry) as a prepayment for services receivable and writing the balance down to revenue over the life of the contract as services are received to reflect their real cost.

Reversionary Interests

The Council has passed control of certain land and buildings over to the PFI contractor, but this property may return to the Council at the end of the scheme (reversionary interests). An assessment has been made of the net present value that these assets will have at the end of the scheme (unenhanced) and a reversionary interest asset has been created in the Council's Balance Sheet.

Residual Interest

Where assets created or enhanced under the PFI scheme are to pass to the Council at the end of the scheme at a cost less than fair value including nil (the residual interest), an amount equal to the difference between fair value and the payment to be made at the end of the contract is built up as a long-term debtor over the contract life by reducing the amount of the unitary payment charged to revenue.

PFI Credits

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

12. **Debtors and Creditors**

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

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

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

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

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

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

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

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

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

16. **Pension Costs**

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

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

17. **Investment**

The day to day Treasury Management operations involve the short-term investment of any surplus funds which the Council may hold on any particular day. These funds are invested for periods ranging from overnight up to 364 days. Longer term investments (greater than one year from inception to repayment) are used only when the Council's liquidity requirements are safeguarded and when the opportunity arises to lock in to a good value investment with a secure return. Investments are shown in the Balance Sheet as carrying value (including accrued interest), which approximates fair value due to the short term maturities. Further details are given in note 35. Accrued interest is added to the carrying value of investments and shown as part of current assets or long term assets depending on the maturity date of the investment.

18. **Interest earned on balances held**

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

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

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

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

The Council maintains a debt portfolio containing fixed and variable rate loans covering a variety of periods from a mixture of financial institutions as analysed in the note 35. In accordance with Statutory Regulations, the Authority is required to set aside a Minimum Revenue Provision for the repayment of debt, an analysis of the amounts concerned is shown in the note 9.

21. **Value Added Tax**

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

22. **Comparative Figures**

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

23. **Capital Expenditure Charged to the Council Fund and HRA Balances**

Capital expenditure charged to the Council Fund and HRA Balances is disclosed in the Statement of Movement on the respective Balances.

24. **Contingent Liabilities**

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

Contingent liabilities are not recognised within the Accounts as an item of expenditure, but are referred to in Note 30 to the Core Statements.

25. **Exceptional Items**

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

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

Exceptional items are disclosed in Note 4 to the Core Statements.

26. **Foreign Currency**

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

27. **Prior Period Adjustments**

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

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

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

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

29. **Long Term Contracts**

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

30. **Financial Liabilities**

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

31. **Financial Assets**

Financial assets are classified into two types:

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

The Authority does not deal in available-for-sale assets.

➤ **Loans and Receivables**

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

INCOME AND EXPENDITURE ACCOUNT

	Note	Gross Expenditure 2008/09 £'000	Gross Income 2008/09 £'000	Net Expenditure 2008/09 £'000	Net Expenditure 2007/08 £'000
Central Services to the Public		13,078	(14,024)	(946)	(1,829)
Cultural, Environmental and Planning Services		41,217	(15,744)	25,473	24,307
Education Services		111,105	(27,781)	83,324	79,166
Highways, Roads and Transport Services		22,364	(13,476)	8,888	9,415
Housing Services		37,304	(34,717)	2,587	2,210
Social Services		50,910	(15,754)	35,156	35,438
Corporate and Democratic Core		6,671	(1,718)	4,953	7,230
Non Distributed Costs		884	(192)	692	2,720
<u>Discontinued Operations</u>					
Housing Revenue Account		14,737	(6,586)	8,151	4,668
Exceptional Item: LSVT	4	145,866	(33,112)	112,754	0
Net Cost of Services		444,136	(163,104)	281,032	163,325
Gain/Loss on disposal fixed assets (Council Fund)				(66)	(165)
Gain/Loss on disposal fixed assets (HRA)				(696)	0
Precepts of Local Precepting Authorities and Levies	7			15,720	15,032
Surplus or Deficit of Trading Undertakings or other operations	5	6,679	(5,490)	1,189	1,180
Interest Payable and similar charges - Council Fund				6,011	6,442
Interest Payable and similar charges - HRA				854	1,466
Interest and Investment Income - Council Fund				(2,111)	(2,434)
Interest and Investment Income - HRA				(51)	(111)
Pension Interest Costs	34			19,702	16,394
Return on Pension Assets	34			(16,876)	(16,337)
Net Operating Expenditure				304,708	184,792
Revenue Support Grant				(111,267)	(109,713)
Non Domestic Rates Redistribution	13			(29,792)	(27,357)
Council Tax	12			(46,784)	(44,429)
Total Deficit for the year				116,865	3,293

Statement of Movement on the Council Fund Balance

	2008/09		2007/08
	£'000		£'000
Net Deficit for the year	116,865		3,293
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the Council Fund Balance for the year NOTE 1	(116,425)		(3,810)
Net in Year Council Fund Deficit/(Surplus)		440	(517)
Balance brought forward – Council Fund	(3,005)		(3,005)
– Schools	(5,192)	(8,197)	(4,675)
Deficit/(Surplus) – Council Fund	0		0
– Schools	440	440	(517)
Balance carried forward – Council Fund	(3,005)		(3,005)
– Schools	(4,752)	(7,757)	(5,192)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2008/09	2007/08
	£'000	£'000
Deficit on the Income and Expenditure Account adjusted for undervalue on disposal of asset	116,844	3,248
Undervalue of Asset	21	45
Deficit on the Income and Expenditure Account	116,865	3,293
(Surplus) arising on the Revaluation of Fixed Assets	(335)	(1,218)
Actuarial (Gains) or Losses on pension fund assets and liabilities	38,928	(20,962)
Other (Gains) required to be included	(6)	(16)
Restatement in respect of Financial Instruments following the introduction of the SORP 2007	0	727
Total recognised (gains) or losses for the year	155,452	(18,176)

BALANCE SHEET

	Note	31 March 2009 £' 000		31 March 2008 £' 000	
<u>Tangible Assets</u>	19				
<u>Operational Assets</u>					
Council Dwellings		0		144,129	
Other Land and Buildings		184,470		178,229	
Vehicles, Plant, Furniture & Equipment		8,367		6,864	
Infrastructure Assets		48,364		36,654	
Community Assets		3,328		2,918	
		244,529		368,794	
<u>Non-Operational Assets</u>					
Surplus Assets, held for disposal		851		851	
Investment Properties		4,500		4,500	
Assets under Construction		9,797		18,511	
		15,148		23,862	
<u>Intangible Assets</u>	19	992		500	
Total Tangible and Intangible Assets			260,669		393,156
Long-Term Investments	35	1,052		6,362	
Long-Term Debtors	22	23,944		22,641	
		24,996		29,003	
Total Long-Term Assets			285,665		422,159
<u>Current Assets</u>					
Stocks and Works-in-Progress	23	695		910	
Debtors	24	24,245		19,954	
Investments	35	34,903		40,491	
Payments in Advance		799		2,009	
Cash and Bank		479		341	
		61,121		63,705	
<u>Current Liabilities</u>					
Creditors	25	(14,035)		(14,219)	
Borrowing Repayable Within 12 months		(18,005)		0	
Receipts in Advance		(5,351)		(5,551)	
Bank Overdraft		(3,408)		(3,057)	
		(40,799)		(22,827)	
Net Current Assets/(Current Liabilities)			20,322		40,878
Total Assets Less Current Liabilities			305,987		463,037
<u>Long Term Liabilities</u>					
Borrowing repayable within a period in excess of 12 months	35	(96,392)		(142,593)	
Provisions	27	(8,973)		(10,366)	
Government Grants Deferred	26	(73,358)		(63,238)	
Capital Grants Unapplied		(1,079)		(3,167)	
Net Pensions Liabilities	34	(93,150)		(55,186)	
		(272,952)		(274,550)	
Total Assets Less Liabilities			33,035		188,487

BALANCE SHEET (continued)

	Note	31 March 2009 £' 000	31 March 2008 £' 000
Financed by:			
Deferred Capital Receipts	29	28	39
Capital Adjustment Account	28	85,819	206,469
Financial Instruments Adjustment Account	28	(1,047)	(941)
Revaluation Reserve	28	25	0
Pensions Reserve	28	(93,150)	(55,186)
Usable Capital Receipts Reserve	28	5,465	6,460
Capital Reserve	28	1,971	1,658
Equal Pay Back Pay Account	28	(5,800)	(5,800)
		(6,689)	152,699
Revenue Balances:	28		
Council Fund		3,005	3,005
Housing Revenue Account		189	2,141
Reserves		36,530	30,642
		39,724	35,788
Total Net Worth		33,035	188,487

CASH FLOW STATEMENT

	2008/09 £'000		2007/08 £'000	
REVENUE ACTIVITIES				
Cash Outflows				
Cash Paid to and on behalf of Employees	135,182		132,182	
Other Operating Cash Payments	114,668		110,614	
Housing Benefits Paid Out	29,418		22,891	
NNDR Paid to National Pool	26,006		24,308	
Precepts Paid	10,303		9,757	
		315,577		299,752
Cash Inflows				
Rent (Gross)	(6,045)		(11,502)	
Council Tax Received (Net of Refunds)	(39,478)		(37,793)	
NNDR from National Pool	(29,792)		(27,357)	
NNDR Received (Net of Refunds)	(25,268)		(24,129)	
Revenue Support Grant	(111,267)		(109,713)	
DWP Grants for Benefits	(33,561)		(29,985)	
Other Grants	(74,649)		(48,398)	
Cash Received for Goods and Services	(20,068)		(17,955)	
Other Operating Cash Received	(17,859)		(13,933)	
		(357,987)		(320,765)
Revenue Activities Net Cash Inflow (Note 36)		(42,410)		(21,013)
SERVICING OF FINANCE				
Cash Outflows				
Interest Paid		6,984		7,695
Cash Inflows				
Interest Received		(3,306)		(3,222)
CAPITAL ACTIVITIES				
Cash Outflows				
Purchase of Fixed Assets	27,716		27,452	
Revenue Expenditure funded from Capital Under Statute	6,658	34,374	4,904	32,356
Cash Inflows				
Sale of Fixed Assets	(1,928)		(2,898)	
Capital Grants and Contribution Received	(17,986)		(16,360)	
Long Term Investments	(5,000)	(24,914)	1,000	(18,258)
MANAGEMENT OF LIQUID RESOURCES				
Increase(Decrease) in Short Term Deposits		(5,338)		(2,751)
Net Cash Outflow Before Financing		(34,610)		(5,193)
FINANCING				
Cash Outflows				
Repayment of Amounts Borrowed		54,631		48,015
Cash Inflows				
New Loans Raised		(19,808)		(48,015)
(Increase)/Decrease in Cash and Cash Equivalents		213		(5,193)

NOTES TO THE CORE STATEMENTS

Notes to the Income and Expenditure Account

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

	2008/09 £'000		2007/08 £'000	
Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the Council Fund Balance				
Debt repaid by WAG following Stock Transfer	25,799		0	
Depreciation and impairment of fixed assets – Council Fund	(13,639)		(11,699)	
Depreciation and impairment of fixed assets – HRA	(145,792)		(10,786)	
Government Grants Deferred amortisation matching depreciation and impairments – Council Fund (Note 26)	4,645		(1,407)	
Government Grants Deferred amortisation matching depreciation and impairments – HRA	(80)		80	
Government Grants Deferred No Added Value – Council Fund	1,085		3,447	
Government Grants Deferred No Added Value – HRA	1,289		2,622	
Amounts treated as revenue expenditure in accordance with the SORP but which are classified as capital expenditure by statute (i.e Revenue Expenditure Funded from Capital under Statute) – Council Fund	(1,250)		(1,207)	
Amounts treated as revenue expenditure in accordance with the SORP but which are classified as capital expenditure by statute (i.e Revenue Expenditure Funded from Capital under Statute) – HRA	(1,444)		(35)	
Net gain or loss on sale of fixed assets (CF)	66		165	
Net gain or loss on sale of fixed assets (HRA)	696		0	
Equal Pay Balance Sheet Transfer	0		0	
Amount by which finance costs calculated in accordance with the SORP are different from the amount of finance costs calculated in accordance with statutory requirements	(105)		(215)	
Net charges made for retirement benefits in accordance with FRS 17 – Council Fund	(11,868)		(10,257)	
Net charges made for retirement benefits in accordance with FRS 17 – HRA	(142)	(140,740)	(345)	(29,637)
Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the movement on the Council Fund Balance				
Provision for repayment of debt – Council Fund (Note 9)	5,418		4,911	
Provision for repayment of debt – HRA (Note 9)	103		585	
PFI Equalisation entry	(665)		(665)	
Capital Expenditure charged to the Council Fund Balance	1,629		1,125	
Capital Expenditure charged to the HRA	150		1,075	
Employer's contribution payable to the Gwynedd & Flintshire Pension Funds and retirement benefits payable direct to pensioners – Council Fund	12,757		12,543	
Employer's contribution payable to the Gwynedd & Flintshire Pension Funds and retirement benefits payable direct to pensioners – HRA	217	19,609	379	19,953
Transfers to or from the Council Fund Balance that are required to be taken into account when determining the movement on the Council Fund Balance for the year				
Statutorily required transfer of the surplus or deficit for the year on the Housing Revenue Account calculated in accordance with statute to the HRA Balance	(1,952)		420	
Contribution from Earmarked Reserves (excluding Schools)	(4,219)		(3,257)	
Contribution to Earmarked Reserves CF (excluding Schools)	10,709		8,711	
Contribution to Earmarked Reserves HRA (excluding Schools)	168	4,706	0	5,874
Net additional amount required by statutory and non-statutory proper practices to be debited or credited to the Council Fund Balance for the Year		(116,425)		(3,810)

2. **Publicity Expenditure**

Section 5 of the Local Government Act 1986 requires the Council to disclose the expenditure on publicity and advertising directed at either the public at large or at particular sections of the public. The Income and Expenditure Account includes the following amounts relating to: -

	2008/09	2007/08
	£'000	£'000
Recruitment	329	544
Tourism and Leisure	284	237
Service Publicity	91	69
Other Advertising	267	321
Total	971	1,171

3. **Section 137 Local Government Act 1972 (As amended by Section 33 Local Government and Housing Act 1989)**

This enables a Local Authority to spend for the benefit of people in their area on activities or projects where statutory powers are not available. Actual expenditure under these powers during the year was calculated to be £316,875 (£402,197 in 2007/08).

4. **Exceptional Items**

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

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

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

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

5. Trading Operations

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

		2008/09	2007/08	2006/07
		£'000	£'000	£'000
The Council owns and operates the Great Orme Tramway generating income from ticket sales. The objective is to maximise the operating surplus to provide an ongoing maintenance programme.	Turnover	(620)	(650)	(601)
	Expenditure	590	550	528
	(Surplus)	(30)	(100)	(73)
	(Surplus) (after FRS17 adjustment)	(40)	(102)	(71)
The Council owns and operates a major theatre/conference centre/arena complex and a second theatre, generating income from lettings and ticket sales. The Arena was opened in 2006/07. The trading objective is to break even on the costs of performances and conferences and to make a contribution towards the maintenance of the fabric of the building. The summary below shows all associated expenditure and income.				
Venue Cymru - Theatre - Conference Centre - Arena	Turnover	(4,167)	(3,716)	(3,482)
	Expenditure	5,362	4,879	4,810
	Deficit	1,195	1,163	1,328
	Deficit (after FRS17 adjustment)	1,131	1,148	1,342
Theatr Colwyn	Turnover	(157)	(148)	(157)
	Expenditure	284	290	309
	Deficit	127	142	152
	Deficit (after FRS17 adjustment)	122	141	154
Total	Deficit	1,292	1,205	1,407
	Deficit (after FRS17 adjustment)	1,213	1,187	1,425
	Revenue Provision	(24)	(7)	0
	Deficit per Income & Expenditure Account	1,189	1,180	1,425

6. Building Control Trading Account

The statement below shows the total cost of operating the Building Control Unit divided between the chargeable (C) and non-chargeable (NC) activities.

Building Regulations Charging Account	2008/09			2007/08		
	C £'000	NC £'000	TOTAL £'000	C £'000	NC £'000	TOTAL £'000
Expenditure						
Employee Expenses	165	89	254	185	40	225
Premises	0	0	0	2	0	2
Transport	16	9	25	22	5	27
Supplies and Services	64	22	86	55	27	82
Central and Support Service Costs	26	0	26	39	10	49
Total Expenditure	271	120	391	303	82	385
Income						
Building Regulation Fees	(255)	0	(255)	(298)	0	(298)
Land Search Fees	0	(3)	(3)	0	(5)	(5)
Net Deficit / (Surplus) for Year	16	117	133	5	77	82
Transfer to/(from) trading account reserve	(16)	0	(16)	(5)	0	(5)
Total Cost to the Authority (excluding FRS17)	0	117	117	0	77	77
Total Cost to the Authority (including FRS17)	0	104	104	0	74	74

7. **Precepts and Levies**

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

	2008/09	2007/08
	£'000	£'000
Precepts		
Community Councils	1,327	1,252
North Wales Police Authority	8,976	8,505
Levies		
North Wales Fire Authority	4,997	4,865
National Park Authority	337	332
North West and North Wales Sea Fisheries Committee	62	58
Local Drainage Boards	21	20
Total	15,720	15,032

8. **Agency Services**

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

Expenditure on these activities was as follows : -

	2008/09	2007/08
	£'000	£'000
Trunk Roads	7,319	6,301
Nursing Care	1,408	1,444
Total	8,727	7,745

9. Minimum Revenue Provision (MRP)

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

	Housing 2008/09 £'000	Housing 2007/08 £'000	Council Fund 2008/09 £'000	Council Fund 2007/08 £'000	Total 2008/09 £'000	Total 2007/08 £'000
Capital Financing Requirement at 1 April	26,109	26,583	113,263	110,048	139,372	136,631
Revenue Provision	103	585	5,439	5,042	5,542	5,627
Section 40(6)	0	0	0	0	0	0
Commutation Adjustments	0	0	(21)	(131)	(21)	(131)
Total Revenue Provision	103	585	5,418	4,911	5,521	5,496

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

Prior to 2008/09 the MRP was set at 2% of the opening Capital Financing Requirement (CFR) for housing debt and 4% for council fund debt.

10. **Officers' Emoluments**

The number of employees whose total remuneration (including normal emoluments and redundancy payments) was £60,000 or more, is as follows:-

Band	2008/09 Number		2007/08 Number	
	Non-Schools	Schools	Non-Schools	Schools
£60,000 - £69,999	11	11	10	10
£70,000 - £79,999	3	6	0	4
£80,000 - £89,999	2	1	3	3
£90,000 - £99,999	2	1	1	2
£100,000 - £109,999	0	0	1	0
£110,000 - £119,999	0	0	3	0
£120,000 - £129,999	0	0	1	0
£130,000 - £139,999	0	0	1	0
£140,000 - £149,999	0	0	0	0
£150,000 - £159,999	0	0	1	0
£160,000 - £169,999	0	0	0	0
£170,000 - £179,999	1	0	0	0

11. **Members' Allowances**

During 2008/09 the sum of £1,003,961 was paid to Members in the form of Members' Allowances. The equivalent sum in 2007/08 was £1,012,746 and the year on year decrease was £8,785 due to reduction in the number of Allowances paid and delay in implementing inflationary increases.

12. 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 2008/09 was calculated as follows: -

Band	Equivalent Number of Dwellings after Discount	Band D Adjustment	Band D Equivalent
A*	16	5/9	8.89
A	3,951	6/9	2,633.67
B	6,575	7/9	5,113.50
C	12,866	8/9	11,436.00
D	10,230	1	10,229.50
E	7,800	11/9	9,533.33
F	4,374	13/9	6,318.00
G	1,707	15/9	2,845.42
H	391	18/9	782.50
I	127	21/9	295.75
			49,196.56
Council Tax Base after allowing for losses on collection			48,213.61

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

	2008/09	2007/08
	£'000	£'000
Council Tax raised	46,784	44,429

13. National Non-Domestic Rates (NNDR)

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

For 2008/09 the rate set by the Welsh Assembly Government for Wales was 46.6p per £1 of rateable value of the non-domestic properties (2007/08: 44.8p). At 31 March 2009 there were 4,907 properties on the local valuation list in Conwy, representing a rateable value of £64,417,056 (2007/08: £63,626,381). The net income accruing to the Council from the NNDR is as follows:-

	2008/09	2007/08
	£'000	£'000
National Non-Domestic Rate raised	25,405	24,592
Less Cost of Collection Allowance	(247)	(245)
Less sum paid to the National Pool	(25,158)	(24,347)
	0	0
Receipts from the National Pool	29,792	27,357
Net Income from the National Non-Domestic Rates	29,792	27,357

14. Leases

The Prudential Code for Capital Finance in Local Authorities dictates that the Council make a comparison between the cost of borrowing and leasing as a method of funding expenditure on vehicles, plant and certain other items of equipment. In the financial year 2008/09 the comparison exercise indicated that, in the case of all items, borrowing was the preferred choice.

The operating lease payments charged to the financial year 2008/09 in respect of vehicles, plant and equipment amounted to £463,451 and in respect of short term lease properties amounted to £742,767. The total obligations in relation to operating leases outstanding at 31 March 2009 amounted to £1,003,656.

The Authority was committed at 31 March 2009 to making payments of £985,672 under operating leases in 2009/10, comprising the following elements:

	Other Land and Buildings	Vehicles, Plant and Equipment
	£'000	£'000
Leases expiring in 2009/10	776	193
Leases expiring between 2010/11 and 2013/14	0	16
Leases expiring during or after 2014/15	0	1
Total	776	210

15. **Transactions with Related Parties**

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

Central Government

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

Precepts and Levies

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

The Corporate Director - Resources acts as the Treasurer to the North Wales Fire Authority; the levy to the North Wales Fire Authority paid during the year was £4,997,245 (2007/08: £4,865,047).

Charitable and Voluntary Organisations

The Council appoints Members, Corporate Directors, Heads of Service, and other Officers to certain charitable and voluntary bodies. Other Officers are not included in the disclosure of transactions with related parties as it is not considered that these Officers are in a position to exert the same level of influence within the Council as Members, Corporate Directors and Heads of Service. During 2008/09 a total of £439,095 (2007/08: £855,055) was paid to these bodies by way of grants and the purchasing of services.

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

The Council is a member of the LGA/WLGA, to which subscriptions of £93,691 were paid in 2008/09 (£93,074 in 2007/08).

Corporate Directors and Heads of Service

Heads of Service and Corporate Directors were sent a declaration of interest with related parties return for the year 2008/09.

A Corporate Director is the treasurer of Craig y Don Playschool, to which the Authority paid £8,618 (£11,650 in 2007/08).

Members

Members were sent a declaration of interest with related parties return for the year 2008/09.

A total of £121,410 was paid by the Council in 2008/09 under such dealings (2007/08: £181,273).

Three Conwy Members sit on the Board of Management of Cartrefi Conwy.

Other

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

16. **Local Authorities Goods and Services Act 1970**

The Council is empowered by this Act to provide goods and services to other public bodies. During 2008/09 the Council undertook the following work under the provisions of this Act :-

Category of Supply	Client	2008/09	2007/08
		£	£
Provision of Professional or Technical Services	North Wales Fire Authority	135,005	109,949
	Total	135,005	109,949

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

	2008/09	2007/08
	£	£
External audit services	284,000	289,093
Statutory Inspection	90,745	90,551
Grant claims and returns related to previous financial year	140,421	172,128
	515,166	551,772

The estimated fee for certification of grant claims and returns related to 2008/09 is £150,000, and is not included above.

18. **Three Schools PFI Project**

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

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

Contracts were signed on 12 March 2003, and construction started at the end of March 2003. The Unitary Charges (the monthly payment made by the Council to the private sector for the 3 fully serviced schools) were payable from 1 August 2004 for a contract period of 25 years. The Unitary Charge in the financial year 2008-09 was £6.1m (net of £5k availability and performance deductions) for the period April 2008 to March 2009 inclusive. (Unitary Charge in the financial year 2007/08 was £6.0m net of £4k availability and performance deductions). The full year charge in 2009/10 is estimated to be approximately £6.3m at a price base of 1 April 2009 (assuming RPI of 2.5%).

The outstanding discharged obligation arising from the PFI transaction is approximately £147.1m (£151.9m in 2007/08), 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. This has resulted in the creation of a long term debtor which will be written down to revenue over the 25 year life of the PFI Contract.

At the start of the PFI Contract, Ysgol Aberconwy and Ysgol Dyffryn Conwy's existing assets were transferred to the private sector at nil consideration. A long term debtor of £7.6m has been created which is equal to the value of the transferred assets in the Council's Balance Sheet at 31 March 2005 prior to their exclusion from the Balance Sheet. This will be written down to revenue over 25 years.

It is estimated that the value of PFI schools will be approximately £50m at the end of the 25 years. A long term debtor and a PFI acquisition reserve have been established, equal to the estimated residual interest in the assets divided by the 25 years, to represent the accrual of the Council's residual interest in the asset which may revert to the Council after 25 years.

Notes to the Balance Sheet

19. **Fixed Assets**

Details of the values of assets held at 31 March 2009, together with details of acquisitions and disposals are shown overleaf.

Methods of calculating Depreciation are outlined in Note 5 of the Statement of Accounting Principles and Policies.

Reconciliation to Capital Expenditure

	2008/09	2007/08
	£'000	£'000
Additions (as Page 57&58)	27,807	22,548
Revenue Expenditure funded from Capital under Statute	6,658	4,904
Total	34,465	27,452

Valuations

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

The Council's land and buildings were valued as at 31 March 2005 under the management of the County Valuer, B.Sc(Hons) Dip Surv MRICS.

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

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Intangible Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation							
At 1 April 2008	149,705	181,889	21,430	57,066	3,825	630	414,545
Additions	1,565	5,851	3,929	9,066	331	21	20,763
Disposals	(10)	(751)	(506)	-	-	-	(1,267)
Reclassifications	-	8,284	-	6,571	316	545	15,716
Revaluations	10	75	-	-	-	-	85
Transfer of Housing Stock	(151,270)	-	-	-	-	-	(151,270)
At 31 March 2009	-	195,348	24,853	72,703	4,472	1,196	298,572
Depreciation and Impairment							
At 1 April 2008	(5,576)	(3,660)	(14,566)	(20,412)	(907)	(130)	(45,251)
Charge for 2008-2009	(145,694)	(7,269)	(2,230)	(3,927)	(237)	(74)	(159,431)
Disposals	-	51	310	-	-	-	361
Transfer of Housing Stock	151,270	-	-	-	-	-	151,270
At 31 March 2009	-	(10,878)	(16,486)	(24,339)	(1,144)	(204)	(53,051)
Balance Sheet amount at 31 March 2009	-	184,470	8,367	48,364	3,328	992	245,521
Balance Sheet amount at 1 April 2008	144,129	178,229	6,864	36,654	2,918	500	369,294
Nature of Asset Holding							
Owned	-	184,470	8,367	48,364	3,328	992	245,521

Non-Operational Assets

	Surplus Assets	Investment Properties	Work in Progress (WIP)	Total
	£'000	£'000	£'000	£'000
Cost or Valuation				
At 1 April 2008	851	4,500	18,511	23,862
Additions	-	-	7,044	7,044
Disposals	(250)	-	-	(250)
Reclassifications	-	-	(15,716)	(15,716)
Revenue Expenditure Funded from Capital under Statute	-	-	(42)	(42)
Revaluations	250	-	-	250
At 31 March 2009	851	4,500	9,797	15,148
Depreciation and Impairments	-	-	-	-
Balance Sheet amount at 31 March 2009	851	4,500	9,797	15,148
Balance Sheet amount at 1 April 2008	851	4,500	18,511	23,862
Nature of Asset Holding				
Owned	851	4,500	9,797	15,148

1 April 2008 cost or valuation is shown at net book value at 1 April 2007 in accordance with the transitional SORP requirements.

Capital Commitments 2009/10 Onwards

Council Fund Capital Programme Scheme	Contracted Future Cost
	£'000
Flood Alleviation Work at Afon Bach, Llanrwst	185
Cob to RSPB Cycle Track Construction	300
Colwyn Bay Streetscape Enhancements	118
Llys Elian Elderly People's Home	355
School Building Improvement Grant Projects	3,002
Forest School, Eirias Park	94
Total	4,054

20. **Capital Expenditure 2008/09**

Capital Expenditure in 2008/09 amounted to £34.5m, including net accruals of £91k. The following table gives an analysis of this expenditure and how it was financed.

SUMMARY OF CAPITAL EXPENDITURE AND FINANCING (In year Spend Net of Accruals)	2008/09 £'000	2007/08 £'000
Engineering & Design	647	615
Regeneration	1,751	998
Planning & Countryside Services	974	567
Education	8,431	4,931
Social Services	1,332	577
IT	724	16
Libraries	262	191
Theatres	81	372
Leisure	1,545	4,216
Private Sector Property Renovation	3,558	3,129
Infrastructure	4,467	2,697
Environmental and Technical Services	7,111	2,866
Housing Revenue Account	3,009	5,251
Other	482	1,705
Net Capital Accruals	91	(679)
	34,465	27,452
FINANCED BY:-		
Borrowing Requirement (Supported & Unsupported)	8,887	8,236
Grants and Contributions (Received and Accrued)	17,732	9,919
General Capital Grant	2,234	2,239
Major Repairs Allowance	1,289	2,600
Capital Receipts	2,583	2,242
Revenue and Other Reserves	1,740	2,216
	34,465	27,452

Capital Expenditure and Financing	2008/09 Actual £'000	2007/08 Actual £'000
Total Capital Expenditure	34,465	27,452
Resourced by:		
Capital Receipts	(2,583)	(2,242)
Capital Grants	(21,255)	(14,758)
Capital Reserves	(720)	(1,141)
Revenue	(1,020)	(1,075)
Supported/Unsupported Borrowing	8,887	8,236

Capital Financing Requirement	2008/09 £'000	2007/08 £'000
Opening balance 1 April	139,371	136,631
Plus Supported/Unsupported Borrowing	8,887	8,236
Less Revenue Provision	(5,521)	(5,496)
Less Debt Repaid on LSVT	(26,006)	0
Balance at 31 March	116,731	139,371

The principal assets held by Conwy County Borough Council at 31 March 2009 were as follows:-

		31 March 2009	31 March 2008
<u>Operational Assets</u>		<u>Number</u>	<u>Number</u>
- Council Dwellings	Houses and Flats	0	3,799
- Other Land and Buildings	Administrative Buildings	30	31
	Depots and Workshops	10	10
	Schools	68	68
	Residential Centres	7	8
	Day Centres	2	2
	Leisure, Sports and Recreation Centres and Swimming Pools	7	6
	Community/Youth Centres and Halls	23	23
	Car Parks	41	41
	Farms	13	13
	Theatres	2	2
	Conference Centres	1	1
	Libraries	12	12
	Crematorium	1	1
	Cemeteries	11	11
	Public Conveniences	70	70
	Leisure Services	37	37
	Economic Development	14	14
	Other	25	24
<u>Non Operational Assets</u>	Surplus Property for disposal	12	12
	Countryside Services	1	1
	Non County Occupied	23	23
	Bare Land	27	27
<u>Community Assets</u>	Public Gardens and Parks	109	105
	Playing Fields	67	67
	Open Spaces	112	112
	Multi Use Games Area	22	20

Analysis of Net Assets Employed

	31 March 2009	31 March 2008
	£'000	£'000
Council Fund	32,935	70,889
Housing Revenue Account	0	117,598
	32,935	188,487

21. Revenue Expenditure Funded From Capital Under Statute

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

	HRA		Renovation Grants and Renewals Areas		Other		Total	
	2008/09	2007/08	2008/09	2007/08	2008/09	2007/08	2008/09	2007/08
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March	0	0	0	0	0	0	0	0
Transfer from Debtors	0	0	0	0	0	0	0	0
Expenditure in year	1,444	35	3,425	3,130	1,831	1,754	6,700	4,919
Grants	0	0	(3,240)	(2,958)	(766)	(719)	(4,006)	(3,677)
Written off to Revenue	(1,444)	(35)	(185)	(172)	(1,065)	(1,035)	(2,694)	(1,242)
Balance at 31 March	0	0	0	0	0	0	0	0

'Other' revenue expenditure funded from capital under statute relates to Business Development Grants, Business Start Up Grants, Agricultural Food Diversification Strategy, Penmaenmawr Townscape Heritage Initiative project, Youth Service Capital Funding, Biodiversity and Landscape Grant, Commercial Improvement Areas, Property Improvement/Conservation Area Grants, Conwy Local Biodiversity Action Plan Implementation Scheme, low cost home ownership, Private Sector Housing Small Adaptations, together with other smaller schemes.

22. Long-Term Debtors

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

	31 March 2009	31 March 2008
	£'000	£'000
PFI Project (see below)	23,299	21,964
Mortgages	35	46
Private Street Works	121	131
Car Loans Repayable After 12 Months	386	380
Other	103	120
Gross Long Term Debtors	23,944	22,641
Less Bad Debt Provision	0	0
Net Long Term Debtors	23,944	22,641

Included within 'Other Long-Term Debtors' are soft loans to Sports Clubs and Museums which have been re-stated at fair value in accordance with the SORP 2008, with the resulting movement being held in the Financial Instruments Adjustment Account.

Long Term Debtors – PFI	£'000
Net Book Value 31 March 2008	21,964
Written down:	
Advanced Payment of Unitary Charge	(360)
Transferred Assets	(305)
Additions:	
Residual Interest	2,000
Net Book Value 31 March 2009	23,299

As a result of the 3 schools PFI project a Long Term Debtor has been created in respect of the advanced payment of Unitary Charge, the transferred assets and the residual interest in the PFI assets created. The Long Term Debtor in respect of the Unitary Charge and transferred assets will be written down to revenue over the 25 year life of the Contract, whilst the value of the residual interest will accrue over the life of the Contract.

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

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

	31 March 2009	31 March 2008
	£'000	£'000
Work-in-Progress	82	244
Main Store	165	191
Nursery Stock	67	67
Rock Salt	58	73
Other Stocks	321	334
Foundation Schools	2	1
Total	695	910

24. **Debtors**

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

Analysis of Debtors	31 March 2009	31 March 2008
	£'000	£'000
Government Departments and Other Public Bodies	11,318	7,751
Other Local Authorities	1,729	2,260
Insurance Companies	1,214	1,953
Car Loans Repayable within One Year	235	220
Council Taxpayers	2,576	1,977
National Non-Domestic Rates	1,126	363
Council Tenants	462	636
Other Debtors	6,984	5,747
Gross Debtors	25,644	20,907
Less Bad Debt Provision	(1,399)	(953)
Net Debtors	24,245	19,954

Details of the bad debt provisions are as follows: -

Bad Debt Provisions	Balance at 31 March 2008 £'000	Used in the Year £'000	In Year Provision £'000	Balance at 31 March 2009 £'000
Council Tax	182	94	141	229
NNDR	212	218	378	372
Housing Revenue	272	115	0	157
General Debtors	262	9	338	591
Council Tax Court Costs	25	25	50	50
Total	953	461	907	1,399

25. Creditors

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

Analysis of Creditors	31 March 2009 £'000	31 March 2008 £'000
Government Departments and Other Public Bodies	1,241	1,349
Other Local Authorities	1,821	1,917
Trade Creditors	10,973	10,953
Total	14,035	14,219

26. Deferred Government Grants and Contributions

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

	2008/09 £'000	2007/08 £'000
Balance at 31 March	63,238	56,688
Grants and Contributions Applied during year	17,115	11,788
Written to Revenue	(6,995)	(5,238)
Balance at 31 March	73,358	63,238

27. Provisions

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

Provisions	Balance at 31 March 2008	Expenditure	Income	Balance at 31 March 2009
	£'000	£'000	£'000	£'000
Equal Pay Provision	5,800	0	0	5,800
Insurance Excesses	2,311	880	127	1,558
EVR Provision	1,095	494	433	1,034
HRA	90	90	225	225
Social Services	20	20	184	184
Corporate	258	158	20	120
Other	287	287	52	52
General Fund Housing	474	474	0	0
Environmental Services	31	31	0	0
Total	10,366	2,434	1,041	8,973

Further detail of the provisions held is as follows:-

	Provision Amount £	Anticipated Year of Expenditure
<p><u>Equal Pay</u> Future settlement of Equal Pay claims arising as a result of the implementation of the Single Status agreement. This is an accounting entry not represented by cash</p>	5,800,000	2009/10 onwards
<p><u>Insurance Provision</u> The insurance provision relates to excesses on third party claims</p>	1,558,368	2009/10 onwards
<p><u>Early Voluntary Retirement Provision</u> Compensation & earliness costs associated with staff taking early retirement/redundancy</p>	1,034,200	2009/10 – 2012/13
<p><u>HRA Provision</u> Rent Equalisation Provision</p>	225,000	2009/10 – 2012/13
<p><u>Social Services Provisions</u> Deferred Income</p>	159,494	2009/10 onwards
Compensation Payment	25,000	2009/10
<p><u>Corporate</u> Travel and Subsistence Travel and Subsistence March 2009</p>	119,542	2009/10

	Provision Amount £	Anticipated Year of Expenditure
Legal Services – Land Registration Fees Provision The cost (fees and staff cost) of registration of Council land	15,000	2009/10
<u>Other</u> Local Development Plan consultancy fees, loan repayments, and repayment of grant monies	36,195	2009/10

28. RESERVES MOVEMENTS

	Note	Balance at 31 March 2008 £'000	Contribution to Reserves £'000	Contribution from Reserves £'000	Asset Revaluations £'000	Surplus/ (Deficit) for the year £'000	Proceeds of Disposal £'000	Financing Fixed Assets £'000	Value of Assets Sold/ Transferred £'000	Balance at 31 March 2009 £'000
CAPITAL RESERVES										
Capital Adjustment Account	28.2	206,469				(124,524)	(1,155)	4,719	310	85,819
Revaluation Reserve	28.1	0			335				(310)	25
Financial Instruments Adjustment Account	28.3	(941)				(106)				(1,047)
Capital Receipts Unapplied	28.4	6,460					1,928	(2,923)		5,465
Capital Reserve - Council Fund	28.5	1,658	1,774	(17)				(1,646)		1,769
Capital Reserve - Housing	28.5	0	202							202
		213,646	1,976	(17)	335	(124,630)	773	150	0	92,233
REVENUE RESERVES										
Specific Reserves	28.6	11,293	7,044	(4,191)						14,146
School Balances		5,192	553	(993)						4,752
PFI Unitary Charge Reserve (Cash Backed)		6,824	1,486	(11)						8,299
PFI Acquisition Reserve (Non-cash Backed)		7,333	2,000							9,333
Housing Revenue Account Council Fund Balances		2,141		(1,802)				(150)		189
		3,005								3,005
		35,788	11,083	(6,997)				(150)		39,724
Total Capital & Revenue Reserves		249,434	13,059	(7,014)	335	(124,630)	773	0	0	131,957
PENSIONS RESERVE	34	(55,186)				(37,964)				(93,150)
EQUAL PAY BACK PAY ACCOUNT	28.7	(5,800)					(11)			(5,800)
Deferred Capital Receipts		39								28
TOTAL		188,487	13,059	(7,014)	335	(162,594)	762	0	0	33,035

28.1 Revaluation Reserve

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

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

28.2 Capital Adjustment Account (CAA)

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

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

The following shows the movement in 2008/09 on the Capital Adjustment Account:

	2008/09
	£'000
Opening Balance 1 April 2008	206,469
Excess of depreciation and impairment over provision for repayment of External Debt	(128,111)
Revenue expenditure funded from capital under statute	(6,820)
Capital Financing : -	
Capital Receipts	2,923
Capital Reserve	1,646
Revenue	150
Net Grants and Contributions applied	11,072
Transferred assets written down	(665)
Net effect of asset disposals	(845)
Closing Balance 31 March 2009	85,819

28.3 Financial Instruments Adjustment Account (FIAA)

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

	2008/09 £'000	2007/08 £'000
Premiums and Discounts	777	667
Stepped Loan interest	157	158
Soft Loans interest	113	116
	1,047	941

28.4 Capital Receipts Unapplied

These are capital receipts which have not yet been used to incur additional capital expenditure. The 1989 Act stipulates the proportion of total capital receipts which are usable for this purpose. In 2004/05 the set aside of 75% of Housing Right to Buy sales to redeem debt became at the discretion of the Local Authority. Conwy County Borough Council has elected not to set aside Housing Right to Buy Capital Receipts. An analysis is shown below: -

	Housing 2008/09 £'000	Housing 2007/08 £'000	Other Services 2008/09 £'000	Other Services 2007/08 £'000	Total 2008/09 £'000	Total 2007/08 £'000
Balance at 31 March	3,155	3,432	3,305	2,372	6,460	5,804
Usable Receipts	911	995	1,018	1,903	1,929	2,898
Receipts Applied	(1,870)	(1,272)	(1,054)	(970)	(2,924)	(2,242)
Balance at 31 March	2,196	3,155	3,269	3,305	5,465	6,460

28.5 Capital Reserves

Funding of £1.9m is shown in the Balance Sheet representing funding for capital schemes which will progress in 2009/10 and beyond.

28.6 **Revenue Reserves**

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

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

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

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

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

28.7 **Equal Pay Back Pay Account**

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

29. **Deferred Capital Receipts**

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

30. **Contingent Liabilities**

Policy on Recognition

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

31. **Forward Commitments**

Investments

The Authority has no forward commitments on investments.

32. **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 2009 amounted to £93,713 and the income for the year was £8,054. (Fund Balances at 31 March 2008 amounted to £83,897 and income for the year 2007/08 was £8,761.)

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 95.
3. In 2007/08 a new Trust Fund was set up for the benefit of scholars in Llanrwst for ancillary education. The details of the Ymddiriedolaeth Addysg Llanrwst income and expenditure account and balance sheet appear on pages 98 to 99.

33. **The Euro**

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

34. **Pensions**

34.1 Participation in Pension schemes

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

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

34.2 Teaching Staff

The Department for Education and Skills (DfES) administers the Teachers Pension Scheme on a notional basis. Under FRS 17 it is classified as a quasi-contribution scheme and there are no disclosures required regarding assets and liabilities, as the current cost is still equivalent to contributions payable for the year. Employer's contributions for 2008/09 were £4.0m representing 14.1% of pensionable pay (£3.9m in 2007/08 representing 14.1% of pay).

34.3 Participation in other schemes

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

Based on the assumptions listed above, the present value of the liabilities at 31 March 2009 is £6.9m (£8.0m at 31 March 2008).

34.4 Actuarial Valuations

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

The latest full valuation of the scheme was carried out at 31 March 2008. The Council's employer's contribution rate for 2008/09 was 20.1%. The rate for 2009/10 is 20.1%.

34.5 Payments into the Fund

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

34.6 Amendment to SORP 2008

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

34.7 Transactions relating to retirement benefits

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

Movements on Pension Reserve	2008/09	2007/08
	£'000	£'000
Income and Expenditure Account		
- Net cost of services		
Current service Cost	(7,182)	(10,092)
Past service cost	(3,051)	(135)
Settlements and Curtailments	1,049	(318)
- Net Operating Expenditure		
Interest	(19,702)	(16,394)
Expected returns on scheme Assets	16,876	16,337
Net charge to I&E Account	(12,010)	(10,602)
Statement of Movement of Council Fund Balance		
Reversal of net charges in accordance with FRS 17	12,010	10,602
Actual Amount charged		
- employers contributions	12,852	12,922

Actuarial losses of £38.9m (2007 gains of £20.9m) were included in the Statement of Total Recognised Gains and losses. The cumulative cost of Actuarial losses recognised a loss of £42.8m.

34.8 Reconciliation of present value of scheme liabilities

Liabilities	2008/09 £'000	2007/08 £'000
1 April	288,236	302,386
Current Service Cost	7,182	10,092
Interest	19,702	16,394
Contributions by members	3,483	3,328
Actuarial Gains(Losses)	(26,974)	(34,600)
Past Service Cost	3,051	135
Curtailments	346	318
Estimated Unfunded Benefits	(1,457)	(1,432)
Estimated Benefits Paid	(7,628)	(8,385)
Liabilities discharged	(7,089)	0
31 March	278,852	288,236

34.9 Reconciliation of fair value of scheme assets

Assets	2008/09 £'000	2007/08 £'000
1 April	233,052	224,255
Expected return on Assets	16,876	16,336
Contributions by members	3,483	3,328
Contributions by Employers	12,623	11,423
Contributions for Unfunded Benefits	349	1,432
Actuarial Gains(Losses)	(65,902)	(13,637)
Unfunded benefits Paid	(1,457)	(1,432)
Benefits Paid	(7,628)	(8,385)
Assets Discharged	(5,694)	0
Adjust balance		(268)
31 March	185,702	233,052

34.10 Scheme history

Year ended	31/03/09	31/03/08	31/03/07	31/03/06	31/03/05
Assets	185,702	233,052	224,255	202,590	157,010
Liabilities	278,852	288,236	302,722	299,378	246,236
Deficit	(93,150)	(55,186)	(78,467)	(96,788)	(89,226)
Difference between expected and actual gains(losses) on assets	(36.08)%	(5.85)%	0.08%	13.52%	3.3%
Experience gains(losses) on liabilities	(0.011)%	(5.91)%	(0.15)%	(0.22)%	(0.03)%

Of the total liabilities, £19.3m (£20.8m in 2007/08) is unfunded and £259.6m (£267.5m in 2007/08) is funded.

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

	2008/09	2007/08
Price Increases	3.1%	3.6%
Salary Increases	4.6%	5.1%
Pension Increases	3.1%	3.6%
Expected return on assets	6.5%	7.2%
Discount Rate	6.9%	6.9%
Take up of option to convert annual pension into lump sum	50%	50%
Rate of return on assets		
Equities	7%	7.7%
Bonds	5.4%	5.7%
Property	4.9%	5.7%
Cash	4%	4.8%

Life expectancy at 65 in years	Males	Females
Current Pensioners	19.6	22.5
Future Pensioners	20.7	23.6

For the 2008/09 Statement of Accounts a rate based on the current rate of return on a high quality corporate bond of equivalent currency and term to schemes liabilities has been used.

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

34.12 Value of Assets

The assets of the scheme are split as follows:

2008/09					2007/08				
Equities	Bonds	Property	Cash	Total	Equities	Bonds	Property	Cash	Total
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
136,144	26,109	14,919	8,530	185,702	173,820	33,715	20,116	5,400	233,051

35. **Nature and Extent of Risks Arising from Financial Instruments**

35.1 **Key Risks**

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

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

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

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

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

Overall Procedures for Managing Risk

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

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

35.2 **Credit Risk Exposure**

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

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

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

		Amount at 31 March 2009	Historical Experience of Default	Adjustment for market conditions at 31 March 2009	Estimated Maximum Exposure to Default And Uncollectability
		£'000	%	%	£'000
Deposit with rated banks and Financial Institutions	-Aaa	0	0.00	0.00	0
	-Aa	9,513	0.00	0.00	0
	-A	16,970	0.18	0.18	31
Building Societies with assets in excess of £1bn		5,000	0.18	0.18	9
Building Societies with assets in excess of £500m		4,000	0.18	0.18	7
Trade Debtors		6,099	3.67	3.67	224

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

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

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

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

	31 March 2009 £'000	31 March 2008 £'000
Less than three months	5,049	4,678
Three to six months	120	102
Six months to one year	186	268
More than one year	744	665
Total	6,099	5,713

35.3 **Liquidity risk**

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

The Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need, and whilst the PWLB provides access to longer term funds, it also acts as a lender of last resort to councils (although it will not provide funding to a council whose actions are unlawful). The Council is also required to

provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

35.4 **Refinancing and Maturity Risk**

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

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

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

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

	2008/09 £'000	2007/08 £'000
Long Term Financial Liabilities : Borrowing	114,397	142,593
Less PWLB Interest Accruals	(761)	(1,073)
Market Loans Interest Accruals	(151)	(159)
Stepped Loan effective interest rate adjustment	(157)	(158)
Discount adjustment to modified loan	(270)	(15)
Add Premium adjustment to modified loan	816	16
Long Term Debt Outstanding	113,874	141,204

The Long Term debt outstanding is analysed below:-

Source of Loan	2008/09 Interest Rate Range %	Balance Outstanding	
		31 March 2009 £'000	31 March 2008 £'000
Public Works Loan Board	0.92-9.5	82,874	110,204
Europaische Hypo Bank	4.32-4.625	21,000	21,000
Barclays Bank	4.90-4.95	10,000	10,000
Total		113,874	141,204

Maturity Profile	31 March 2009	31 March 2008
	£'000	£'000
Less than one year	18,005	0
Between 1 – 2 years	0	0
Between 2 – 5 years	0	0
Between 5 – 10 years	0	0
Over 10 years	95,869	141,204
Total	113,874	141,204

Statement of fair value of Long Term Borrowing:-

	31 March 2009		31 March 2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
PWLB Debt	82,874	109,734	110,204	149,790
Non PWLB Debt	31,000	34,452	31,000	35,478

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

During 2008/09 loans were re-scheduled or repaid in the sum of £47.3m with the PWLB. This incurred premiums of £8.3m and earned discounts of £279k. These included the repayment of debt related to Stock Transfer which incurred a net premium of £7.3m.

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

Financial Assets - Investments	31 March 2009	31 March 2008
	£'000	£'000
<u>Long-term</u>		
ADC Debenture	0	70
3½% War Stock	1	1
Chelsea B.S.	1,051	2,262
Barclays Bank	0	4,029
Sub Total	1,052	6,362
<u>Short-term</u>		
Rated Financial Institutions	26,812	40,491
Building Societies with assets in excess of £500m	8,091	0
Total	35,955	46,853

The maturity analysis of financial assets is as follows:

	31 March 2009 £'000	31 March 2008 £'000
Less than one year	34,903	42,823
Between one and two years	1,051	0
Between two and three years	0	0
More than three years	1	4,030
Total	35,955	46,853

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

In order to state the amortised value of the investment, accrued interest has been included as follows:-

	31 March 2009 £'000	31 March 2008 £'000
Long Term Investments	51	290
Short Term Investments	420	670
	471	960

35.5 **Market Risk**

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

- borrowings at variable rates – the interest expense charged to the Income and Expenditure Account will rise;
- borrowings at fixed rates – the fair value of the borrowing will fall;
- investments at variable rates – the interest income credited to the Income and Expenditure Account will rise; and
- investments at fixed rates – the fair value of the assets will fall.
- The impact of a fall in interest rates would be as above but with the movements being reversed.

35.5.2 **Price risk** - The Council does not invest in equity shares or marketable bonds so there is no risk that its investments will lose value through falls in stock market prices.

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

35.5.4 Liquid resources include investments.

Notes to the Cash Flow Statement

36. Reconciliation to Income & Expenditure Account

	2008/09	2007/08
	£'000	£'000
Revenue Activities Net Cash Inflow	(42,410)	(21,013)
<u>NON-CASH MOVEMENT ON REVENUE ACCOUNT</u>		
Decrease/(Increase) in Stock	215	(19)
Decrease/ (Increase) in Debtors	(4,291)	372
Decrease/(Increase) in Payments in Advance	1,210	(659)
Increase/(Decrease) in Creditors	(184)	(2,261)
Increase/(Decrease) in Receipts in Advance	(200)	1,334
Depreciation/Impairment	159,431	22,485
Government Grants Deferred/No Added Value spend grants	(6,939)	(4,742)
Deferred charges	2,694	1,242
FRS17 Pension Adjustment	2,826	57
Contribution to/(from) provision	70	1,214
Contribution to/(from) bad debt provision	40	50
(Gain)/loss on disposal of fixed assets	(762)	(165)
PFI Adjustment	(1,335)	(1,335)
Adjustment for non-revenue items	493	992
Spend from provisions	2,295	1,278
Other	34	(10)
<u>ITEMS CLASSIFIED SEPARATELY ON CASHFLOW STATEMENT</u>		
Interest Paid	6,984	7,695
Interest Received	(3,306)	(3,222)
DEFICIT ON REVENUE ACCOUNT	116,865	3,293

37. Reconciliation of Movements in Cash and Cash Equivalents

	Balance at 31 March 2009	Balance at 31 March 2008	Movement During Year
	£'000	£'000	£'000
Bank Overdraft	(3,408)	(3,057)	(351)
Cash In Hand	479	341	138
Increase in Cash and Cash Equivalents	(2,929)	(2,716)	(213)

38. Post Balance Sheet events

No material change.

39. **Government Grants**

The Authority received revenue support grant (RSG) of £111.3m from the Welsh Assembly for 2008/09 (2007/08 - £109.7m).

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

	2008/09 £'000	2007/08 £'000
<u>Revenue</u>		
Welsh Assembly Government:		
Better Schools Fund 2008-09	832	884
Concessionary Fares	2,564	2,192
Cymorth – the Children and Youth Support Fund	1,591	1,809
Deprivation Grant	174	174
Fairer Charging (Social Services)	623	572
Flying Start Revenue Grant	846	1,646
Implementation of the Strategy for Older People	113	113
LABGI	74	685
Local Transport Services	412	478
Mental Handicap Strategy Grant	1,795	1,685
Mental Health Carers Grant Scheme	192	192
Performance Management Development Fund	216	235
Performance Incentive Grant /Improvement Agreement Grant	1,189	1,201
PFI	5,685	5,841
Post-16 Provision in Schools	4,338	4,283
Schools Special Grant	342	347
Social Care Workforce Development Programme	348	355
Supporting People	6,659	6,177
Sustainable Waste Management Grant	1,197	1,362
Youth Justices Board	494	481
DWP – Housing Benefits Grant	33,561	29,985
Sub-Total	63,245	60,697
<u>Capital</u>		
Welsh Assembly Government:		
General Capital grant	2,234	2,239
Early Years	0	175
School Buildings Improvement Grant	6,026	3,128
Major Repairs Allowance	1,289	2,600
Free Swim Initiative	0	200
Specific Capital Grant	500	650
Contaminated Land	0	112
Conwy Package (Transport Schemes)	1,880	176
Local Road Maintenance Grant	659	656
Flying Start	234	149
Telecare Equipment	285	0
Flood Alleviation schemes	662	1,323
Composting scheme	492	830
Sustainable Waste Management Grant	508	0
Streetscape Enhancements	568	265
Youth Service	113	0
Other		
SPORTLOT	0	1,394
Heritage Lottery Fund	90	337
Cymal	100	117
Local Regeneration Fund	15	176
ERDF/FIFG	1,436	353
Sub-Total	17,091	14,880

HOUSING REVENUE ACCOUNT
INCOME AND EXPENDITURE ACCOUNT

	2008/09	2007/08
	£'000	£'000
Income		
Dwelling Rents	(5,233)	(11,285)
Non-dwelling Rents	(110)	(218)
Charges for Services and Facilities	(35)	(38)
Expenditure		
Repairs and Maintenance	1,344	2,749
Supervision and Management	1,345	2,358
Rents, Rates, Taxes and other charges	243	486
Housing Revenue Account Subsidy Payable	1,321	2,414
Depreciation and impairment of fixed assets	7,239	10,786
Government Grants Released	(1,209)	(2,702)
Revenue Expenditure funded from Capital under Statute	1,444	35
Debt Management Expenses	16	33
Increase in Bad Debt Provision	0	50
Exceptional Item (Note 1)	112,754	0
Net Cost of HRA Services as included in the Whole Authority Income and Expenditure Account	119,119	4,668
Net Cost of HRA Services per Authority Income and Expenditure Account	119,119	4,668
Gain on Sale of HRA fixed assets	(696)	0
Interest payable and similar charges	690	1,466
Amortisation of premiums and discounts	163	0
HRA Investment Income including mortgage interest and interest on notional cash balances	(51)	(111)
Deficit for the year on HRA Services	119,225	6,023

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

	2008/09	2007/08
	£'000	£'000
Deficit for the year on the HRA Income and Expenditure Account	119,225	6,023
Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	(117,273)	(6,443)
(Increase) or Decrease in the Housing Revenue Account Balance	1,952	(420)
Housing Revenue Account surplus brought forward	(2,141)	(1,721)
Housing Revenue Account surplus carried forward	(189)	(2,141)

Note to the Statement of Movement on the HRA Balance

	2008/09		2007/08	
	£'000		£'000	
Items included in the HRA Income and Expenditure Account but excluded from the movement on the Housing Revenue Account Balance for the year				
Debt Repaid by WAG following Stock Transfer	25,799		0	
Difference between amounts charged to income and expenditure for amortisation of premiums and discounts and the charge for the year determined with statute	(23)		(3)	
Difference between any other item of income and expenditure determined in accordance with the SORP and determined in accordance with statutory HRA requirements (stepped loans)	0		(15)	
Depreciation and impairment of fixed assets	(145,792)		(10,786)	
Gain on sale of HRA fixed assets	696		0	
Government Grants Deferred amortisation matching depreciation and impairments	1,209		2,702	
Amounts treated as revenue expenditure in accordance with the SORP but which are classified as capital expenditure by statute (i.e Revenue Expenditure funded from Capital under Statute)	(1,444)		(35)	
Net charges made for retirement benefits in accordance with FRS 17	(142)	(119,697)	(345)	(8,482)
Items not included in the HRA Income and Expenditure Account but included in the movement on the Housing Revenue Account Balance for the year				
Revenue Provision	103		585	
Capital Expenditure funded by the HRA	150		1,075	
Employer's contribution payable to the Gwynedd and Flintshire Pension Funds and retirement benefits payable direct to pensioners	2,003		379	
Contribution to Reserves	168	2,424	0	2,039
Net additional amount required by statute to be debited or (credited) to the Housing Revenue Account Balance for the Year		(117,273)		(6,443)

NOTES TO THE HOUSING REVENUE ACCOUNT

H.1. **Discontinued Operations: Exceptional Item**

The 2008/09 accounts and associated notes reflect transactions and accounting entries up to the date of transfer of the Housing Stock.

Transfer of Council Housing Stock

The Welsh Assembly Government has determined that all Council dwellings in Wales should achieve the Welsh Housing Quality Standard (WHQS) by 2012. In 2006/07, an updated stock condition survey was undertaken covering the Council's stock in greater detail. It was estimated that it would cost the Council £58m up to 2011/12 and a total of £237 million over 30 years. This figure equates to £61,520 per dwelling (at April 2007 prices).

As the Council had insufficient resources to meet Welsh Housing Quality Standard it has transferred its stock to a newly formed Registered Social Landlord – Cartrefi Conwy. The transfer was completed on 29 September 2008.

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

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

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

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

The transactions for this are netted off within the Housing Revenue Account and through the Capital Adjustment Account maintained as part of the Balance Sheet.

H.2. **Accounting Principles and Policies**

The HRA Statement is prepared in accordance with the Authority's Statement of Accounting Principles and Policies on pages 29 to 36.

H.3. **Housing Stock**

The Council was responsible for the management of 3,781 dwellings excluding short term leasehold properties within the HRA up to 29 September 2008. The stock was made up as follows: -

	29 Sept 2008	31 March 2008
Houses and Bungalows	2,269	2,273
Flats	1,512	1,526
Short term leasehold properties	63	59
Total	3,844	3,858

2 houses were sold during 2008/09 under the Right to Buy Scheme, and 16 flats were demolished.

H.4. **Rent Income**

Rent Income represents the total rent income due for the year after allowance is made for voids etc. During 2008/09, 1.29% (2007/08 1.49%) of income was lost due to properties being vacant with the average weekly rent resulting being £62.23 per week (2007/08 £56.27 per week). Other Rents include Garage Rents and Rent of commercial premises on housing estates net of voids.

H.5. **Housing Benefits**

Tenants in receipt of a low income qualify for assistance under the Housing Benefit Scheme. During 2008/09 approximately 65% of the Council's tenants received some assistance with their housing costs (2007/08 approximately 71%).

H.6. **Rent Arrears and Housing Benefits Overpayments**

At 29 September 2008 rent arrears as a proportion of gross rent income due were at a level of 9.49% amounting to £566,439. This compares to an amount of £636,538 (5.25%) at the year ended 31 March 2008.

Rent arrears were previously stated excluding the Housing Benefit overpayments made to tenants. For 2008/09, the overpayments outstanding totalled £228,635 and for 2007/08, £270,632. Excluding these would give rent arrears as a percentage of gross rent income due of 5.66% and 3.19% respectively.

At 29 September 2008 a total of £7,523 was in arrears on garage rents (£9,062 for 2007/08).

The total bad debt provision for the HRA is £156,857 (£271,649 at 31 March 2008).

H.7. **Fixed Assets**

Details of the values of assets held at 29 September 2008, together with details of acquisitions and disposals, are shown in the Tangible Assets Statement of Movement in Net Value.

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

Reconciliation to Capital Expenditure 2008/09

	£'000
Additions	1,565
Revenue Expenditure funded from Capital by Statute	1,444
Total	3,009

Valuations

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

The Council's land and buildings were valued as at 31 March 2005 under the management of the County Valuer.

Tangible Assets Statement of Movement in Net Value

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Total £'000
Cost or Valuation				
At 1 April 2008	148,570	1,135	492	150,197
Additions	1,565	-	-	1,565
Disposals	(10)	-	(492)	(502)
Revaluations	10	-	-	10
Transfer of Housing Stock	(150,135)	(1,135)	-	(151,270)
At 31 March 2009	-	-	-	-
Depreciation and Impairments				
At 1 April 2008	(5,503)	(73)	(202)	(5,778)
Charge for 2008-2009	(144,632)	(1,062)	(94)	(145,788)
Disposals	-	-	296	296
Transfer of Housing Stock	150,135	1,135	-	151,270
At 31 March 2009	-	-	-	-
Balance Sheet amount at 31 March 2009	-	-	-	-
Balance Sheet amount at 1 April 2008	143,067	1,062	290	144,419
Nature of Asset Holding				
Owned	-	-	-	-

H.8. **Capital Expenditure 2008/09**

Capital Expenditure on Housing Revenue Account Assets in 2008/09 totalled £3m. The following table gives an analysis of how it was financed.

SUMMARY OF HOUSING REVENUE ACCOUNT CAPITAL EXPENDITURE AND FINANCING	2008/09 £'000	2007/08 £'000
Total Capital Expenditure	3,009	5,251
FINANCED BY:-		
Grants – Major Repairs Allowance	1,289	2,600
Private Sector Insulation Initiative Grant etc	0	14
Capital Receipts	1,570	1,268
Revenue Contribution Applied	150	1,075
Unsupported Borrowing	0	294
Total	3,009	5,251

H.9. **Revenue Contribution to Capital Expenditure**

The Housing Revenue Account made a contribution to Capital Expenditure of £150k in 2008/09 (£1.1m in 2007/08).

The Council Fund contributed £202k to the Housing Capital Reserve in 2008/09 in respect of remediation works required.

SUMMARY OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT CAPITAL RESERVE	2008/09 £'000	2007/08 £'000
HRA Capital Reserve as at 1 April	0	0
Revenue Contribution Made in Year	352	1,075
Capital Reserve Applied in Year	(150)	(1,075)
HRA Capital Reserve as at 31 March	202	0

H.10. **Capital Receipts**

Usable Capital Receipts are held in the Capital Receipts Unapplied account until used to finance capital expenditure. The 1989 Act stipulates the proportion of total capital receipts which are usable for this purpose.

In 2004/05 the set aside of 75% of Housing Right to Buy sales to redeem debt became at the discretion of the Local Authority. Conwy County Borough Council has elected not to set aside Housing Right to Buy Capital Receipts since this date

An analysis of usable capital receipts is shown below:-

Usable Capital Receipts	HRA 2008/09	HRA 2007/08
	£'000	£'000
Balance at 1 April	3,155	3,432
Usable Receipts in year	911	995
Receipts Applied in year	(1,870)	(1,272)
Balance at 31 March	2,196	3,155

H.11. **Minimum Revenue Provision**

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

	HRA 2008/09	HRA 2007/08
	£'000	£'000
Capital Financing Requirement at 1 April	26,109	26,583
Revenue Provision	(103)	(585)
Add: Unsupported Borrowing in Year	0	111
Debt repaid on LSVT	(26,006)	0
Capital Financing Requirement as at 31 March	0	26,109
Total Revenue Provision for debt repayment	103	585

The Housing debt in respect of dwelling stock and vehicles was fully discharged on transfer of the assets to Cartrefi Conwy.

H.12. Revenue Expenditure Funded from Capital under Statute

This represents expenditure that has been properly capitalised, but does not result in tangible fixed assets. It is written down in the year that 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:-

	Revenue Expenditure Funded from Capital under Statute	
	2008/09 £'000	2007/08 £'000
Balance at 31 March	0	0
Expenditure in year:		
Costs of disposal HRA	24	35
RTB sales		
Retained contracts post LSVT	1,420	0
Written off to Revenue	(1,444)	(35)
Balance at 31 March	0	0

H.13. Deferred Government Grants and Contributions

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

	HRA 2008/09 £'000	HRA 2007/08 £'000
Opening Balance at 1 April	0	0
New Capital Grants and Contributions in Year	1,289	2,702
Grants Released to Match Depreciation	0	(80)
No Added Value Grants Released	(1,289)	(2,622)
Closing Balance at 31 March	0	0

H.14. **HRA Contribution to Pension Deficit**

The Net Cost of HRA Services includes the current service costs for pensions payable on behalf of existing HRA employees. A contribution is made by the HRA to the Pensions Reserve when a further additional amount is appropriated to pay for past service costs, settlements and curtailments.

As part of the Stock Transfer process a sum of £1.8m was paid over to Gwynedd Pensions to support the pension position of all staff transferring to the new Housing Association.

H.15. **The Building Maintenance Unit**

The Building Maintenance Unit is involved in the repair, maintenance and improvement of the Authority's Council Stock within the Housing Revenue Account.

The Unit transferred to the new Registered Social Landlord (RSL) as part of the Housing Stock Transfer process.

WELSH CHURCH ACT FUND

STATEMENT OF ACCOUNTS 2008/09

Explanatory foreword

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

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

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 29 to 36, which are applicable to the items in the Welsh Church Act Accounts. The accounts also follow the Charity Commission Statement of Recommended Practice.

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

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

INCOME AND EXPENDITURE ACCOUNT

	Notes	2008/09 £		2007/08 £	
RESOURCES ARISING					
Rent of Land	1	772		735	
Investment Interest	2	13,861		15,658	
Tax Adjustment		0		(106)	
Less Fund Managers Fees		(170)		(181)	
			14,463		16,106
USE OF RESOURCES					
Fees and Expenses	3	(234)		(232)	
Allocations	4	(12,205)	(12,439)	(11,616)	(11,848)
Change in Resources Before Investment Gains			2,024		4,258
Realised Gains (Losses) on Investment Disposals			530		718
Unrealised Gains (Losses) on Investment Values			(3,482)		(1,135)
Resources Retained (Shortfall) for Future Use			(928)		3,841
Resources Brought Forward			290,822		286,981
Resources Carried Forward			289,894		290,822
Movement In Year			(928)		3,841

BALANCE SHEET AT 31 MARCH 2009

	Notes	31 March 2009 £		31 March 2008 £	
FIXED ASSETS					
Land	1	15,333		15,333	
Investments	2	78,915		85,759	
			94,248		101,092
CURRENT ASSETS					
Debtors (2008/09 distribution due from Gwynedd Council)	3	10,905		11,534	
Cash	2	66,250		63,597	
Current Assets (held by Gwynedd Council)	2	129,754		126,405	
			206,909		201,536
CURRENT LIABILITIES					
Creditors	3		(11,263)		(11,806)
Net Assets			289,894		290,822
FUND BALANCE			289,894		290,822

NOTES TO THE WELSH CHURCH ACT FUND ACCOUNTS

Income and Expenditure Account

Note 1

Rent from land administered by Conwy amounted to £772 (£735 in 2007/08). Conwy is entitled to 17.810244% of the rent from the land administered by Gwynedd Council, for 2008/09 this amounted to £250 (£250 for 2007/08).

Note 2

The main source of income is investment income from assets administered by Gwynedd on behalf of the fund this amounted to £10,905 (£11,534 in 2007/08). 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 £2,787 (£3,834 in 2007/08), the interest rate used in the calculation is the average of the 7 day libor rate for the months April to March.

Note 3

Advertisements are placed in the local press to raise awareness of the fund. The cost of advertising, £234 (£232 in 2007/08), has been charged to the Fund in accordance with the rules of the scheme

Note 4

Under the provisions of the Welsh Church Act Conwy allocates grants to various organisations. The amount available for distribution in 2008/09 was £32,557 (£27,047 in 2007/08) and the actual amount distributed was £12,205 (£11,616 in 2007/08). The balance of the funds available for distribution in 2008/09 has been carried forward for distribution in 2009/10.

Balance Sheet**Note 1**

The land held on behalf of the fund by Conwy is valued at £10,676 (£10,676 in 2007/08) and Conwy's share of the land held by the main fund is £4,657 (£4,657 in 2007/08).

Note 2

The investments held by the main fund are mainly in UK Equities, £443,087 (£481,508 in 2007/08), of which Conwy is allocated 17.810244%. The balance of the main fund is held as cash deposits on which interest accrues. In 2008/09 this amounted to £661,809 (£668,678 in 2007/08) which is included in the current assets figure along with Debtors which amounted to £66,721 (£41,053 in 2007/08). Conwy is allocated 17.810244% of the total. The cash amount held by Conwy in 2008/09 amounted to £66,250 (£63,597 in 2007/08).

Note 3

The amount to be distributed by Gwynedd for 2008/09 is shown as a debtor on the balance sheet. The creditor amount shown on the balance sheet is Conwy's share of the creditors to the main fund.

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Statement of Accounts 2008/09

Explanatory Foreword

In 2008/09 the Council was the Custodian Trustee for this fund.

Accounting Policies

The accounting policies followed are those outlined on pages 29 to 36, 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

	Notes	2008/09 £		2007/08 £	
RESOURCES ARISING					
Donations	1	2,000		1,058	
Investment Interest		35,133		27,282	
Less Expenditure		(31,126)		(12,758)	
			6,007		15,582
Resources Brought Forward			910,582		895,000
Resources Carried Forward			916,589		910,582
Movement in Year			6,007		15,582

BALANCE SHEET AT 31 MARCH 2009

	Notes	31 March 2009 £	31 March 2008 £
Current Assets			
Investments	1	916,589	910,582
Current Liabilities		0	0
Fund Balance		916,589	910,582

Note 1

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