

DENBIGHSHIRE COUNTY COUNCIL
ANNUAL STATEMENT OF ACCOUNTS

2008/09

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Welcome to Denbighshire County Council

With a population of around 95,000, the County of Denbighshire covers an area that runs from the North Wales coastal resorts of Rhyl and Prestatyn down through the Vale of Clwyd, south as far as Corwen and the popular tourist town of Llangollen. Along the way, it takes in the historic towns of Rhuddlan, Denbigh and Ruthin, each with its own castle and the tiny cathedral city of St. Asaph.

The County Council was formed in April 1996 as one of Wales' new unitary authorities. This means that the Council's 4,500 staff are responsible for a wide range of activities including schools, libraries, leisure centres, collection and disposal of waste, planning, economic development, tourism, social services, highways and lots more besides. In addition to delivering these services, the Council has set its priorities as modernising education, responding to demographic change (the changing age profile and social needs of our population), regeneration (improving the opportunities for the creation and development of employment) and improving roads and flood defences.

When the Council was formed, it took the decision not to have one county headquarters, but to have a number of office bases throughout the area. County offices are located at Prestatyn, Rhyl, Denbigh and Ruthin, with one-stop shops at Corwen and Llangollen.

Denbighshire is largely a rural county with tourism and agriculture the main industries. The expanding St. Asaph Business Park, on the edge of the A55, is home to number of companies and organisations. The county is also very diverse being not only home to a designated Area of Outstanding Natural Beauty, but also to three of the most socially deprived wards in the whole of Wales. Its geography and diversity present a unique challenge when trying to decide where to spend money on services.

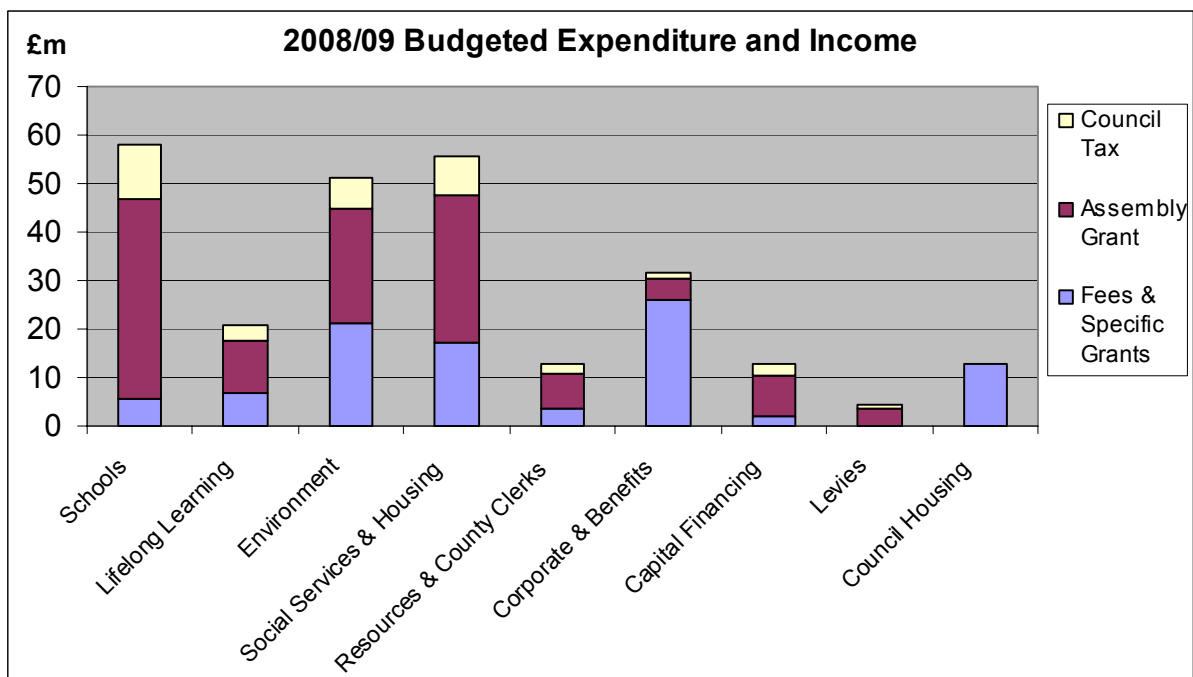
At the end of each year, the Council must produce a Statement of Accounts that complies with legislation and demonstrates what the Council spent its money on. These accounts are becoming more and more technical and difficult to understand. The purpose of the following introduction section is to try to present the numbers in a more understandable way.

Should you have any queries on the accounts please contact the Financial Controller, Denbighshire County Council, County Hall, Wynnstay Road, Ruthin, LL15 1YN. In addition, you have a legal right to inspect the accounts before the audit is completed. The availability of the accounts for inspection is advertised in the local press.

SECTION 1: EXPLANATORY FOREWORD**1.1 HOW MUCH MONEY DID WE SPEND ON PROVIDING SERVICES IN 2008/09?**

The Council sets a revenue budget each year. This is a budget for services that it will provide in the year and that will be paid for by service users, Welsh Assembly Grants and Council Tax and Business Rate payers. For 2008/09, this gross budget was £257.7m.

The following graph shows how much the Council spent on each of its services and where the money came from to pay for them.



By the end of the year, the Council had spent £191k more than it had budgeted for. Details of the significant differences between what we planned to spend and what we actually spent are shown below:

- Spending from the budget that is given to schools to manage was £550k above budget. While the Council has increased its funding to schools over recent years, and uses a formula based on pupil numbers to share the money out to each school, falling rolls in some schools have caused financial problems for them.
- Spend above budget by schools of £386k on Special Education Needs will largely be recovered from schools' delegated budgets in 2009/10, as agreed by the Schools' Budget Forum.

- The overspend position on the rest of the Education budget has come about as a result of:
 - The introduction of a healthy eating policy, a large increase in the cost of food and a significant reduction in the number of children taking school meals meant that the service overspent by £84k.
 - The costs of £370k, for running the Hyfrydle Children's Home at the Ysgol Plas Brondyffryn site, prior to its closure.
- Environment Directorate encountered a number of pressures and reduced income levels resulting from the impact of the recession (£487k). These impacts were more than offset by the savings from the vacancy control process, £342k and the delayed start to the joint waste disposal project, £300k.
- Social Services and Housing continued to deliver efficiency savings across many service areas, though there are demographic pressures growing in others. Children's services' budgets were marginally under spent by £23k but this included a brought forward balance of £150k. Specialist placements have continued to be a problem but expenditure has been contained in 2008/09. Adult Services have also accrued an under spend within the year (£816k). This however included a balance brought forward of £615k. Within the year a vacancy control procedure has achieved considerable savings and additional NHS funding has been secured for a number of care packages. Charging Policy income was also higher than planned and the impact of closing Llys Nant added to the in-year under spend. Housing budget pressures of £75k have been absorbed. Again, the in-year under spends are intended to be used to manage demographic pressures in 2009/10.
- The external Translation Service provided for the County Clerks department cost £76k more than the budget for the service. This is the subject of a review currently to reduce the costs and provide a more focussed service. These costs were offset by vacancy savings within the County Clerk's department.
- In the Resources directorate the net under spending of £89k was mainly as a result of vacancy savings in ICT and additional DWP special funding. These funds will be needed to part fund additional staffing costs, mainly ICT and Customer Contact Centre, in 2009/10 and 2010/11.
- Borrowing costs to fund capital spend were less than anticipated due to the impact of loan refinancing and delayed spend. A change in accounting regulations also produced a saving on the provision for loan repayments. The interest earned on temporary cash surpluses increased significantly in the first 9 months of the year due to high interest rates for deposits. Reducing rates since have seen returns fall. These issues produced a saving of £821k in total, although refinancing costs of £119k will have to be incurred in the new financial year.

Balances, Provisions and Reserves

In line with good practice, the Council puts money on one side to pay for specific projects, known debts or in case of emergencies. These are classified into different headings depending on what they are for – reserves, provisions and balances. The table below shows the details of each.

It has been possible to contribute to reserves and provisions within the accounts, in anticipation of the tighter financial position in future years. These are summarised over page and further details are shown in the notes to the accounts

The contribution to general balances was £275k less than budgeted for.

	Explanation	Balance 31 March 2008 £000s	Balance 31 March 2009 £000s
Earmarked Reserves	This is money set aside by the Council to pay for specific projects. Note 37 to the Accounts gives further details.	(10,945)	(15,479)
Provisions	This is money that we may have to pay out (e.g. for insurance or legal claims), but the timing and amount are not certain Note 29 to the Accounts gives further details.	(3,006)	(2,942)
Earmarked Balances	These are under spends which Directorates have been allowed to carry forward and should be spent within the coming year on specific projects.	(1,453)	(978)
Environmental Services Balances	Environmental Services operate a number of 'trading accounts' that provide services to other Directorates. These balances allow them to 'smooth out' any variations in income.	(324)	(42)
Schools Balances	Each school is responsible for managing its own budget and can put money aside for various purposes. By law, this money must be spent on schools.	(1,963)	(1,498)
General Balances	General Balances is the term for the money we put on one side to cover general unexpected events. The Wales Audit Office suggests 5% of our net budget as a reasonable level of general balances. The Council's strategy has been to work towards this level.	(5,805)	(6,098)
Housing Revenue Account Balances	The Council must account for its housing stock separately and the service can put money aside for future requirements. By law, this money must be spent on the Council's housing service.	(3,707)	(1,022)
TOTAL		(27,203)	(28,059)

The Council must make sure it keeps enough money in these balances so it can be sure it is able to deal with any unexpected problems it faces.

It must also continue to manage its money carefully given that it is likely public sector funding will be cut in future years because of the effects of the recession on the UK government's finances. Pressures that may affect the Council in the new financial year include:

- The low level of the grant we are likely to receive from the Welsh Assembly for the next two years
- The impact of the pay & grading review under Single Status and Equal Pay back pay claims
- The increasing number of older people and people with disabilities requiring services
- Increased costs in relation to improving the County's Education provision
- Increased costs in relation to waste management
- Possible increase in people using Council services because of the recession (e.g. housing, benefits etc)
- Delivering the Council's priorities
- Loss of investment income due to lower interest rates
- Potential loss of income from trading services such as planning, car parks and leisure centres

Therefore, while the Council can consider that it has managed its money well in 2008/09 and that the Council has reached a position of some financial stability, it will still need to continue to pay close attention to its budget. The Council needs to target its spending on its priorities and this may involve moving existing budgets to other areas.

How We Report Our Budget

Each month a budget report is given to the Council's Cabinet (a group of 9 Councillors who make many of the decisions on behalf of the Council) which explains how services are spending their money compared to their budget. At the end of the year, a final report (known as the outturn) shows the year-end position.

However, the Council must produce its Statement of Accounts in a way that meets UK and international financial reporting requirements. Unfortunately, these requirements are highly complex and technical in nature. This means that a number of accounting adjustments are required to its normal budget reports to ensure the Council can produce its Accounts. The table below shows the final position that was reported to Councillors and the adjustments to meet the various regulations. Explanations for each of the adjustments are in the Notes to the Accounts.

	Final Revenue Outturn Report to Cabinet 23 June 2009 £000s
Service Budgets	
Lifelong Learning	67,047
Environment	30,855
Social Services & Housing	37,170
County Clerks	1,572
Resources	7,675
	144,319
Corporate Budgets	
Corporate Budgets	4,931
Benefits	(160)
Capital Finance / Investment Interest	9,795
Levies	4,341
Contributions to Reserves and Provisions	1,591
Total Service and Corporate (excludes HRA)	164,817
Less Funding	(165,089)
Contribution to General Balances Reported to Members	(272)
Amendment to Social Services and Housing Further to Audit	(205)
Revised Contribution to General Balances	(477)
Income and Expenditure Adjustments	
FRS 17 Adjustments	1,819
Capital Accounting Adjustments	21,788
Other SORP Adjustments (includes HRA)	4,776
	28,383
Deficit Shown on Income and Expenditure Account	27,906

1.2 HOW MUCH MONEY HAVE WE SPENT ON OUR ASSETS?

Each year the Council spends money on items that will be in existence for a long time such as land, buildings, roads, vehicles and equipment. These items are called assets and the Council will use them to deliver services for years to come. Expenditure on these assets is called capital expenditure.

In 2008/09, capital expenditure consisted mainly of works to maintain and improve Council owned assets. New major assets bought during the year included £2.3m for vehicles and £1.56m for the former Abattoir site, St Asaph. This is being held as a Denbighshire asset, but will be developed as a regional waste facility. During the year, the only major capital receipt was £0.5m for the sale of Llys Nant Residential Home, Prestatyn.

The table below shows how much the Council spent on its assets in 2008/09 and where the money came from to pay for it :

EXPENDITURE	£000s
Lifelong Learning - Schools	7,318
Lifelong Learning - Leisure and Libraries	1,005
Lifelong Learning - Partnership and Inclusion	344
Environment - Tourism Culture and Countryside	3,870
Environment - Development Services	7,848
Environment - Planning and Public Protection	3,299
Environment - Transport and Infrastructure	12,579
Council Housing	9,523
Other	1,436
Total	47,222
FUNDING	£000s
Grants	27,050
Supported Borrowing	4,516
Prudential Borrowing	9,500
Capital Receipts	1,630
Other	4,526
Total	47,222

Expenditure on major projects undertaken during the year includes:

Project	Description	2008/09 £000s
Ysgol Clawdd Offa, Prestatyn	Construction of New Primary School	2,581
Ysgol Dinas Bran, Llangollen	Dining and Refurbishment Project	1,090
Rhyl High School	Dining Refurbishment Works	218
Ysgol Brynhyfryd, Ruthin	Window Replacement Scheme Phase 1	247
Ysgol Dinas Bran, Llangollen	Construction of Post 16 Learning Centre	269
Prestatyn High School	Construction of Post 16 Learning Centre	274
Heather and Hillforts	Landscape Partnership Project	360
Ruthin	Construction of New Craft Centre	1,333
Scala Prestatyn	Provision of New Cinema and Arts Centre	2,027
Riverside Park, Llangollen	Lighting, Resurfacing and Fencing Works	270
Council Housing	Major Improvements	7,944
Council Housing	Window Replacements	228
Council Housing	Central Heating Replacements	403
Council Housing	Disabled Facilities Grant	523
Rhyl	Extension to Joint Equipment Store	428
Rhyl	Townscape Heritage Initiative	430
Denbigh	Townscape Heritage Initiative – Phase 2	604
Rhyl Going Forward	Major European Scheme to Improve West End	578
14 Edward Henry Street, Rhyl	Construction of Business Units	441
Hall Street, Llangollen	Flood Alleviation Scheme	670
Mwrog Street Culvert, Ruthin	Flood Alleviation Scheme	369
Prestatyn Railway Station	Enabling Works	283
Rhyl Bus Station	Redevelopment Works	1,589
Waterfalls Road, Dyserth	Highway Improvement Works	679
Ceg Y Ffordd, Prestatyn	Cycleway	499
Rhyl	Works to Connect Cycleway	323
St Asaph	Purchase of Former Abattoir Site	1,560

1.3 WHAT OTHER FINANCIAL ISSUES HAVE WE FACED?

Pensions

Denbighshire County Council is a member of the Clwyd Pension Fund.

The pension fund, by law, has to work out how much money it would owe if all of the individual members became entitled to immediate payment of their pension. It then has to work out how much money it has in investments. Due to the problems with the economy and its effect on shares and investments and the fact that people are generally living longer, the pension fund has less in investments than the theoretical amount it would have to pay out. This is known as a deficit. Although it is highly unlikely that the Council would ever have to pay out this money, it must show this deficit in its accounts. The notes to the accounts show further details.

Housing Business Plan

During 2005/06, the Council looked at the future of its Housing Service. It decided to keep all of its council houses (rather than transfer them to a registered social landlord) and to borrow the money required to improve them and bring them up to the Welsh Housing Quality Standard by 2012.

During 2008/09, the Council looked at the plan again. There are still some risks, but it continues to be a robust plan that should allow the Council to deliver its housing improvements.

The Credit Crunch

The problems with the UK economy have had a double impact on the Council. It has begun to put pressure on some services such as benefits, housing and social services while at the same time has significantly reduced the income in services such as car parks, planning and building control.

Due to the careful management of its investments, the Council has avoided any problems with banks in financial difficulty. The big reductions in interest rates and reduced number of banks that meet our requirements mean that the Council will be unable to continue making as much money from its investments as it has in 2008/09. To try to make up for this reduction, the Council has begun to use its cash to pay off its existing loans rather than invest. During 2008/09 it repaid £7.5m and expects to repay a further £10m in 2009/10. Its outstanding debt at 31 March 2009 was £128m.

Accounting Policies

The Council's Accounting Policies show how the Council will deal with different items in its accounts. Each year we look at them to make sure they are still relevant. This year we have made some small changes. The Council is also beginning preparations for the introduction of International Financial Reporting Standards, which it will adopt in 2010. These will require further changes to the Statement of Accounts and additional explanatory notes.

Statutory Functions

The law requires the Council to carry out certain services. These are called 'statutory functions'. During the year, responsibility for enforcing laws on animal welfare transferred to the Council. The funding that accompanied it was relatively small, but the Council has had to deal with some major animal cruelty cases, which increased the pressure on the Council's finances.

Single Status / Equal Pay

As part of the pay negotiations in 1997, representatives of councils and trades unions reached a national agreement that by April 2007 all employees would have their jobs evaluated under a common method. This is known as 'Single Status'. However, due to the complexities of the negotiations, the Council and Unions agreed any changes to people's terms and conditions would start from 1 April 2008. Final proposals were put to a ballot of staff in June. These proposals were accepted and work is currently under way to calculate the impact on the cost of services for 2008/09. This work will be concluded after the accounts are approved, so no adjustments have been made.

See Note 43 to the accounts for further details.

During the evaluation process, it became clear that some Councils may not have had properly evaluated jobs in the past. This has led to legal cases for discrimination and claims for back pay. While the Council does not think it owes any money, and will defend any claims received, it considers that it is prudent to create a provision to cover any possible future claims.

Corporate Governance

During 2008/09, the Wales Audit Office looked at how the Council was run. While the report was generally critical of the Council, it stated that the financial management was good. It also highlighted areas of good practice such as how we prioritise spending on capital projects.

Estyn

Also during 2008/09 Estyn, the Welsh Assembly body that inspects education services, conducted an inspection of the Council's Education Department. It also found that the Council's financial management was sound.

1.4 WHAT IS IN THE STATEMENT OF ACCOUNTS?

The Council produces the annual Statement of Accounts each year in line with legal requirements, the Chartered Institute of Public Finance, and Accountancy's Statement of Recommended Practice (SORP), with the following aims:

- Complying with legal and professional requirements.
- Providing service users, electors, business ratepayers, local tax payers, Councillors and other interested parties with information about the Council's finances.
- Demonstrating stewardship of public money

The Statement of Accounts contains the following nine sections:

Section 1 - Explanatory Foreword

This Foreword by the Corporate Director: Resources provides a summary of the financial activities of the Council during the year and at the year-end.

Section 2 - Statement of Accounting Policies

This document provides details of the Accounting Policies used to produce the financial information within the Statement of Accounts.

Section 3 - Statement of Responsibilities

This outlines the duties of the Corporate Director: Resources in preparing the accounts, and the Council's responsibilities to stick to the relevant regulations.

Section 4 - Main Financial Statements.

The 2008 SORP brought the Accounts closer to UK Generally Accepted Accounting Practice (GAAP) and made some changes to how costs are shown in the statements. There have also been additional changes to the presentation of specific areas of the financial statements. The Best Value Accounting Code of Practice also introduced changes to the presentation of service expenditure. These changes are detailed in the relevant notes and accounting policies. The main financial statements are:

Income and Expenditure Account

This account is a summary of the money generated and spent by the Council in the year. It also shows how much expenditure local taxpayers have paid for and how much the Welsh Assembly Government has paid for.

Statement of the Movement on the Council Fund Balance

This statement shows how the balance of the money generated and spent in the year links in with the legal requirements for raising Council Tax.

Statement of Total Recognised Gains and Losses (STRGL)

This statement shows how the movement in net worth of the Council, as shown in the Balance Sheet, links to the Income and Expenditure Account and to other gains and losses.

Balance Sheet

The Balance Sheet shows a snapshot of the Council's financial position as at 31 March 2009. It sets out the value of the items it owns (assets) and the value of what it owes to others (liabilities).

Cash Flow Statement

This summarises the Council's cash transactions over the year, showing actual cash received and cash spent.

Section 5 - Explanatory Notes

Explanatory Notes are provided after both the Main and Supplementary Financial Statements. These give additional information to aid the understanding of the Statements.

Section 6 and 7 - Supplementary Financial Statements and Notes**Housing Revenue Account (HRA)**

Councils are required to account separately for the cost of the council housing service by way of a HRA Income and Expenditure Account and a Statement of Movement on the HRA balance. This account shows where money is spent in maintaining and managing council houses, payment of subsidy to the Welsh Assembly Government and how these costs are met from rents and other income.

The **Statement of Movement on HRA Balances** brings together all of the movements in HRA reserves.

Section 8 - External Auditors Report

The accounts are subject to an independent external audit by the auditor appointed by the Wales Audit Office and their report is included in this section.

Section 9 - The Statement on the System of Internal Control

This identifies responsibility for internal control within the Council and gives an indication of the level of assurance that a system of control can provide.

Alan Evans
Corporate Director - Resources

SECTION 2 - STATEMENT OF ACCOUNTING POLICIES

2.0 General Principles

The Statement of Accounts summarises the council's transactions for the 2008/09 financial year and its position at the year-end of 31 March 2009. It has been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2008: A Statement of Recommended Practice* (the SORP). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

The Authority also complies with the Best Value Accounting Code of Practice (BVACOP) which establishes proper practice with regard to consistent financial reporting below the statement of accounts level and the determination of the total cost of services.

The Council has amended its presentation of the accounts to comply with the few changes introduced by the 2008 SORP. The most notable change in the accounting policy adopted in compiling the accounts is the treatment of Revenue Expenditure Funded from Capital under Statute, which is explained under section 2.1.2 Pervasive Accounting Concepts.

The accounting concepts & policies which have a material impact on the accounts are as follows:

2.1 Fundamental Accounting Concepts

2.1.1 Qualitative Characteristics of Financial Information

a. Relevance

The objective of financial statements is to provide information about an authority's financial performance and position that is useful for assessing the stewardship of public funds and for making economic decisions.

b. Reliability

Financial information is reliable if:

- (a) it can be depended upon to represent faithfully what it either purports to represent or could reasonably be expected to represent, and therefore reflects the substance of the transactions and other events that have taken place
- (b) it is free from deliberate or systematic bias and material error
- (c) it is complete within the bounds of materiality
- (d) under conditions of uncertainty, it has been prudently prepared (i.e. a degree of caution has been applied in exercising judgment and making the necessary estimates).

c. Comparability

Where relevant previous year's information is included to give context to the financial information disclosed. The 2008 SORP includes changes to prior year information. These changes are explained where possible.

d. Understandability

The accounting principles on which the SORP is based include accounting concepts, treatments and terminology which require reasonable knowledge of accounting and local government, and reasonable diligence in reading the financial statements if they are to be properly understood. However all reasonable efforts have been taken in the preparation of the financial statements to ensure they are as easy to understand as possible.

e. Materiality

Materiality is the final test of what information should be given in a particular set of financial statements. It is a threshold quality ensuring that the information is of such significance as to justify its inclusion in the financial statements.

2.1.2 Pervasive Accounting Concepts**a. Accruals**

The financial statements, other than cash flow information, are prepared on an accruals basis. The accruals basis of accounting requires the non-cash effects of transactions to be reflected in the financial statements for the accounting period in which those effects are experienced and not in the period in which any cash is received or paid.

b. Going Concern

The Statement of Accounts is prepared on a going concern basis; that is the assumption that the authority will continue in operational existence for the foreseeable future. This means in particular that the Income and Expenditure Account and Balance Sheet assume no intention to curtail significantly the scale of operation.

c. Primacy of Legislative Requirements

Local authorities derive their powers from statute and their financial and accounting framework is closely controlled by primary and secondary legislation. To the extent that treatments are prescribed by law the accounting concepts outlined above may not apply in all cases. It is a fundamental principle of local authority accounting that, where specific legislative requirements and accounting principles conflict, legislative requirements shall apply. However, such conflicts would usually be dealt with by the SORP by showing the position required by following the accounting concepts in the Income and Expenditure Account and showing the effect of the legislative requirements in the Statement of Movement on the County Fund Balance.

2.2 Accounting Policies & Estimation Techniques**a. Accruals of Income and Expenditure**

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

- Fees, charges and rents due from customers are accounted for as income at the date the council provides the relevant goods or services.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as stocks on the Balance Sheet.

- Works are charged as expenditure when they are completed, before which they are carried as works in progress on the Balance Sheet.
- Interest payable on borrowings and receivables on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

b. Provisions

The Council makes provisions for specific future expenses where the exact amount or timing of the payment cannot be guaranteed. The details of the main provisions are given in the notes to the accounts. The amount contained in each provision is reviewed periodically.

c. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Certain reserves, such as the Capital Adjustment Account, are kept for statutory or accounting purposes and do not represent usable resources for the Council. These are explained further in the notes to the accounts

d. Government Grants & Contributions (Revenue)

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as income at the date that the authority satisfies the conditions of entitlement to the grant/contribution, there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred. Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure (e.g. Revenue Support Grant) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure

e. Pensions

Employees of the council are members of two separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Children, Schools and Families (DCSF).
- The Local Government Pensions Scheme, administered by Flintshire County Council.

Both schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the council.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot be identified to the council. The scheme is therefore accounted for as if it were a defined contributions scheme – no liability for future payments of benefits is recognised in the Balance Sheet and the education service revenue account is charged with the employer's contributions payable to teachers' pensions in the year.

The Local Government Pension Scheme

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

- The liabilities of the Clwyd Pension Fund scheme attributable to the council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc. and estimates of projected earnings for current employees
- The assets of the Clwyd Pension Fund attributable to the council are included in the Balance Sheet at their fair value:
 - Quoted securities – current bid price
 - Unquoted securities – professional estimate
 - Unitised securities – current bid price
 - Property – market value
- The change in the net pensions liability is analysed into seven components:
 - Current service cost – the increase in liabilities as a result of the years earned this year (allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked).
 - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years (debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs).
 - Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid (debited to Net Operating Expenditure in the income and Expenditure Account).
 - Expected return on assets – the annual investment return on the fund assets attributable to the council, based on an average of the expected long-term return (credited to Net Operating Expenditure on the Income and Expenditure Account).
 - Gains/losses on settlements and curtailments – the result of actions to relieve the council of liabilities or events that reduce the expected future service or accrual of benefits of employees (debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs).
 - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions (debited to the Statement of Total Recognised Gains and Losses).
 - Contributions paid to the Clwyd Pension Fund – cash paid as employer's contributions to the pension fund.

In relation to retirement benefits, statutory provisions require the Council Fund balance to be charged with the amount payable by the council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Statement of Movement on the Council Fund Balance this means that there are appropriations to and from the Pensions Reserve to remove the notional debits

and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year end.

Discretionary Benefits

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

f. Value Added Tax

Only VAT that is irrecoverable from HM Revenue and Customs is included in income and expenditure accounts.

g. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles CIPFA's *Best Value Accounting Code of Practice 2008* (BVACOP). The full costs of overheads and support services are shared between users in proportion to the benefits used by various methodologies including time recording, number of items used, etc. The only costs that are not charged to services are:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early.

These two cost categories are accounted for as separate headings in the Income and Expenditure Account as part of Net Cost of Services.

h. Intangible Fixed Assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) is capitalised when it will bring benefits to the Council for more than one financial year. The Council does not have any material intangible assets.

i. Tangible Fixed Assets

Tangible fixed assets are assets that have physical substance (e.g. buildings, vehicles, land etc) and are held for use in the provision of services or for administrative purposes on a continuing basis.

Recognition: expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis in the accounts, provided that it yields benefits to the Council and the services that it provides for are more than one financial year. Expenditure that secures but does not extend the previously assessed

standards of performance of asset (e.g. repairs and maintenance) is charged to revenue as it is incurred.

Measurement: assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the Balance Sheet using the following measurement bases:

- Investment properties and assets surplus to requirements – lower of net current replacement cost or net realisable value.
- Dwellings are valued at current value in use as social housing.
- Land and property holdings have been categorised into operational and non-operational properties in accordance with the SORP and have been valued in accordance with the Statement of Asset Valuation Practice and Guidance Notes published by the Royal Institution of Chartered Surveyors. These have been included in the balance sheet at the lower of net current replacement cost and net realisable value.
- Infrastructure assets, community assets and vehicles, plant, furniture and equipment have been included in the balance sheet at historic cost, net of depreciation where appropriate.

Subsequent revaluations of fixed assets are planned as part of a continuous assessment in order that all assets are re-valued within five years of their previous valuation, although material changes to asset valuation will be adjusted in the interim period as they occur. A proportion of assets were revalued during 2008/09.

Impairment: the values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for by:

- Where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service revenue account
- Otherwise – written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

Disposals: when an asset is disposed of or decommissioned, the value of the asset is written out of the Balance Sheet. However, where there is a gain or loss on disposal, this is written off against revenue and is shown as a separate line on the Income and Expenditure Account.

Amounts in excess of £10,000 received from disposals are credited to the Useable Capital Receipts reserve, which can only be used for new capital investment or set aside to reduce the Council's borrowing requirement.

Depreciation: All fixed assets with a finite useful life (other than investment properties) are depreciated. Depreciation is charged in the year of disposal but not in the year of acquisition. Assets are depreciated using the straight-line method over the following periods.

Buildings	1-200 years
Vehicles, Plant, Furniture and Equipment	5 years
Infrastructure	40 years

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

During the year there were no material changes.

Government Grants and Contributions: Where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Government Grants Deferred Account. The balance is then written down to revenue to balance depreciation charges made for the related assets in the relevant service revenue account, in line with the depreciation policy applied to them.

j. Charges to Revenue for Fixed Assets

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

- Depreciation attributable to the assets used by the relevant service.
- Impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off.
- Amortisation of intangible fixed assets attributable to the service.

The council is not required to raise council tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to either an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance, or loans fund principal charges). Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the Statement of Movement on the Council Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

k. Revenue Expenditure Funded from Capital under Statute

This is a new category of expenditure, which replaces deferred charges. Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of fixed assets has been charged as expenditure to the relevant service revenue account in the year. Where the council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the

amounts charged in the Statement of Movement on the County Fund Balance so there is no impact on the level of council tax.

I. Stocks and Work in Progress

The Environmental Services' stores are valued at average purchase price. It is recognised that this is not in accordance with the SORP, which requires stock to be valued at the lower of cost and net realisable value. This is due to the limitations of the computer software used by the stores and is unlikely to change in the short term. A new Social Services Equipment Store has been developed with the NHS and it was decided to review the accounting treatment of the equipment stock. In keeping with general practice for such equipment, the stock is now treated as a revenue item and recorded on an inventory basis. The previous balance sheet value has been written-off to the revenue account.

All other stocks are included in the Balance Sheet at the lower of cost and realisable value.

m. Financial Instruments

The 2007 SORP introduced the concept of Financial Instruments and these are explained in detail in the notes to the accounts. The following policies are all connected with Financial Instruments.

n. Operating Leases

The Council holds various capital assets, principally computer equipment and vehicles, under operating leases. Under the capital accounting regulations, assets obtained by way of operating lease are held off-balance sheet as the ownership does not rest with the Council. Annual rentals for leases are charged to the service revenue account on a payments basis. Details of leases are outlined in the notes to the Accounts. The Council has no finance leases.

o. Repurchase of Borrowing

Gains or losses arising on the repurchase or early settlement of borrowing are recognised in the Income and Expenditure Account in the period during which the repurchase or early settlement is made. Where the repurchase of borrowing was coupled with a refinancing or restructuring of borrowing with substantially the same overall economic effect when viewed as a whole, gains or losses have been recognised over the life of the replacement borrowing. These deferred premia or discounts are attached to the new loan in the balance sheet and not shown separately. This is a change in policy from previous years. See separate note to the accounts.

p. Investments

The Council invests surplus cash for periods up to 2 years. Investments have been recorded in the accounts at amortised cost. External interest income is credited to revenue over the period to which it relates on an accruals basis.

q. Interests in Companies and Other Entities

The Council has interests in several companies, however none of these are considered material and group accounts have not been prepared. Further details are shown in the notes to the accounts.

r. Long term Contracts - PFI

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

Residual Interests

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) (residual interests), an amount equal to the difference between the 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.

A PFI contract for the provision to the Council of office accommodation in Ruthin, for 25 years, was signed in 2002/03. Service commenced in May 2004 with an all inclusive unitary charge for use of the serviced buildings charged in the accounts for the year.

SECTION 3 - STATEMENT OF RESPONSIBILITIES

The County Council's Responsibilities

The County Council is required to:

- (i) make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that is the Corporate Director - Resources.
- (ii) manage its affairs to ensure economic, efficient and effective use of resources and safeguard its assets.
- (iii) approve the statement of accounts.

AUTHORITY'S CERTIFICATE

I approve the Statement of Accounts of Denbighshire County Council at 31 March 2009.

SignedDate

CHAIR OF CORPORATE GOVERNANCE COMMITTEE

Responsibilities of the Corporate Director - Resources

The Corporate Director – Resources is responsible for the preparation of the Authority's Statement of Accounts in accordance with the proper practice as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice').

In preparing this Statement of Accounts, the Corporate Director - Resources has:

- (i) selected suitable accounting policies and then applied them consistently;
- (ii) made judgements and estimates that were reasonable and prudent;
- (iii) complied with the Code of Practice.

The Corporate Director - Resources has also:

- (i) kept proper up to date accounting records;
- (ii) taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certificate: Corporate Director - Resources

I certify that the accounts set out on pages 25 – 80 present fairly the financial position of Denbighshire County Council at the accounting date and its income and expenditure for the year ended 31 March 2009.

Alan Evans
Corporate Director - Resources

Date

SECTION 4 - MAIN FINANCIAL STATEMENTS**INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2009**

2007/08 Net Expenditure £000s		Note	2008/09 Gross Expenditure £000s	2008/09 Income £000s	2008/09 Net Expenditure £000s
1,501	Central Services to the Public		10,226	(8,675)	1,551
244	Courts Services		473	(243)	230
28,412	Cultural, Environmental, Regulatory & Planning		62,279	(24,340)	37,939
79,843	Education and Children's Services		109,433	(22,924)	86,509
9,447	Highways & Transport Services		16,453	(6,994)	9,459
791	Other Housing Services		28,685	(28,187)	498
30,795	Adult Social Care		47,781	(16,096)	31,685
3,589	Corporate & Democratic Core		6,128	(4,232)	1,896
2,479	Non Distributed Costs		477	0	477
3,380	Local Authority Housing (HRA)		17,624	(10,648)	6,976
1,696	Exceptional Items		0	0	0
162,177	Net Cost of Services		299,559	(122,339)	177,220
	Precepts and Contributions				
4,075	Fire and Rescue Authority				4,429
1,162	Community Councils				1,238
8,199	Interest payable and similar charges	32			7,973
(5)	(Surplus) / Deficit on trading undertakings	15			72
(2,309)	Interest and investment income	32			(2,291)
2,524	Pensions interest cost and expected return on Pensions assets	4			5,906
175,823	Net Operating Expenditure				194,547
	Financed by				
(102,257)	General Government Grants				(103,824)
(23,267)	Share of National Non- Domestic Rates Pool	6			(25,469)
(36,010)	Council Tax	5			(37,348)
(161,534)	Total Sources of Financing				(166,641)
14,289	(Surplus) / Deficit for the Year				27,906

STATEMENT OF MOVEMENT ON THE COUNCIL FUND BALANCE 2008/09

The following statement shows the Income and Expenditure (Surplus) / Deficit and the amounts that are required by statute and non – statutory proper practices to be charged or credited to Council Fund.

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the Authority is required to raise council tax on a different accounting basis, the main difference being:

- ❖ Capital investment is accounted for as it is financed rather than when the fixed assets are consumed.
- ❖ Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The Council Fund Balance shows whether the Council has over or under spent against the Council Tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the Council Fund Balance

2007/08 £000s	STATEMENT OF MOVEMENT ON THE COUNCIL FUND BALANCE	2008/09	
		£000s	£000s
14,289	(Surplus) or Deficit for the year on the Income and Expenditure Account		27,906
	Amounts included in the Income & Expenditure Account required by statute to be excluded when determining the movement on the Council Fund balance for the year		
(24,694)	Depreciation and impairment of fixed assets	(38,732)	
2,507	Government Grants Deferred Amortisation	2,424	
(2,239)	Revenue Expenditure funded from Capital Under Statute	(1,547)	
0	Net Loss on Sale of Fixed Assets	0	
(635)	Difference between amounts debited/credited to the Income and Expenditure Account and the amounts payable / receivable to be recognised under statutory provision relating to soft loans, premiums and discounts on the early repayment of debt	128	
(12,855)	Net charges made for retirement benefits in accordance with FRS17	(15,429)	
(37,916)			(53,156)
	Amounts not included in the Income and Expenditure Account required by statute to be included when determining the movement on the Council Fund Balance for the year		
5,837	Revenue Provision for Capital Financing	6,622	
224	Capital expenditure charged in-year to the Council Fund Balance	3,956	
12,589	Employer's contributions payable to Clwyd Pension Fund and retirement benefits payable direct to pensioners	13,658	
18,650			24,236
	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		
927	Housing Revenue Account Balance	(2,685)	
0	Repayment of Grant – Capital Receipt	36	
32	Transfers to PFI Acquisition Reserve	58	
3,078	Net transfer to or from earmarked reserves	4,534	
4,037			1,943
(15,229)	Net additional amount required by statute and non statutory proper practices to be debited or credited to the Council Fund Balances for the year.		(26,977)
(940)	(Increase) / Decrease in Council Fund Balance for the year		929
(8,605)	Council Fund balances brought forward		(9,545)
(9,545)	Council Fund balances carried forward		(8,616)
(1,963)	Amount of Council Fund balance held by governors under schemes to finance school expenditure	(1,498)	
(7,582)	Amount of Council Fund balance generally available for new expenditure	(7,118)	
(9,545)			(8,616)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES (STRGL)

The following statement brings the gains and losses together with the outturn on the Income and Expenditure Account to show the total movement in an authority's net worth for the year. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits

	Notes	2007/08 £000s	2008/09 £000s
(Surplus)/deficit on the Income and Expenditure Account for the year		14,289	27,906
Surplus arising on revaluation of fixed assets	33	(49,520)	(89,171)
Actuarial gains and losses on Pension Fund Assets and Liabilities	4	21,374	(5,056)
Other - Gains and Losses arising from transition to the SORP		(266)	0
TOTAL RECOGNISED (GAINS) OR LOSSES FOR THE YEAR		(14,123)	(66,321)

BALANCE SHEET AS AT 31 MARCH 2009

31 Mar 08		Note	31 Mar 09	
£000s			£000s	
	<u>Fixed Assets</u>			
	Tangible Fixed Assets	19		
	Operational Assets			
169,576	Council Dwellings		236,203	
168,655	Other Land & Buildings		188,228	
7,179	Vehicles, Plant & Equipment		9,360	
54,029	Infrastructure Assets		62,595	
1,973	Community Assets		2,655	499,041
	Non Operational Assets			
18,011	Investment Properties		18,571	
14,549	Asset Under Construction		6,408	
5,813	Surplus Assets held for disposal		5,753	30,732
439,785	TOTAL FIXED ASSETS			529,773
26	Long Term Investments		6	
231	Long Term Debtors	24	326	332
440,042	TOTAL LONG TERM ASSETS			530,105
	<u>Current Assets</u>			
1,415	Stocks / Work In Progress	25	1,506	
22,023	Debtors	26	22,507	
39,681	Investments	32	27,571	51,584
503,161	TOTAL ASSETS			581,689
	<u>Current Liabilities</u>			
(181)	Short Term Borrowing	32	(6,171)	
(28,723)	Creditors	27	(29,007)	
(2,992)	Bank Overdraft		(3,850)	(39,028)
471,265	TOTAL ASSETS less current liabilities			542,661
(134,356)	Long Term Borrowing	32	(122,644)	
(1,671)	Capital Grants in Advance	36	(1,972)	
(74,155)	Government Grants Deferred	34	(93,990)	
(120,801)	Pensions Liability to defined benefit scheme	4	(117,516)	
(3,006)	Provisions	29	(2,942)	(339,064)
137,276	TOTAL ASSETS less liabilities			203,597

31 Mar 08 £000s		Note	31 Mar 09 £000s
	RESERVES		
(60)	Deferred Capital Receipts	28	(39)
(183,717)	Capital Adjustment Account	30	(160,932)
(3,449)	Usable Capital Receipts Reserve	35	(2,541)
120,801	Pensions Reserve	4	117,516
(46,892)	Revaluation Reserve	33	(132,535)
(128)	PFI Acquisition Reserve	16	(186)
(3,707)	Housing Revenue Account Balance	38	(1,022)
(9,545)	Balances - Council Fund	38	(8,616)
366	Financial Instruments Adjustment Account	32	237
(10,945)	Earmarked Reserves	37	(15,479)
(137,276)	TOTAL EQUITY or TOTAL NET WORTH		(203,597)

CASH FLOW STATEMENT

2007/08 £000s		2008/09		
		£000s	£000s	£000s
	REVENUE ACTIVITIES			
	Cash Outflows			
117,624	Cash paid to and on behalf of employees	132,703		
116,585	Other operating cash payments	83,550		
13,508	Housing Benefit paid out	16,214		
18,793	NNDR payments to national pool	20,374		
11,983	Precepts & Levies paid	12,546	265,387	
	Cash Inflows			
(4,031)	Rents (after rebates)	(4,172)		
(43,840)	Council Tax receipts	(45,615)		
(23,267)	NNDR receipts from national pool	(25,469)		
(18,931)	NNDR receipts (ratepayers)	(19,929)		
(102,088)	Revenue Support Grant	(103,655)		
(13,396)	DWP grants for benefits	(15,036)		
(52,873)	Other Government & EU Grants Note 55	(33,311)		
(33,671)	Cash Received for Goods & Services	(19,914)		
(6,418)	Other Operating Cash Receipts	(8,683)	(275,784)	
(20,022)	Revenue Activities Cash Flow			(10,397)
	SERVICING OF FINANCE			
	Cash Outflows			
7,380	Interest paid		7,912	
	Cash Inflows			
(1,562)	Interest Received		(1,886)	6,026
	CAPITAL ACTIVITIES			
	Cash Outflows			
49,111	Purchase of Fixed Assets		39,877	
	Cash Inflows			
(2,420)	Sale of Fixed Assets	(763)		
(24,613)	Capital Grants Received	(27,780)	(28,543)	11,334
7,874	NET CASH INFLOW BEFORE FINANCING			6,963
	MANAGEMENT OF LIQUID RESOURCES			
9,300	Net increase / decrease in short term deposits		(11,800)	
	FINANCING			
	Cash Outflows / Payments			
7,457	Repayments of Amounts Borrowed		10,674	
642	PWLB Premium Paid		139	
	Cash Inflows / Receipts			
(25,200)	New Loans Raised		(5,000)	
0	PWLB Discount Received		(118)	(6,105)
73	NET INCREASE/(DECREASE) IN CASH AND EQUIVALENTS			858

SECTION 5 -
EXPLANATORY NOTES
TO THE
MAIN FINANCIAL
STATEMENTS

SECTION 5 - NOTES TO THE MAIN FINANCIAL STATEMENTS**1. EXPENDITURE UNDER SECTION 137 OF THE LOCAL GOVERNMENT ACT 1972 AS AMENDED BY S.36 OF THE LOCAL GOVERNMENT AND HOUSING ACT 1989**

Section 137 of the Local Government Act 1972, as amended, empowers local authorities to make contributions to certain charitable funds, not for profit bodies providing a public service in the United Kingdom and mayoral appeals. No expenditure was incurred in 2008/09 under this section.

2. PUBLICITY

In accordance with Section 5(i) of the Local Government Act 1986, the Authority is required to disclose total spending on publicity and advertising during the year.

2007/08 £000s		2008/09 £000s
169	Staff advertising	169
218	General advertising	173
156	Publicity	128
145	Service publicity	157
688	Total	627

3. AGENCY EXPENDITURE AND INCOME

The agency work the Authority undertakes is detailed below, this expenditure is not included in the Income and Expenditure Account

Trunk Road – Transport and Infrastructure within the Environment Directorate, undertakes Trunk Road Agency work on behalf of the Welsh Assembly Government. In 2007/08 the North Wales Trunk Road Agency replaced the North-East Wales Partnership with Gwynedd County Council as the lead authority. The Authority reclaimed £3.337m in 2008/09 (£4.040m in 2007/08).

Taith – Transport and Infrastructure, within the Environment Directorate, undertakes work on behalf of the Welsh Assembly Government. Flintshire County Council has the role of Taith Management Authority for the Denbighshire area. In 2008/09 the Authority reclaimed £1.180m (£0.669m in 2007/08).

4. PENSION COSTS*Participation in Pension Schemes*

As part of the terms and conditions of employment of its officers and other employees, the authority offers retirement benefits. Although these benefits will not actually be payable until the employees retire, the authority has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The County Council participates in two different pension schemes:

Teachers – Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by Capita Teachers' Pension. It provides teachers with defined benefits upon their retirement and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

In 2008/09, the Council paid £4.816m (including St. Brigids) to Capita Teachers' Pension in respect of teachers' retirement benefits, at a rate of 14.1%. The figures for 2007/08 were £4.612m and 14.1%. There were no contributions remaining payable at the year-end.

The Teachers' Pension Scheme is a defined benefit scheme. Although the scheme is unfunded, Teachers' Pensions use a notional fund as the basis for calculating the employers' contribution rate paid by the Council. However, it is not possible for the Council to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These benefits are fully accrued in the pension liability.

Other employees – Other employees subject to certain qualifying criteria are eligible to join the Local Government Pension Scheme (LGPS), specifically the Clwyd Pension Fund, administered on the Council's behalf by Flintshire County Council. This is a funded scheme, meaning that the Council and employees pay contributions into the fund, calculated at a level intended to balance the pension liabilities with investment assets.

Change of accounting policy

Under the 2008 SORP the Council has adopted the amendment to FRS17, Retirement Benefits. As a result, quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid-market value. The effect of this change is that the value of scheme asset at 31 March 2008 has been restated from £206,500k to £206,298k. A decrease of £202k, resulting in an increase of the pension deficit of £202k. Current and prior year deficits have been unaffected by this change. It is considered that this change is not material. An in-year adjustment has been made and this is reflected in the Statement of Total Recognised Gains and Losses (STRGL).

Transactions relating to retirement benefits

The cost of retirement benefits are recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge to be made against council tax is based on the employers' contributions payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement 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:

2007/08 Restated £000s		2008/09 Council Fund £000s	2008/09 HRA £000s	2008/09 Total £000s
	<u>Income and Expenditure Account</u>			
	Net Cost of Services:			
7,852	Current Service Cost	8,909	137	9,046
102	Curtailment Costs	335	0	335
2,377	Past Service Costs	142	0	142
	Net Operating Expenditure			
16,538	Interest Cost	19,652	301	19,953
(14,000)	Expected Return on Scheme Assets	(13,835)	(212)	(14,047)
12,869	Net Charge to the Income and Expenditure Account	15,203	226	15,429
	<u>Statement of Movement on the Council Fund Balance</u>			
(12,869)	Reversal of Net Charges made for Retirement Benefits in Accordance with FRS 17	(15,203)	(226)	(15,429)
(12,869)		(15,203)	(226)	(15,429)
	<u>Actual Amount Charged Against the Council Fund Balance for Pensions in the Year:</u>			
12,589	Employers contributions payable to scheme.	13,473	185	13,658

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gains and losses of £5,258k (£21,374k in 2007/08 plus £202k as restated) were included in the Statement of Total Recognised Gains and Losses.

Assets and Liabilities in relation to retirement benefits

<u>Reconciliation of Present Value of the Scheme Liabilities:</u>				
	Funded Liabilities: Local Government Pension Scheme 2007/08 £000s	Funded Liabilities: Local Government Pension Scheme 2008/09 £000s	Unfunded Liabilities: Teachers Pension Scheme 2007/08 £000s	Unfunded Liabilities: Teachers Pension Scheme 2008/09 £000s
1 April	295,814	316,065	10,378	11,236
Current Service Cost	7,852	9,046	0	0
Interest Cost	15,999	19,292	539	661
Contributions by Scheme Participants	3,009	3,245	0	0
Actuarial (Gains) and Losses	851	(66,653)	1,122	(1,521)
Benefits Paid	(9,939)	(11,909)	(803)	(795)
Curtailments	102	335	0	0
Past Service Costs	2,377	142	0	0
31 March	316,065	269,563	11,236	9,581

<u>Reconciliation of fair value of the scheme assets:</u>		
	Assets: Local Government Pension Scheme – As restated 2007/08 £000s	Assets: Local Government Pension Scheme 2008/09 £000s
1 April	206,824	206,298
Expected Rate of Return	14,000	14,047
Actuarial Gains and (Losses)	(19,382)	(62,916)
Employers Contributions	11,786	12,863
Contributions by Scheme Participants	3,009	3,245
Benefits Paid	(9,939)	(11,909)
31 March	206,298	161,628

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rate of return experienced in the respective markets.

The actual return on scheme assets in the year was -£48,869k and -£1,988k in 2007/08.

Investments have performed significantly worse than the FRS17 assumptions and we expect funds typically to be generating investment returns of the order of -20%. This compares with an 'expected' return calculated at the start of the year of around +6.5% net of expenses.

The financial assumptions used for the calculations as at March 2009 are less conservative than those used as at 31 March 2008, driven by the yields on corporate bonds rising and inflation expectations falling during the year. The result has been a large reduction in FRS17 liabilities for employers.

Scheme History

	2004/05 £000s	2005/06 £000s	2006/07 Restated £000s	2007/08 Restated £000s	2008/09 £000s
Present Value of Liabilities:					
Local Government Pension Scheme	(255,563)	(293,770)	(295,814)	(316,065)	(269,563)
Teachers Pension Scheme	(10,659)	(10,945)	(10,378)	(11,236)	(9,581)
Fair Value of Assets in the Local Government Pension Scheme	149,275	191,229	207,031	206,298	161,628
Surplus (deficit) in the Scheme:					
Local Government Pension Scheme	(106,288)	(102,541)	(88,783)	(109,767)	(107,935)
Teachers Pension Scheme	(10,659)	(10,945)	(10,378)	(11,236)	(9,581)
Total	(116,947)	(113,486)	(99,161)	(121,003)	(117,516)

* The Council has elected not to restate fair value of scheme assets for 2004/05 and 2005/06 as permitted by FRS17 (As revised).

The liability shows the underlying commitments that the council has in the long run to pay retirement benefits. The total liability of £117.516m has a substantial impact on the net worth of the council as recorded in the balance sheet.

However, statutory arrangements for funding the deficit mean that the financial position of the council remains healthy. The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2010 is £12.284m.

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected method, an estimate of the pension that will be payable in future years dependant on assumptions about mortality rates, salary levels etc. Under this method the current service cost will increase as the members of the scheme approach retirement. The Clwyd Pension Fund liabilities have been assessed by Mercer Human Resource Consulting, an independent firm of actuaries, with estimates for the Fund being based on the latest valuation of the scheme as at 31 March 2007. The main assumptions used in their calculations have been:

	Local Government Pension Scheme	
	2007/08	2008/09
Long-term Expected Rate of Return on Assets in the Scheme		
Equity Investments	7.50%	7.50%
Bonds	6.10%	6.00%
Property	6.50%	6.50%
Cash / Liquidity	5.25%	0.50%
Other	7.50%	7.50%
Mortality Assumptions		
Longevity at 65 for the current pensioners:		
Men	21.1 Years	21.2 Years
Women	24.0 Years	24.0 Years
Longevity at 65 for Future Pensioners:		
Men	22.2 Years	22.2 Years
Women	25.0 Years	25.0 Years
Rate of Inflation	3.60%	3.30%
Rate of Increase in Salaries	4.85%	4.55%
Rate of Increase in Pensions	3.60%	3.30%
Rate for Discounting Scheme Liabilities	6.10%	7.10%
Take-up of option to Convert Annual Pension into Retirement Lump Sum	50.00%	50.00%

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	31 March 2008 %	31 March 2009 %
Equity Investments	56.5	51.9
Bonds	11.6	12.5
Other Assets	31.9	35.6
	100.0	100.0

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pension Reserve in 2008/09 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2009.

	2004/05 %	2005/06 %	2006/07 %	2007/08 %	2008/09 %
Differences Between the Expected and Actual Return on Assets	3.19	15.00	(0.06)	(9.39)	(38.93)
Experience Gains and Losses on Liabilities	(0.01)	(1.97)	0.00	2.77	0.00

5. COUNCIL TAX

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into nine valuation bands, estimating 1 April 2003 values for this specific purpose. Charges are calculated by taking the amount of income required for Denbighshire County Council, each Community Council and the North Wales Police Authority and dividing this amount by the Council Tax Base. The Council Tax Base is the total number of properties in each band adjusted to convert the number to a Band D equivalent and adjusted for discounts. The tax base is 37,564 in 2008/09 (37,089 in 2007/08).

This basic amount (including Community Council precept and North Wales Police precept) for a Band D property was £1,162.43 (£1,122.53 in 2007/08) and is multiplied by the proportion specified for the particular band to give the individual amount due.

Council tax bills were based on the following multipliers for bands A to I:

Band	A	B	C	D	E	F	G	H	I
Multiplier	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	21/9
No of Properties at 31st Mar 09	3,991	7,016	13,912	7,564	5,210	3,437	1,904	288	165

Analysis of the net proceeds from Council Tax:

2007/08 £000s		2008/09 £000s
42,618	Council Tax collectable	44,341
(6,608)	Amount payable to North Wales Police Authority	(6,993)
(672)	Provision for non-payment of Council Tax	(326)
35,338	Net proceeds from Council Tax	37,022
	Denbighshire County Council Split:	
34,070	Denbighshire County Council	35,677
1,162	Community Councils	1,238
106	Discretionary Non-domestic Rate Relief	107
35,338		37,022

6. NATIONAL NON-DOMESTIC RATES (NNDR)

NNDR is organised on a national basis. The Welsh Assembly Government specified the rate of 46.6p in 2008/09 (44.8p in 2007/08) and subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The Council is responsible for collecting rates due from ratepayers in its area but pays the proceeds into the NNDR pool administered by the Welsh Assembly Government. The Welsh Assembly Government redistributes the sums payable to local authorities on the basis of a fixed amount per head of population.

The NNDR income (after relief and provisions) of £19.667m for 2008/09 (£18.807m for 2007/08) was based on an average rateable value of £48.543m for the year.

Analysis of the net proceeds from non-domestic rates:

2007/08 £000s		2008/09 £000s
18,808	Non Domestic Rates collectable	19,667
(207)	Cost of Collection allowance	(199)
(837)	Provision for Bad Debts	(268)
(20)	Refunds of interest	(39)
17,744	Payment into National Pool	19,161
23,267	Redistribution from National Pool	25,469

7. EMPLOYEES' EMOLUMENTS

The number of employees whose remuneration was £60,000 or more, in bands of £10,000, was:-

2007/08 Total Employees	Remuneration Band	2008/09		
		School Based Staff	Non-School Staff	Total Employees
13	£60,000 - £69,999	9	7	16
8	£70,000 - £79,999	5	1	6
4	£80,000 - £89,999	1	3	4
1	£90,000 - £99,999	0	1	1
0	£100,000 - £109,999	0	0	0
1	£110,000 - £119,999	0	0	0
0	£260,000 - £269,999	0	1	1
27	Total	15	13	28

8. MEMBERS' ALLOWANCES

Details of members' allowances paid in 2008/09 were issued to the press and posted on the Council's website in May 2009. Further copies are obtainable from the Corporate Communications Manager, County Hall, Wynnstay Road, Ruthin, Denbighshire, LL15 1YN.

2007/08 £000s		2008/09 £000s
579	Basic Allowances	616
217	Special Allowances	201
5	Carer's Allowance	5
0	Taxable Allowance	1
801	Total	823

9. REVENUE PROVISION FOR THE REPAYMENT OF DEBT

Local authorities are required by statute to set aside from revenue a prudential provision for the redemption of external debt. The Council's policy for 2008/09 was to base the Statutory County Fund charge at 4% of the opening capital financing requirement for supported borrowing and for unsupported borrowing, the Council based its charge on the life of the asset in accordance with the relevant statutory guidance.

The calculation is as follows:

2007/08 £000s		2008/09 £000s
435	Provision for repayment of Debt - HRA	777
5,402	Provision for repayment of Debt – Council Fund	5,845
5,837	Revenue Provision	6,622
11,945	Provision for depreciation	13,758
(1,788)	Release of grant deferred	(2,424)
(4,320)	Reconciling amount to revenue provision	(4,712)
5,837	Revenue Provision	6,622

10. RELATED PARTY TRANSACTIONS

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to deal freely with the Council. Financial Reporting Standards (FRS 8 Related Party Disclosures), which are incorporated into the Statement of Recommended Practice for local authority accounting, require the disclosure of any related party transaction, when such information is not clearly disclosed elsewhere in the Statement of Accounts.

All current elected members, the Chief Executive, Corporate Directors and Heads of Service were asked to complete a declaration and to disclose any related party transactions.

The Welsh Assembly Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties. Details of transactions with government departments are set out in the Income and Expenditure Account and the Cash Flow Statement.

Elected members and chief officers of the Council have direct control over the Council's financial operating policies and the following relevant declarations have been made by them for 2008/09:

- An elected member declared membership of Corwen War Memorial Ground Committee. The Committee received grants and other payments of £6,499.
- An elected member's spouse is Chief Executive of Denbighshire Enterprise Agency (see note on related companies) which received payments of £9,400.
- An elected member received payments totalling £8,947 in respect of rent for short term tenancies.
- Payments of £675 were made to a company in which a Chief Officer had declared an interest.
- An elected member is Vice Chair of the Meliden Residents Action Group which received a grant of £8,644.
- An elected member declared an interest in the Scala Prestatyn Company Ltd, which received a grant of £49,602.
- Payments of £12,866 were made to a company in which a member had declared an interest.

Additionally, several elected members declared membership of organisations that precept or levy the council. A list of all elected members interests are maintained by the County Clerk and are open to the public inspection. A number of elected members are also appointed by the Council to serve on other bodies that have a financial relationship with the Council. These are detailed in the 'Related Companies' note.

11. LEASES

The Council holds various capital assets under operating leases. During 2008/09 operating lease rentals totalled £0.304m split between Plant and Vehicles £0.297m and IT equipment £0.007m (total for 2007/08 amounted to £0.476m).

The Authority was committed at 31 March 2009 to making payments of £0.192m under operating leases in 2009/10

Those in which the commitment expires	£000s
Within 1 year	192
Within 2 – 5 years	91
Over 5 years	0

12. AUDIT COSTS

External audit work for Denbighshire County Council is undertaken by the Wales Audit Office (WAO). The table below provides an analysis of the sums payable to the WAO as outlined in the Regulatory Plan.

2007/08 £000s		2008/09 £000s
204	External Audit fees payable to the appointed auditor	224
68	Inspection Fee	83
272	Total Regulatory Fee	307
98	Grant Certification	111

13. LOCAL AUTHORITIES (GOODS AND SERVICES) ACT 1970

The Council is empowered by this Act to provide Goods and Services to other public bodies. The Council provides audit services to the North Wales Police Authority for which it received £38.8k in 2008/09 (£32.7k in 2007/08) and the Countryside Council for Wales for which it received £37.5k in 2008/09 (£29.6k in 2007/08). CCTV Services are provided to North Wales Police by the Council for which £16.7k was received in 2008/09 (£16.7k in 2007/08). The Council also provides vehicle maintenance work to Conwy County Borough Council for which it received £1.9k in 2008/09 (£0k in 2007/08) and Conwy and Denbighshire NHS Trust for which it received £4.9k in 2008/09 (£7.0k in 2007/08).

14. BUILDING CONTROL TRADING ACCOUNT

The Local Authority Building Control Regulations require the disclosure of information regarding the setting of charges for the administration of the building control function. However, certain activities performed by the Building Control Unit, such as providing general advice and liaising with other statutory authorities, cannot be charged for. The statement below shows the total cost of operating the Unit during 2008/09.

2007/08 Total £000s		Chargeable £000s	Non Chargeable £000s	2008/09 Total £000s
	Expenditure:			
235	Employees	170	73	243
16	Transport	10	5	15
62	Supplies	44	19	63
54	Support Costs	42	16	58
367		266	113	379
	Income:			
(329)	Building Regulation Charges	(207)		(207)
(2)	Other Income		0	0
(331)		(207)	0	(207)
36	Net (Income) / Expenditure	59	113	172

15. OTHER TRADING SERVICES

Trading services are disclosed in line with the requirements of the Best Value Accounting Code of Practice (BVACOP) and are mainly activities of a commercial nature which are financed substantially by charges made to the recipients of the service.

2007/08			ACTIVITY	2008/09		
Turnover £000s	Expenditure £000s	(Surplus)/ Deficit £000s		Turnover £000s	Expenditure £000s	(Surplus) /Deficit £000s
(1,457)	1,443	(14)	<u>Environmental Services</u>			
			Building Maintenance	(1,461)	1,459	(2)
(2,134)	2,131	(3)	Highways Maintenance	(2,423)	2,407	(16)
(831)	815	(16)	Sign Shop	(633)	687	54
(948)	918	(30)	Street Lighting	(294)	274	(20)
(855)	818	(37)	Building Cleaning	(901)	873	(28)
(2,317)	2,412	95	Catering	(2,540)	2,624	84
(8,542)	8,537	(5)	Total Environment Services	(8,252)	8,324	72

In 08/09 the work undertaken for the in-house Street Lighting revenue budget was no longer included in the DSO trading accounts. The Street Lighting client and contractor merged under similar arrangements previously adopted by the Refuse Collection, Street Cleansing and Grounds Maintenance activities and all costs are now shown in the Council's revenue account for those services. The only income and expenditure now shown in the Street Lighting trading account is for work undertaken for external bodies such as Town Councils, other local authorities and private contractors. As a result the 08/09 figures for the Street Lighting DSO cannot be easily compared to those of 07/08.

2007/08		2008/09				
(Underspend) /Overspend £000s	Activity	Turnover	Expenditure	(Surplus) / Deficit	Budget	(Underspend) /Overspend
		£000s	£000s	£000s	£000s	£000s
	<u>Other Trading Activities</u>					
22	Industrial Estates	(724)	438	(286)	(326)	40
213	Cefndy Enterprises	(3,184)	3,500	316	153	163
235	Total Other Trading Activities	(3,908)	3,938	30	(173)	203

The Schools Standard and Framework Act 1998 set out the framework for further delegation of funds to governing bodies and clearer division of responsibility between local authorities and schools. On this basis there are various packages of services offered to schools that can be commissioned directly from the authority under the Fair Funding arrangements. The services must ensure that their provision provides value for money for schools as those choosing not to buy in are likely to commission the service from an alternative provider. In 2008/09 income of £1,442k was achieved against a budget of (£1,482k) resulting in an overspend of £40k (£34k in 2007/08).

Partnership Arrangements

The Welsh Penalty Processing Partnership (WPPP) is managed by the Council and is responsible for the administration of Penalty Charge Notices for Denbighshire, Gwynedd, Anglesey and Wrexham.

The Council receives all income and pays out sums to partners based on the number of Notices issued. It retains an administration charge for this service. In 2008/09 the Council charged £210k to operate the WPPP Unit. This sum was recharged to the partner authorities as follows: Denbighshire £82k, Gwynedd £65k, Anglesey £15k and Wrexham £48k.

16. LONG TERM CONTRACTUAL OBLIGATIONS

Ruthin Civic Facilities PFI scheme.

In May 2004 the Council occupied the new civic facilities provided under a Private Finance Initiative arrangement in Ruthin. The contract allows for a unitary charge for the serviced accommodation over 25 years of £2.2m per annum.

Seventy percent of the charge is fixed for the entire period and funded through special Welsh Assembly funding, the remainder of the charge is index linked.

The Assembly funding reduces over time and the Council has created a reserve which will meet this shortfall in future years. The Council has also created a long term debtor and PFI acquisition reserve which represents the Council's residual interest in the asset. The PFI acquisition reserve is:

Balance at 31 March 2008 £000s	Movement £000s	Balance at 31 March 2009 £000s
(128)	(58)	(186)

17. Health Act 2006 – Section 33 Agreements

In July 2005, a mental health partnership was formed with Conwy County Borough Council and Conwy and Denbighshire NHS Trust under Section 31 of the Health Act 1999 (superseded by Section 33 of the 2006 Act). During 2008, a Section 33 agreement between the Council and former Conwy and Denbighshire NHS Trust for the provision of a joint community equipment store (CESI) was signed. This agreement includes a pooled budget.

The Council's financial contribution to both partnerships is included in the Social Services Net Cost of Services in the Income and Expenditure Account. The Council's gross expenditure on each partnership is summarised below:

2007/08			2008/09	
Income £000s	Expenditure £000s	Section33 Agreements	Income £000s	Expenditure £000s
(204)	1,034	Adult Mental Health Partnership	(230)	1,048
0	0	Community Equipment Store	(75)	239
(204)	1,034	Total	(305)	1,287

18. GOVERNMENT GRANTS

2007/08 £000s		2008/09 £000s
(102,088)	Revenue Support Grant	(103,655)
(169)	Deprivation Grant	(169)
(102,257)		(103,824)

19. FIXED ASSETS

a) Operational Assets

	Council Dwellings £000s	Other Land and Buildings £000s	Vehicles, Plant, Furniture and Equipment £000s	Infrastructure Assets £000s	Community Assets £000s	Total Operational Assets £000s
Gross Book Value of Assets						
At 31 March 2008	178,445	181,743	15,614	64,902	1,973	442,677
<u>20% Revaluations</u>						
Net Gain	65,508	20,196	0	0	0	85,704
Loss						
- Impairment	(2,847)	(3,965)	0	0	0	(6,812)
- Depreciation	(107)	(194)	0	0	0	(301)
At 1 April 2008	240,999	197,780	15,614	64,902	1,973	521,268
Additions	9,447	3,721	4,052	11,529	682	29,431
Revaluations in Year-	(1,694)	(2,066)	0	(1,353)	0	(5,113)
Impairment in –						
Year spend	(42)	(3,334)	0	0	0	(3,376)
Reclassifications	0	9,657	100	0	0	9,757
Disposals	(150)	(752)	0	0	0	(902)
At 31 March 2009	248,560	205,006	19,766	75,078	2,655	551,065
Depreciation and Impairment at 31 March 2008	(8,869)	(13,088)	(8,435)	(10,873)	0	(41,265)
<u>20% Revaluations</u>						
Gain	1,388	1,233	0	0	0	2,621
Loss						
- Depreciation	107	194	0	0	0	301
- Impairment	0	(25)	0	0	0	(25)
Depreciation and Impairment at 1 April 2008	(7,374)	(11,686)	(8,435)	(10,873)	0	(38,368)
Charge for year						
Depreciation	(4,983)	(5,194)	(1,971)	(1,610)	0	(13,758)
Impairment	0	(96)	0	0	0	(96)
Disposal - Depreciation	0	64	0	0	0	64
Disposal - Impairment	0	134	0	0	0	134
Depreciation and Impairment at 31 March 2009	(12,357)	(16,778)	(10,406)	(12,483)	0	(52,024)
Balance Sheet as at 31 March 2009	236,203	188,228	9,360	62,595	2,655	499,041
Balance Sheet as at 1 April 2008	233,625	186,094	7,179	54,029	1,973	482,900
Balance Sheet as at 31 March 2008	169,576	168,655	7,179	54,029	1,973	401,412

Nature of asset holding						
Owned	236,203	188,228	9,360	62,595	2,655	499,041
	236,203	188,228	9,360	62,595	2,655	499,041

b) Non-Operational Assets

	Investment Properties £000s	Assets Under Construction £000s	Surplus Assets Held for Disposal £000s	Total Non-Operational Assets £000s	Total Fixed Assets £000s
Gross Book Value of Assets					
At 31 March 2008	18,104	14,549	6,831	39,484	482,161
<u>20% Revaluations</u>					
Net Gain	710	0	0	710	86,414
Loss					
- Impairment	0	(1,921)	0	(1,921)	(8,733)
- Depreciation	(827)	0	0	(827)	(1,128)
At 1 April 2008	17,987	12,628	6,831	37,446	558,714
Additions	3,124	7,752	6	10,882	40,313
Revaluations in Year	(5,488)	279	(6)	(5,215)	(10,328)
Impairment in Year Spend	(915)	(538)	0	(1,453)	(4,829)
Reclassifications	3,956	(13,713)	0	(9,757)	0
Disposals	0	0	(60)	(60)	(962)
At 31 March 2009	18,664	6,408	6,771	31,843	582,908
Depreciation and Impairment at 31 March 2008	(93)	0	(1,018)	(1,111)	(42,376)
<u>20% Revaluations</u>					
Gain	0	0	0	0	2,621
Loss					
- Depreciation	0	0	0	0	301
- Impairment	0	0	0	0	(25)
Depreciation and Impairment at 1 April 2008	(93)	0	(1,018)	(1,111)	(39,479)
Charge for year					
- Depreciation	0	0	0	0	(13,758)
- Impairment	0	0	0	0	(96)
Disposals – Depreciation	0	0	0	0	64
Disposals – Impairment	0	0	0	0	134
Depreciation and Impairment at 31 March 2009	(93)	0	(1,018)	(1,111)	(53,135)
Balance Sheet as at 31 March 2009	18,571	6,408	5,753	30,732	529,773
Balance Sheet as at 1 April 2008	17,894	12,628	5,813	36,335	519,235
Balance Sheet as at 31 March 2008	18,011	14,549	5,813	38,373	439,785

Nature of asset holding					
Owned	18,571	6,408	5,753	30,732	529,773
	18,571	6,408	5,753	30,732	529,773

20. FIXED ASSET VALUATION

As part of a programme to revalue all assets within five years of their previous valuation, a proportion of the freehold and leasehold properties which comprise the Authority's property portfolio have been valued between April 2003 and 1 April 2004, by J E Powell Bsc (Hons), MRICS, Valuation and Estates Manager of the Council and on 1 April 2005 onwards by Mr C D Mathews BSc (Hons) MRICS, on the under

mentioned bases in accordance with the Statements of Asset Valuation and Guidance Notes of the Royal Institute of Chartered Surveyors, except that not all properties were inspected. This was neither practical nor considered by the Valuer to be necessary for the purpose of the valuation. Inspections were carried out between January 2009 and June 2009.

Properties regarded by the authority as operational were valued on the basis of open market value for the existing use, or where this could not be assessed because there was no market for the subject asset, the depreciated replacement cost. Vehicles, Plant, Furniture and Equipment, Infrastructure and Community Assets were valued at historic cost.

Council dwellings are valued at current value in use as social housing.

The following statement shows the progress of the council's rolling programme for the revaluation of fixed assets:

	Council Dwellings	Other Land and Buildings	Vehicles and Plant Equipment	Non Operational Assets	Total
	£000s	£000s	£000s	£000s	£000s
Valued at historical cost			9,360		9,360
Valued at current value in:					
2008/09	88,511	43,093		7,598	139,202
2007/08	51,672	29,812		3,781	85,265
2006/07	30,810	46,063		3,797	80,670
2005/06	40,165	27,572		2,376	70,113
2004/05	25,045	41,688		6,772	73,505
Total Net Book Value	236,203	188,228	9,360	24,324	458,115

21. INFORMATION ON ASSETS HELD

	Type of Property	31 Mar 09
<u>Operational Assets</u>		
- Council Dwellings		
	Houses and Flats	3,470
- Other Land and Buildings		
	Farms	45
	Car Parks	48
	Town/County Halls	4
	Offices	23
	Schools	68
	Libraries	8
	Youth Centres	6
	Leisure Centres	7
	Theatres/Craft Centres	5
	Depots & Lon Parcwr Stores	9
	Museums	2
	Residential Homes	3
	Day Centres	4
	Sheltered workshops	1
	Public Conveniences	20
<u>Non Operational Assets</u>		
	Industrial Units	16
	Factory Units	3
-Community Assets		
	Parks	13
	Cemeteries	8
	Historic Buildings – Castell Dinas Bran	1

22a. FINANCING OF CAPITAL EXPENDITURE

2007/08 £000s		2008/09 £000s
42,514	Fixed Assets	40,313
6,597	Revenue Expenditure Funded from Capital Under Statute	6,909
49,111	Total Capital Expenditure	47,222
	Financed By:	
1,117	Supported Borrowing	4,516
13,796	Prudential Borrowing	9,500
26,480	Capital Grants	27,050
3,620	Capital Receipts - Earmarked	1,630
3,232	Capital Receipts - General	0
642	Contributions	570
224	Capital Expenditure charged to Revenue	3,956
49,111	Total Finance	47,222

22b. CAPITAL FINANCING REQUIREMENT

The CIPFA Prudential Code of Practice requires the Council to adopt indicators which demonstrate that the Council's capital plans are affordable, prudent and sustainable. One of these indicators is the Capital Financing Requirement. This indicator reflects the underlying need to borrow for a capital purpose.

When capital expenditure is not resourced immediately, this will result in a net increase to the capital financing requirement. This will be the case whether, or not, external borrowing actually occurs.

The Capital Financing Requirement as at 31st March is:

2007/08 £000s		2008/09 £000s
439,785	Fixed Assets	529,773
0	Long Term Debtors – Loans	49
(46,892)	Revaluation Reserve	(132,535)
(183,717)	Capital Adjustment Account	(160,932)
(74,155)	Government Grants Deferred	(93,990)
135,021	Total	142,365

22c. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Classification	Gross Additions £000s	Grants and Contributions £000s	Net Additions £000s	Written off to Revenue £000s
Housing Improvement Grant	1,400	(1,400)	0	0
Renewal Areas	1,882	(1,882)	0	0
School Accommodation	426	(45)	381	(381)
Legal Services	14	0	14	(14)
Community Projects	279	0	279	(279)
Members Priority Grants	279	0	279	(279)
Feasibility	194	0	194	(194)
Exchequer Division	84	0	84	(84)
Town Schemes	1,034	(1,034)	0	0
Business Development Grant	136	(23)	113	(113)
Economic Development Grant	385	(385)	0	0
Adaptations to Homes of Disabled	331	(244)	87	(87)
Contaminated Land	17	(16)	1	(1)
HRA-RTB Sale Costs	41	0	41	(41)
Heather and Hillforts	360	(296)	64	(64)
Other	47	(37)	10	(10)
Total	6,909	(5,362)	1,547	(1,547)

The 2008 SORP replaced the deferred charges with a new category of expenditure. Revenue Expenditure Funded from Capital under Statute. In 2008/09 £6.918m was written off to the Council Fund and £0.041m written off to the HRA. Also £5.362m was credited to the Council Fund in respect of grants and contributions.

23. SIGNIFICANT CONTRACTS FOR FUTURE CAPITAL SPENDING

At 31st March 2009, the Council was contractually committed to capital works which amounted to £4.345m on the following schemes:

PROJECT	TOTAL FUTURE CONTRACT PAYMENTS
	2009/10 £000s
Housing Refurbishment 2005 – Windows and Doors	108
Scala Cinema and Arts Centre	168
Ysgol Dinas Bran – Dining Facilities	1,367
Housing Refurbishment 2006-11	1,516
Improvements to Prestatyn Central Beach 3.1	231
Ysgol Clawdd Offa – Completion Works	447
Ruthin Craft Centre	129
Rhyl, Drift Park	379
Total	4,345

24. LONG TERM DEBTORS

31 Mar 08 Balance £000s		Advances 2008/09 £000s	Capital Repayments 2008/09 £000s	31 Mar 09 Balance £000s
60	(i) Loan Agreements Mortgages	0	(21)	39
43	(ii) Car Loans	44	(35)	52
128	(iii) PFI – Residual Value	58	0	186
0	(iv) St Asaph Town Council	50	(1)	49
231	Total	152	(57)	326

25. STOCKS & WORK IN PROGRESS

At 31st March 2009 the Authority held stocks and work in progress to the value of £1,506m (£1.415m at 31 March 2008).

The stocks and work in progress held are analysed by Directorate as follows:

31 Mar 08 £000s		31 Mar 09 £000s
	Stocks	
61	Resources - ICT	110
401	Environmental Services	463
715	Social Services & Housing	625
173	Environment	175
15	Lifelong Learning	14
1,365	Total Stocks	1,387
50	Work in Progress	119
1,415	Total Stocks & Work in Progress	1,506

26. DEBTORS AND PAYMENTS IN ADVANCE

31 Mar 08 £000s		31 Mar 09 £000s
	Debtors amounts falling due in one year:	
4,285	Government Department/Grants	6,912
2,570	Council Tax Debtors	2,520
2,676	NNDR Debtors	3,200
579	Housing Rents	531
2,944	Capital Debtors	337
1,997	Taxes and Social Security Debtors (incl. VAT)	1,761
9,550	Sundry Debtors	9,710
24,601	Total Debtors	24,971
1,407	Payments in Advance	1,603
(3,985)	Bad Debt Provision	(4,067)
22,023	Total	22,507

27. CREDITORS AND RECEIPTS IN ADVANCE

31 Mar 08 £000s		31 Mar 09 £000s
	Creditors	
(1,675)	Government Departments/Grants	(950)
(2,213)	Tax and Social Security Creditor	(2,247)
(15,603)	Trade Creditors	(15,758)
(3,389)	Capital Creditors	(5,178)
(5)	Taxes and Social Security	0
(394)	Sundry Creditors	(65)
(23,279)	Total Creditors	(24,198)
(5,444)	Receipts in Advance	(4,809)
(28,723)	Total	(29,007)

28. DEFERRED CAPITAL RECEIPTS

Deferred capital receipts relate to future income to be received from long term debtors where the original advance was not financed by borrowing. The long term debtors giving rise to deferred capital receipts at 31 March 2009 are:

- Council House 'right to buy' sales where the authority has granted a mortgage rather than a cash sale.

29. PROVISIONS**Insurance Fund**

The internal insurance fund was established to finance the estimated cost of settling self insured risks.

As at 31st March 2009 a £0.8m provision has been set aside for the full estimated cost of meeting insurance liabilities.

The nil movement in the value of the insurance provision during 2008/09 was due to the costs of settling claims to the value of £0.2m from the provision and additional contributions of £0.3m from revenue and a contribution to reserves of £0.1m.

Fire Service Pension

This is distributed former balances held by the Fire Authority following the transfer of the Fire Fighters pension liabilities to a central fund. The annual support from Welsh Assembly Government will eventually be less than the level of future levies, thus requiring use of this provision.

Health and Safety

This is a fund used to address Health and Safety issues such as recently imposed Improvement Notice from the Health and Safety Executive.

Equal / Back Pay Claims

This is a fund to pay for any potential liability arising.

Financial Software Developments

This is a fund built up over a number of years from planned savings. The fund will be used to modernise the Authority's Financial Systems

31 Mar 08 £000s		Movement £000s	31 Mar 09 £000s
(781)	Insurance Fund	(22)	(803)
(56)	Other	8	(48)
(216)	Health & Safety	30	(186)
(142)	Fire Service Pension	0	(142)
(1,696)	Equal / Back Pay Claims	0	(1,696)
(115)	Financial Software Developments	48	(67)
(3,006)	Total	64	(2,942)

30. CAPITAL ADJUSTMENT ACCOUNT

The Capital Adjustment Account is used to reflect those Capital Accounting Reserve entries required by the Local Authority Capital Accounting regime which are outside normal UK GAAP.

2007/08 £000s		2008/09 £000s
(194,436)	Balance at the Beginning of the Year	(183,717)
	Transactions During the Year	
11,945	Depreciation	13,758
12,749	Impairment Losses	24,974
2,239	Revenue Expenditure Funded by Capital Under Statute	1,547
(2,507)	Write off from Government Grants Deferred	(2,424)
(1,656)	Depreciation Adjustment	(3,268)
2,420	Disposals	763
(971)	Disposals – Adjustment to Revaluation Reserve	(260)
	Resources Set Aside to Finance Capital Expenditure	
(5,837)	Revenue Provision for the Repayment of Debt	(6,622)
(6,853)	Capital Receipts	(1,630)
(586)	Capital Receipts set aside	(97)
0	Capital Receipts – Long Term Loan	0
0	Capital Expenditure Financed by Revenue - HRA	(3,000)
(78)	Capital Expenditure Financed by Revenue	(370)
(146)	Reserves	(586)
(183,717)	Balance at end of year	(160,932)

31. ANALYSIS OF NET ASSETS EMPLOYED

The Accounting Code of Practice requires disclosure of the Authority's overall net asset position between the Council Fund, the Housing Revenue Account and any trading undertakings where material. Since none of the Authority's trading services uses a material level of the overall net assets, the analysis below identifies the split between net assets employed by the HRA and the Council Fund.

2007/08 £000s		2008/09 £000s
9,235	Council Fund	9,640
128,041	Housing Revenue Account	193,957
137,276	Total	203,597

32. FINANCIAL INSTRUMENTS

(a) Financial Instruments - Classifications

The definition of a financial instrument is:

'Any contract that gives rise to a financial asset of one entity and a financial liability, or equity instrument of another entity'.

The term 'financial instrument' covers both financial assets and financial liabilities. These range from straightforward trade receivables and trade payables to more complex transactions such as financial guarantees and derivatives. The Council's borrowing and investment transactions are classified as financial instruments.

Financial Liabilities

A Financial Liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that are potentially unfavourable to the Council.

The Council's loan debt portfolio at the year end consisted entirely of PWLB debt. During the year temporary borrowing from the money markets was also undertaken. Under the SORP these forms of borrowing are measured at amortised cost. This form of measurement does not change the amount of cash paid under the terms of the loan but can impact on the charge made to the Income and Expenditure Account.

Financial Assets

A Financial Asset is a right to future economic benefits controlled by the Council that is represented by cash or other instruments or a contractual right to receive cash or another financial asset.

The three classifications for financial assets under the SORP are Loans and Receivables, Available for Sale, and Fair Value through Profit and Loss. The Council's portfolio of investments consists mainly of term deposits. These are classed as Loans and Receivables and are measured at amortised cost. This form of measurement does not change the amount of cash received under the terms of the investment. The Council also has some small sums invested in Gilts which are classified as Available for Sale. As these are considered immaterial they have been measured at cost on the Balance Sheet. Trade Receivables (Debtors) are classified as Loans and Receivables. The Council does not have any investments required to be measured at Fair Value through Profit and Loss.

Transaction costs

Measurement at amortised cost permits transactions costs related to financial instruments to be attached to the loan or investment and charged to Income and Expenditure over the life of the instrument. Where these are considered to be

immaterial they can be charged in full to the Income and Expenditure account in the financial year that they are incurred. The Council has adopted this latter approach in 2008/09.

(b) Financial Instruments - Balances

The borrowings and investments disclosed in the balance sheet are analysed across the following categories:

Long Term 31 March 2008 £000s	Short Term 31 March 2008 £000s		Long Term 31 March 2009 £000s	Short Term 31 March 2009 £000s
134,356	181 28,897	Financial Liabilities: Total borrowings Creditors	122,644	6,171 29,007
134,356	29,078	Total Financial Liabilities	122,644	35,178
26 231	39,681 22,083	Financial Assets: Total investments Debtors	6	27,571 22,507
257	61,764	Total Financial Assets	6	50,078

(c) Financial Instruments - Gains and Losses

The gains and losses recognised in the Income and Expenditure Account in relation to financial instruments consists of the following items:

Financial Liabilities 2007/08 £000s	Financial Assets 2007/08 £000s		Financial Liabilities 2008/09 £000s	Financial Assets 2008/09 £000s	Total 2008/09 £000s
7,557 642		Interest Expenditure Losses on de-recognition Gains on de-recognition	7,993 119		7,993 119 (139)
8,199		Total interest payable & Similar Charges	8,112	(139)	7,973
	(2,309)	Interest Receivable		(2,291)	(2,291)
	(2,309)	Total interest receivable and investment income		(2,291)	(2,291)

(d) Financial Instruments - Fair Values

The Council's financial assets and financial liabilities are carried in the Balance Sheet at amortised cost. The SORP requires the Fair Values of these assets and liabilities to be disclosed for comparison purposes. Fair Value is defined in Financial Reporting Standard 26 (FRS 26) as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. The Fair Value of a financial instrument on initial recognition is generally the transaction price. The Council's debt outstanding at 31 March 2008 and 31 March 2009 consisted entirely of loans from the Public Works Loan Board (PWLB). The PWLB has provided the Council with Fair Value amounts in relation to

its debt portfolio. The PWLB has assessed the Fair Values by calculating the amounts the Council would have had to pay to extinguish the loans on these dates.

In the case of the Council's investments, these consisted almost entirely of term deposits with Banks and Building Societies. The maturity dates of these investments were within 12 months of the Balance Sheet date. The contracts of term deposits do not permit premature redemption. None of the investments were impaired (i.e. at risk of default). Fair values for investments have therefore been assessed as being the same as the carrying amount on the Balance Sheet.

The Fair Value is greater than the carrying amount because the Council's loans are running at rates that were fixed at the time they were taken out. This commitment to pay interest at rates that are higher than the equivalent new borrowing rates at the Balance Sheet Date means that the Council would have to pay more than the carrying amount if it chose to prematurely redeem its loans at that date.

Carrying amount 31 March 2008 £000s	Fair value 31 March 2008 £000s		Carrying amount 31 March 2009 £000s	Fair value 31 March 2009 £000s
		Financial Liabilities:		
134,537	171,229	Loans Outstanding	128,815	164,875
28,897	28,897	Creditors	29,007	29,007
163,434	200,126	Total Financial Liabilities	157,822	193,882
		Financial Assets:		
26	26	Long Term Investments	6	6
39,681	39,681	Short Term Investments	27,571	27,571
22,314	22,314	Debtors	22,507	22,507
62,021	62,021	Total Financial Assets	50,084	50,084

(e) Financial Instruments - Risks

The Council has adopted CIPFA's Code of Practice on Treasury Management and complies with The Prudential Code of Capital Finance for Local Authorities.

As part of the adoption of the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with Financial Instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Annual Investment Strategy in compliance with the Welsh Assembly Government's Investment Guidance to local authorities. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Strategy, together with its Treasury Management Practices are based on seeking the highest rate of return consistent with the proper levels of security and liquidity.

The main risks covered are:

Credit Risk: The possibility that one party to a financial instrument will fail to meet their contractual obligations, causing a loss to the other party.

Liquidity Risk: The possibility that a party will be unable to raise funds to meet the commitments associated with Financial Instruments

Market Risk: The possibility that the value of an instrument will fluctuate because of changes in interest rates, market prices etc.

Credit Risk

Investments

The Council manages this risk by ensuring that investments are placed with central government, other local authorities or Banks and Building Societies having sufficiently high credit ratings as set out in the Treasury Management Strategy. A limit of £6m is placed on the amount of money that can be invested with a single counterparty. No more than £3m in total can be invested for a period longer than one year.

The Council has no historical experience of counterparty default. Certain banks which the Council invested with were downgraded during the year and were removed from the Council's lending list. For example, investments were placed with Depfa Bank during 2008/09 at a time when the bank's credit rating was sufficiently high. During the terms of the investments, the bank's credit rating was downgraded below the Council's permitted minimum. The Council has one remaining investment at 31 March 2009 of £1.5m with Depfa Bank which is considered to be secure because the bank's deposits have been guaranteed by the German government as it is owned by the German Hypo group.

The Council has undertaken a number of steps to manage credit risk in the current economic crisis. For example, the Council has taken advantage of opportunities to repay long term debt in order to reduce its investment balances and its exposure to money markets. The Council is also investing short term cash with the HM Treasury deposit account in order to ensure the security of its investment funds. In February 2009 the Council revised its investment strategy. Investments in banks and building societies since that date have been limited to UK institutions that have a long term credit rating of "doubleA" and a short term rating of F1+ and are participants in the UK Government's Credit Guarantee Scheme. These actions are aimed at reducing credit risks to the Council but cannot entirely remove them.

Debtors

It is recognised that in the current economic environment there will be greater difficulty in collecting monies due, however the Authority has previously invested in strong Credit Control methodology, with highly trained staff supported by effective procedures which should maintain cash flow and reduce the incidences of contractual delinquency. There is however a higher potential for insolvency and bankruptcy which has been reflected in the increase in Bad Debt Provision

The table below summarises the nominal value of the Council's investment portfolio at the end of the financial year.

		Long Term Rating when Investment Made	Long Term Rating at 31/03/2009	Balance Invested at 31/03/2009 £000s	Maturity Date			
					1-3 Months £000s	4-6 Months £000s	7-9 Months £000s	10-12 Months £000s
UK Banks	Barclays	AA+	AA-	6,000	6,000			
	Abbey	AA-	AA-	6,000	3,000		3,000	
	RBS	AA-	AA-	2,000			2,000	
	HBOS	AA+	AA-	4,000		4,000		
	Clydesdale	AA-	AA-	1,500		1,500		
				19,500	9,000	5,500	5,000	0
Uk Building Society	Nationwide	AA-	AA-	2,500			2,500	
	Total UK			22,000	9,000	5,500	7,500	0
Irish Banks	Depfa	AA-	A-	1,500		1,500		
	Bank of Ireland	AA-	A	3,000	3,000			
	Total Ireland			4,500	3,000	1,500	0	0
	Total Investments			26,500	12,000	7,000	7,500	0

Definitions

Long Term

AA

Very High Credit Quality

Expectation of very low default risk

Very strong capacity for repayment of financial commitments, which is highly unlikely to be adversely affected by foreseeable events.

A

High Credit Quality

Expectation of low default risk.

Strong capacity for repayment of financial commitments, which may be more vulnerable to adverse business or economic condition.

Short Term

F1+

Highest Credit Quality

Indication of the strongest intrinsic capacity for timely payment of financial commitments. Added '+' denotes an exceptionally strong credit feature.

Liquidity Risk

The Council has access to borrowing facilities from the Public Works Loan Board. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. The Council also has to manage the risk that it will not be exposed to replenishing a significant proportion of its borrowing at a time of unfavourable interest rates.

The maturity analysis of the Council's debt at 31st March 2009 was as follows:

	Years	31 Mar 2009 £000s	%
Short Term Borrowing	Less than 1 year	6,151	4.79
Long Term Borrowing	Over 1 under 6	6,013	4.68
	Over 6 under 10	5,028	3.91
	Over 10 under 15	7,595	5.91
	Over 15 under 20	5,906	4.60
	Over 20 under 25	4,828	3.76
	Over 25 under 30	4,000	3.11
	Over 30 under 35	6,000	4.67
	Over 35 under 40	0	0.00
	Over 40 under 45	19,125	14.89
	Over 45 under 50	63,825	49.68
Total Long Term Borrowing		122,320	95.21
Total Borrowing at Nominal Amount		128,471	100.00
Accrued Interest		1,369	
Deferred Premium		(1,026)	
Total Borrowing at Amortised Cost		128,814	

Market Risk

(1) Interest Rate Risk:

The Council is exposed to risks arising from movements in interest rates. The Treasury Management Strategy aims to mitigate these risks by setting an upper limit of 25% (increased to 40% in February 2009) on external debt that can be subject to variable interest rates. At 31 March 2008 and 31 March 2009 100% of the debt portfolio was held in fixed rate instruments.

In 2008/09 expenditure on debt interest amounted to £7.9m. If 25% of the Council's debt portfolio had been held at variable rates, interest charges would have been approximately £0.350m lower than was actually incurred.

Investments are also subject to movements in interest rates. As investments are made at fixed rates, but for shorter periods of time, there is greater exposure to interest rate movements. This risk has to be balanced against actions taken to mitigate credit risk.

(2) Price risk:

The Council does not invest in equity shares and therefore is not subject to any price risk (i.e. the risk that the Council will suffer loss as a result of adverse movements in the price of financial instruments).

(3) Foreign exchange risk

The Council has no financial assets or liabilities denominated in a foreign currency. It therefore has no exposure to loss arising as a result of adverse movements in exchange rates.

(f) Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account holds expenditure that should have been charged to Income and Expenditure in accordance with proper accounting practices under the SORP, but which Statutory Provisions allow or require to be deferred over future years.

Proper accounting practice requires all premiums and discounts arising from loan extinguishments to be charged to Income and Expenditure in full. Where transactions meet the definition of a modification any premiums or discounts are added to the carrying value of the loan and are then amortised to the Income and Expenditure account over the life of the new loan. A modification exists where the terms of the new debt are not “substantially different” from those of the old debt.

Under the SORP premiums and discounts relating to transactions occurring prior to 1 April 2006, were classified between those that were overhanging and those that were not overhanging. Overhanging premiums and discounts were those that could not be associated with a continuing loan. These were written off in full as an adjustment to Council Fund Balances Brought Forward at 1 April 2007.

Premiums and Discounts that were not overhanging were added to the carrying value of the loan and are amortised to Income and Expenditure over the life of the continuing loan.

In the case of overhanging premiums or discounts, or those relating to loan extinguishments, Statutory Provisions exist to override proper accounting practice under the SORP. The charges are reversed out in the Statements of Movements on Balances and premiums and discounts are amortised to Revenue over a period of years in accordance with statutory provisions. Where premiums and discounts are not overhanging or are linked to transactions meeting criteria of a loan modification the statutory provisions relating to the Council Fund do not apply.

Premiums amortised under statutory provisions can be charged to the Council Fund over either the remaining life of the original loan or the life of the replacement loan, whichever is the greater period. Discounts must be credited to the Council Fund over 10 years or the life of the original loan, whichever is the shorter period.

In the case of the Housing Revenue Account premiums and discounts are applied over a maximum 10 year period in all circumstances in accordance with Statutory Requirements.

In 2008/09 a premium of £0.119m was incurred and a discount of £0.139m was received which were initially charged to Income & Expenditure.

The transactions reflected in the Financial Instruments Adjustment Account in 2008/09 were as follows:

	Discounts £000s	Premia £000s	Net Total £000s
Balance at 1 April 2008	(234)	600	366
2008/09 Loan Extinguishment Transferred from I&E	(139)	119	(20)
2008/09 Statutory Amortisations charged to Revenue	47	(156)	(109)
Balance at end of year	(326)	563	237

33. REVALUATION RESERVE

The Revaluation Reserve represents the level of revaluation gains on the authority's fixed assets from 1 April 2007 onwards. The balance of any revaluation gains in the reserve relating to assets disposed of is transferred to the Capital Adjustment Account at the point of disposal.

2007/08 £000s		2008/09 £000s
0	Balance at the beginning of the year	(46,892)
(49,520)	Recognition of Net Revaluation Gain	(89,171)
1,657	Difference between current value depreciation and historical cost depreciation	3,268
971	Clearance of balance remaining on Revaluation Reserve following disposal	260
(46,892)	Balance at end of year	(132,535)

34. GOVERNMENT GRANTS DEFERRED ACCOUNT

2007/08 £000s		2008/09 £000s
(53,899)	Balance at beginning of year	(74,155)
	Applied in year	
(22,121)	Capital Grants	(21,689)
(642)	Capital Contributions	(570)
(76,662)		(96,414)
2,507	Less: written off to Revenue	2,424
(74,155)	Balance at end of year	(93,990)

Capital grants and contributions applied to finance capital expenditure in 2008/09 have been credited to this account, net of grants received towards the cost of items

classified as Revenue Expenditure Funded From Capital Under Statute. Where grants have been used to finance capital expenditure on fixed assets that are not depreciated, the value of these grants has been written off in full to the Revenue Account in the first instance then to the Capital Adjustment Account.

The 2008 SORP has introduced a new category of expenditure – Revenue Expenditure Funded From Capital Under Statute. This effectively replaces Deferred Charges. In strict accounting terms, grants received towards the cost of items classified as Revenue Expenditure Funded From Capital Under Statute can be regarded as revenue grants, despite their classification as capital for the purposes of capital controls. Therefore, there are no complications for Government Grants Deferred and grant income can be credited to service revenue accounts in a manner consistent with the charging of expenditure for the grant has been given.

35. USABLE CAPITAL RECEIPTS RESERVE

	Housing £000s	Council Fund £000s	Total £000s
Plus Balance at beginning of year	(305)	(3,144)	(3,449)
Receipts – Asset Sales	(139)	(613)	(752)
Receipts – Grants repaid	0	(36)	(36)
Receipts – RtB Discounts Repaid	(11)	0	(11)
Deferred Capital Receipts	(21)	0	(21)
	(476)	(3,793)	(4,269)
Less Applied during year:			
Financing Capital Expenditure – RtB Costs	41	0	41
Financing Capital Expenditure – Other	33	1,557	1,590
Debt Redemption	97	0	97
Balance at end of year	(305)	(2,236)	(2,541)

36. CAPITAL GRANTS IN ADVANCE

	£000s	£000s
Unapplied at 31 Mar 08		(1,671)
Plus Capital Debtors at 31 Mar 08		5,177
Less Capital Creditors at 31 Mar 08		(3,002)
Net Balance at 1 Apr 08		504
Less Grants & Contributions received in year		(28,472)
		(27,968)
Plus Amounts Transferred	12	
Grants and Contributions applied in year		
-Capital Grants	27,050	
-Capital Contributions	570	27,632
		(336)
Less Capital Debtors at 31 Mar 09		(5,003)
		(5,339)
Plus Capital Creditors at 31 Mar 09		3,367
Unapplied at 31 Mar 09		(1,972)

37. RESERVES

Details of significant cash backed reserves are given below:

31 Mar 08		Transfers (In) / Out	31 Mar 09
£000s		£000s	£000s
(204)	Capital Schemes	(196)	(400)
(51)	Environmental Services	(6)	(57)
(155)	LDP Future Costs	(50)	(205)
(73)	Environment Directorate - Reserves	35	(38)
(273)	Winter Maintenance	0	(273)
(1,200)	Sustainable Waste Management	(9)	(1,209)
(317)	Renewals Fund	191	(126)
(160)	Major Projects	0	(160)
(37)	Design and Development	(18)	(55)
(68)	Early Retirement Fund – Schools	12	(56)
(22)	Mousematics	0	(22)
(250)	Modernising Education	0	(250)
(100)	North Wales Child Abuse Inquiry	0	(100)
(10)	Llys Marchan Reserve	0	(10)
(2,422)	Supporting People Reserve	(274)	(2,696)
(52)	S.117 Mental Health Act	0	(52)
(33)	Major Events Reserve (Urdd Eisteddfod)	(45)	(78)
(121)	Risk Management Fund	17	(104)
(703)	Insurance Fund	(85)	(788)
(1,978)	PFI	(439)	(2,417)
(75)	Elections	70	(5)
(1,500)	Single Status	(1,394)	(2,894)
(305)	Spend to Save	(1)	(306)
(372)	IT Systems Developments	(118)	(490)
(114)	North Wales Fire Authority	114	0
(350)	Modernising Structures / Service Delivery	0	(350)
0	Early Voluntary Redundancy	(600)	(600)
0	Regeneration Project (VAT Refund)	(648)	(648)
0	Specialist PSS Placements	(890)	(890)
0	LABGI Reserve	(200)	(200)
(10,945)	Total	(4,534)	(15,479)

38. REVENUE BALANCES

The Council Fund revenue balances are available to the County Council for general or specific purposes and represent accumulation of past surpluses on the Council Fund Revenue Account. The Housing Revenue Account balances do not form part of the Council Fund balances and are identified separately. Schools balances are under the control of individual schools and are to be spent on education related expenditure.

31 Mar 08 £000s		Transfers (In)/Out £000s	31 Mar 09 £000s
	<u>Council Fund Revenue Balances:</u>		
(5,805)	General Balances	(293)	(6,098)
(1,963)	Schools Balances	465	(1,498)
(1,453)	Earmarked Balances	475	(978)
(324)	Environmental Services Balances	282	(42)
(9,545)	Total Council Fund Balances	929	(8,616)
(3,707)	Housing Revenue Account Balances	2,685	(1,022)

39. WELSH CHURCH ACTS FUND

Under the requirements of the Welsh Church Act Funds (Designation and Specification) Order 1996, the former Clwyd County Council fund is administered by Flintshire County Council and income is distributed to successor authorities on a population basis. Denbighshire County Council's distribution was £7,605 in 2008/09.

The County Council's proportion of the Fund administered by Denbighshire Voluntary Services Council (DVSC). During 2008/09 the DVSC awarded £7,620 in grants on the authority's behalf. The application of this fund covers a wide field ranging from education, social and recreational needs, and the relief of sickness and protection of historical buildings.

The total balance on the fund, held by Flintshire County Council, is £517,543 (£592,690 in 2007/08). Denbighshire County Council keeps a separate balance sheet for the Welsh Church Acts Fund. The balance in the Fund as 31 March 2009 was £3 (£18 as at 31 March 2008).

The Council does not hold full governance documents for the Welsh Church Acts Fund.

The following is an extract of the Welsh Church Acts Fund 31 March 2009:

	Income £000s	Expenditure £000s	Investments £000s
31 March 2009	(89)	33	504
31 March 2008	(29)	23	625

The March 2009 Income figure of £89k includes £65k for sale proceeds of Liquidity 1st Stock.

40. EDUCATION TRUST FUNDS

The County Council administered 54 Education Trust Funds during 2008/09. Each Education Trust Fund consists of a relatively small sum of money received largely from individuals and invested in order to provide an annual income for prizes etc.

- During 2008/09, Fund income amounted to £3,207.40 (£3,717.59 in 2007/08). No awards were made during the year (£131.56 in 2007/08).

- The Council has no outstanding liabilities in respect of the trust funds it administers.

The Fund balances as at 31 March 2009 amounted to £272,493 which is not reflected in the Balance Sheet.

The market value of all investments held at 31 March 2009 was £52,267.

41. RELATED COMPANIES

The Accounting Code of Practice requires that where an authority has material interests in one or more subsidiary and associated companies, it should prepare a group revenue account and balance sheet. Denbighshire County Council's interests in the associated companies are not considered material in relation to the overall scale of the Council's operations and consequently Group Accounts have not been prepared. Due to differences in the financial year end of each of the related companies, the latest audited statements of accounts are for 2007/08

Details of the related companies are as follows:

(i) Clwydfro Cyfyngedig (trading as Denbighshire Enterprise Agency)

Clwydfro is a company limited by guarantee, having no share capital. The objective of the company is to promote and encourage industrial and commercial activity or enterprise within the county with a view to reducing unemployment. Its payroll and accounting services are provided by the Council. The Clwydfro audited statement of accounts for the financial year 2008/09 is not yet available. However, the net assets of the company as at 31 March 2008 were £332,750 and the net loss achieved by the company was £63,926.

The Board of Directors as at 31 March 2009 consists of nine members in total, of which 7 are Denbighshire County Councillors. The Chair of Denbighshire Enterprise Agency is a Denbighshire County Councillor.

The balance owed to Denbighshire County Council as at 31 March 2009 was £12,894

There is no legal liability for the council to contribute to losses or deficits of the company.

Further information can be obtained from Denbighshire Enterprise Agency, Clwyd Business Centre, Lon Parcwr Industrial Estate, Ruthin, LL15 1NJ.

(ii) ECTARC

ECTARC is a company limited by guarantee, having no share capital. The objectives of the company are to promote, maintain and advance education within the UK and elsewhere in Europe and to promote the traditional cultures of Europe.

Denbighshire County Council gives an annual grant to the company and during 2008/09 ECTARC received £43,907 In addition Denbighshire County Council allowed ECTARC to lease its premises on Parade Street, Llangollen at a peppercorn rental. The value of this lease has been assessed at £12,500 per annum. The Council also provides its payroll services. The Board of Directors consists of five

members in total, including one Denbighshire County Councillor, who is the Chair of ECTARC. The audited Financial Statements for the year ended 31 March 2009 show the net assets of the company as £491,712 (£374,354 in 2007/08) and the net surplus achieved during 2008/09 as £117,359 (£148,766 in 2007/08).

The balance owed to Denbighshire County Council as at 31 March 2009 was £80,943.

There is no legal liability for the council to contribute to losses or deficits of the company.

Further information can be obtained from ECTARC, Parade Street, Llangollen, LL20 8RB.

(iii) Bodelwyddan Castle Trust and Bodelwyddan Castle Enterprises Ltd.

Bodelwyddan Castle Trust is a company limited by guarantee, having no share capital. It is a registered charity set up in February 1994. The objectives of the Trust are the advancement of education by acquiring, housing and exhibiting objects and collections of an educational nature and by establishing, acquiring and managing museums, galleries and libraries for use as such purposes. The Trust acquires artefacts that it restores, conserves and exhibits. It also manages a public park for recreation and promotion of appreciation of the natural world. Denbighshire County Council gives an annual grant to Bodelwyddan Castle Trust and during 2008/09 the Trust received £184,257. The Council provides its payroll services. The Board of Directors consists of twelve members in total, of which two are Denbighshire County Councillors. The Chair of the Trust is a Denbighshire County Councillor.

There is no legal liability for the council to contribute to losses or deficits of the company.

Further information can be obtained from the Bodelwyddan Castle Trust, Bodelwyddan, LL18 5YA.

Bodelwyddan Castle Enterprises Ltd. is a private company limited by shares that is a wholly owned subsidiary of Bodelwyddan Castle Trust. The objectives of the company are to promote in whatever way it sees fit the charitable objects of Bodelwyddan Trust. All profits from Bodelwyddan Castle Enterprises Ltd. contribute to the running costs of Bodelwyddan Castle Trust via a deed of covenant. The Board of Directors consists of eight members, which includes one Denbighshire County Councillor.

The audited Statement of Accounts for the financial year 2008/09 is not yet available. However the net assets of the group as at 31 March 2008 were £789,396 and the net loss achieved by the company was £13,453

The balance owed to Denbighshire County Council as at 31 March 2009 was £79,713.

There is no legal liability for the council to contribute to losses or deficits of the company.

Further information can be obtained from Bodelwyddan Castle Enterprises Ltd, Bodelwyddan, LL18 5YA.

(iv) Clwyd Leisure Ltd.

Clwyd Leisure Limited was established on 1 April 2001 as a Non Profit Distributing Organisation. The objectives of the company are to provide and operate facilities, attractions, goods and services for recreation and leisure time primarily for the community and visitors to Denbighshire. It is grant aided by Denbighshire County Council and during 2008/09 Clwyd Leisure Ltd. received £295,059. The Council provides both creditor and payroll services. The company's audited financial statement for the 2008/09 year is not yet available. However, the net assets of the company as at 31 March 2008 were £195,088 and the company had made a net profit of £95,481 in 2007/08. The Board of Directors consists of twelve members in total, including two Denbighshire County Councillors. The Chair of Clwyd Leisure Ltd. is a Denbighshire County Councillor.

The balance owed to Denbighshire County Council as at 31 March 2009 was £397,824.

There is no legal liability for the council to contribute to losses or deficits of the company.

Further information can be obtained from Clwyd Leisure Ltd, 22 Parc Fforddlas, Rhyl, LL18 2DQ.

(v) Scala Prestatyn Company Ltd.

The Scala is run as a charity and not for profit Company Limited by Guarantee. The objective of the company is to make the Scala Cinema a major cultural and entertainment destination for North Wales. It is grant aided by Denbighshire County Council and during 2008/09 the Scala Prestatyn Company Ltd received £49,602. In addition, Denbighshire County Council allowed the Scala Prestatyn Company Ltd to lease its premises on High Street, Prestatyn at a discounted rental. The value of the lease has been assessed as £20,000 per annum. The Board of Directors consists of ten members in total, including two Denbighshire County Councillors (although only one is appointed by the Council), one of which is the Chair of Scala Prestatyn Company Ltd. The Scala Prestatyn Company Ltd has not been in operation for a full trading year therefore there is no audited statement of accounts available for the financial year 2008/09.

The balance owed to Denbighshire County Council as at 31 March was £189.

Further information can be obtained from the Scala Prestatyn Company Ltd, 47 High Street, Prestatyn, LL19 9AH.

42. CONTINGENT LIABILITIES

A contingent liability is defined as either:

- 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;

or

- A present obligation that arises from past events but is not recognised because:

- (i) It is not probable that a transfer of economic benefits will be required to settle the obligation; or
- (ii) The amount of the obligation cannot be measured with sufficient reliability.

The Authority supports several Leisure and Cultural Trusts which operate assets on its behalf. The financial climate within which these Trusts operate is becoming more difficult and the Council is actively involved in negotiations on future actions. Details of the relationship with these organisations are shown in Note 41.

43. EVENTS AFTER THE BALANCE SHEET DATE

FRS 21 requires the disclosure of certain events that may occur between the balance sheet date and the date that the accounts are authorised by the Council.

These events are ones that materially affect the financial statements and their disclosure is required for the fair presentation of the financial position of the Authority.

The accounting statements are required to reflect the conditions applying at the end of the financial year.

Between the balance sheet date and the Statement of Accounts being authorised by the Corporate Governance Committee on 23 September 2009 there was one event that had an effect on the balance sheet.

The 'Single Status' agreement on revised terms and conditions was approved in June 2009. This agreement was back dated to be effective from 1 April 2008.

The nature of the agreement is highly complex and it will take several months for the calculations to be complete and for adjustments to be made to staff pay.

Estimates show that the likely impact on the 2008/09 accounts will be around £1.5m. This amount has already been provided for within the Council's Single Status reserve.

As the Council has already reserved sufficient funds to pay for this and because it cannot yet calculate the full impact on departments no amendments have been made to the Cost of Services in the Income and Expenditure Account or the Balance Sheet.

44. EXCEPTIONAL ITEMS

There are no exceptional items to report.

45. RECONCILIATION OF MOVEMENT IN CASH TO MOVEMENT IN NET DEBT

	31 Mar 09 £000s
Movement in Cash	(858)
<u>Movements in:</u>	
Fixed Assets	89,988
Long Term Investments	(20)
Long Term Debtors	95
Stocks & Work in Progress	91
Debtors	484
Investments	(12,110)
Short Term Borrowing	(5,990)
Creditors	(284)
Long Term Borrowing	11,712
Capital Grants in Advance	(301)
Government Grants Deferred	(19,835)
Deferred Discounts	0
Pensions Liability	3,285
Provisions	64
Movement in Net Debt	66,321

46. RECONCILIATION OF INCOME AND EXPENDITURE ACCOUNT TO REVENUE**ACTIVITIES CASHFLOW**

	2008/09 £000s	2008/09 £000s
Deficit / (Surplus) per Income and Expenditure Account		27,906
Net Interest		(6,027)
Non Cash Transactions		
Depreciation and Impairment of Fixed Assets	(38,732)	
Government Grants Deferred Amortisation	2,424	
Revenue Expenditure funded from Capital under Statute	(1,547)	
Transfer to / (from) Pensions Reserve	(1,771)	
PFI Acquisition Reserve	58	
Capital Expenditure in Year to the Council Fund Balance	3,956	
Transfer to / (from) reserves	4,534	
Transfer to Bad Debt Provision	(82)	
Adjustment for Non Revenue Items	(1,489)	(32,649)
Items on Accruals Basis		
Increase / (Decrease) in Stocks	91	
Increase / (Decrease) in Debtors	370	
Increase / (Decrease) in Payments in Advance	196	
(Increase) / Decrease in Creditors	(919)	
(Increase) / Decrease in Receipts in Advance	635	373
Net Cash Inflow from Revenue Activities		(10,397)

47. ANALYSIS OF MOVEMENT IN CASH AND EQUIVALENTS

31 Mar 08 £000s		31 Mar 09 £000s	Movement £000s
(2,992)	Cash	(3,850)	(858)
(2,992)		(3,850)	(858)

48. ANALYSIS OF GRANTS RECEIVED

2007/08 £000s		2008/09 £000s
12,956	Government Grants	10,057
26,297	Housing Grants	0
4,143	Education Grants	4,657
4,918	Social Services Grants	10,151
577	Environmental Grants	2,069
3,982	European Grants	6,377
52,873	Total Grants Received	33,311

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SECTION 6
SUPPLEMENTARY
STATEMENTS

AND

SECTION 7
EXPLANATORY NOTES

SECTION 6 SUPPLEMENTARY STATEMENTS**HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE ACCOUNT****FOR THE PERIOD 31 MARCH 2009**

2007/08 £000s		Note	2008/09 £000s
	INCOME		
9,761	Dwelling Rents (Gross)		10,186
143	Non-Dwelling Rents (Gross)		139
240	Government Grants Deferred		320
10,144	Total Income		10,645
	EXPENDITURE		
2,577	Repairs and Maintenance		2,568
1,996	Supervision and management		2,113
324	Rents, Rates, Taxes & Other Charges		395
2,827	Negative housing revenue account subsidy payable		2,926
5,733	Depreciation and Impairment of Fixed Assets	5	9,546
11	Debt Management costs		15
13	Increase in bad debt provision	2	17
13,481	Total Expenditure		17,580
3,337	Net Cost of Services per Authority Income and Expenditure Account		6,935
43	HRA Share of Corporate & Democratic Core		44
3,380	Net Cost of HRA Services		6,979
1,064	Interest payable and similar charges		1,217
40	Pension Interest Costs & Expected Return on Pension Assets	6	89
(200)	Interest and Investment income		(102)
4,284	(Surplus) or deficit for the year on HRA services		8,183

STATEMENT OF MOVEMENT IN THE HRA BALANCE

2007/08 £000s		2008/09 £000s	
4,284	(Surplus) or deficit for the year on the HRA Income and Expenditure Account		8,183
	Items included in the HRA Income and Expenditure Account but excluded from the movement on the HRA Balance for the year		
(108)	Difference between any other item of income and expenditure determined in accordance with the SORP and determined in accordance with the statutory HRA requirements (if any)	(8)	
(5,733)	Depreciation and impairment of fixed assets	(9,546)	
240	Government Grants Deferred	320	
0	Gain or loss on sale of HRA fixed assets	0	
(163)	Net charges made for retirement benefits in accordance with FRS17	(226)	
(5,836)			(9,460)
	Items not included in the HRA Income and Expenditure Account but included in the movement in HRA Balance for the year		
190	Employers contribution payable to Clwyd Pension Fund & retirement benefits payable direct to pensioners	185	
435	HRA Revenue Provision	777	
0	Capital Expenditure funded by HRA	3,000	
625			3,962
(5,211)	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year		(5,498)
(927)	(Increase) or decrease in the Housing Revenue Account Balance		2,685
(2,780)	Housing Revenue Account surplus brought forward		(3,707)
(3,707)	Housing Revenue Account surplus carried forward		(1,022)

**SECTION 7 EXPLANATORY NOTES TO THE
SUPPLEMENTARY FINANCIAL STATEMENTS**

NOTES TO THE HOUSING REVENUE ACCOUNT

1. HOUSING STOCK

The Council's total housing stock was as follows:

2007/08 No. of Properties		2008/09 No. of Properties
1,879	Houses	1,878
971	Flats	971
621	Bungalows	621
3,471	Total	3,470

During the year, one property was sold under the Right to Buy Scheme.

2. RENT ARREARS

At the 31st March 2009, tenants' net rent arrears were £0.310m, (£0.386m as at 31st March 2008) which represented 2.88% of the net rent income due in the year. Arrears totalling £0.077m were written off during the year. The Provision for Bad and Doubtful Debts has been increased by £0.017m, to give a balance at year end of £0.276m.

3. CAPITAL RECEIPTS

HRA capital receipts for 2008/09 are summarised below:

2007/08 £000s	Housing Receipts	2008/09 £000s
857	Sales	127
0	Sale of Land	12
18	Repaid Discounts	11
24	Mortgages	21
899	Total Receipts	171

4. ANALYSIS OF HOUSING REVENUE ACCOUNT CAPITAL EXPENDITURE

During 2008/09, capital expenditure of £9.523m was incurred on improvements to the Council's housing stock. Fees incurred in the sale of council dwellings totalling £41k have been notionally added to the HRA Net Cost of Services so that the expenditure is recognised and then reversed in the Statement of Movement in the HRA Balance. Total capital expenditure has been financed by four sources: the Major Repairs Allowance (a government grant), capital receipts (from 'Right to Buy' sales), unsupported borrowing and a contribution from HRA balances detailed in the table below:

2007/08 £000s	Housing Capital Expenditure	2008/09 £000s
10,015	Improvement Works	9,482
118	Right to Buy Expenses	41
10,133	In-year Expenditure	9,523
	<i>Financed by:</i>	
2,400	Major Repairs Allowance (Grant)	2,400
601	Useable Capital Receipts	74
0	CERA	3,000
7,132	Prudential Borrowing	4,049
10,133	Total	9,523

5. DEPRECIATION & IMPAIRMENT OF FIXED ASSETS

In line with the Resource Accounting framework, depreciation charges and impairment losses are included in the HRA Net Cost of Services. The depreciation charge is based on the Balance Sheet value of dwellings and other assets and reflects the assets held and consumed in the delivery of the service, rather than simply the cash spent on them each year. The depreciation charge and impairment losses are reversed out of the Net Cost of Services via the Statement of Movement on the HRA Balance. The reversal brings the net capital charge to the HRA back to the statutory charge, which is calculated in line with Item 8 (Wales) General Determination 2008/09. The depreciation charge and impairment losses have no effect on HRA balances.

The total depreciation charges and impairment losses for 2008/09 are shown below:

2007/08 £000s	HRA Depreciation Charges & Impairment Losses	2008/09 £000s
3,537	Operational Assets – Dwellings	4,962
21	Operational Assets - Garages	21
3,558	Total Depreciation	4,983
2,175	Impairment Losses	4,563
5,733	Total HRA Depreciation & Impairment Losses	9,546

6. TRANSACTIONS RELATING TO RETIREMENT BENEFITS

The cost of retirement benefits is recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are actually paid as pensions. However, the charge to the HRA is based on the employer's contribution payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the HRA Balance.

The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the HRA Balance during the year:

2007/08 £000s	<u>INCOME AND EXPENDITURE ACCOUNT</u>	2008/09 £000s
123	Net cost of services: Current Service Cost	137
	<u>Net Operating Expenditure</u>	
260	Interest cost on gross pension liability	301
(220)	Expected return on gross pension assets	(212)
163	Net charge to the Income & Expenditure Account	226
	<u>STATEMENT OF MOVEMENT IN THE HRA BALANCE</u>	
(163)	Reversal of net charges made for retirement benefits in accordance with FRS 17	(226)
190	Employer's contribution payable to the Clwyd Pension Fund Scheme	185

SECTION 8 – THE INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF DENBIGHSHIRE COUNTY COUNCIL

I have audited the accounting statements and related notes of Denbighshire County Council for the year ended 31 March 2009 under the Public Audit (Wales) Act 2004. Denbighshire County 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 Denbighshire County 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.

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.

My 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).

I report to you my 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 the local government body and its income and expenditure for the year.

I 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. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit. I am not required to consider, nor have I considered, whether the Statement on Internal Control covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the local government body’s corporate governance procedures or its risk and control procedures.

I 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. I consider the implications for my report if I become aware of any apparent

misstatements or material inconsistencies with the accounting statements and related notes. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my 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 the local government body 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.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me 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 my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements and related notes.

Opinion on the accounting statements of Denbighshire County Council

In my opinion 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 Denbighshire County 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

My conclusion on Denbighshire County 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

I certify that I have completed the audit of the accounts of Denbighshire County 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.

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

Anthony Barrett
Appointed Auditor
Wales Audit Office
Unit 4, Evolution
Lakeside Business Village
St David's Park
Ewloe, CH5 3XP

Date

SECTION 9 - STATEMENT ON THE SYSTEM OF INTERNAL CONTROL**1 SCOPE OF RESPONSIBILITY**

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

In discharging this overall responsibility the Council is also responsible for ensuring that there is a sound system of governance, incorporating the system of internal control which includes arrangements for the management of risk.

2 THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

Corporate Governance is the system by which local authorities direct and control their functions and relate to their communities. The framework for corporate governance recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE) identifies three underlying principles of good governance, namely:

- openness and inclusivity
- integrity
- accountability

The principles of corporate governance should be embedded into the culture of each local authority. Furthermore each local authority has to be able to demonstrate that they are complying with these principles.

This Statement of Internal Control forms part of the overall process within the Council of monitoring and reporting on the adequacy and effectiveness of the corporate governance arrangements, particularly those in respect of risk management and 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 Council's policies, aims and objectives; to evaluate the likelihood of those risks being realised; the impact should they be realised; and to manage them.

3 THE INTERNAL CONTROL ENVIRONMENT

The requirement to have a sound system of internal control covers all of the Council's activities. The internal control environment within the Council consists of different key elements, which taken together contribute to the overall corporate governance framework. The key elements of internal control within the Council consist of policies and guidance, political and managerial structures and processes, strategic planning processes, management and decision making processes, financial management, compliance arrangements, risk management, internal audit, counter fraud activities and performance management.

External Inspections

During the year the Council was subject to a number of external inspections. These led to changes in the Council's processes and procedures. Each therefore has had some impact on the internal control environment. The inspections are listed below along with an overview of findings. Specific actions that have been taken as a result are shown further in the statement.

Wales Audit Office Corporate Governance Report

The Wales Audit Office reviewed the Council's corporate governance arrangements and came to the conclusion that

'there are signs of gradual improvement in some of Denbighshire County Council's services, but these are inconsistent and the Council's corporate governance arrangements as they stand are not likely to ensure delivery of its challenging agenda for improvement.'

In response the Council has developed a robust action plan to address six clear areas of activity:

- Operation of the Corporate Executive Team
- Develop clear and defined outcomes for Corporate Priorities
- Review support services
- Further develop systems and processes to improve governance
- Develop an approach that supports delivery of priorities
- Revise the Risk Management Strategy and Policy

In addition to the action plan the Council has also recruited a new Chief Executive; produced a Statement of Intent which sets out the strategic direction for the Council and its key values; and set up an external reference group to oversee and challenge progress. The external reference group membership consists of representatives from Denbighshire County Council, Wales Audit Office, Welsh Assembly Government and Welsh Local Government Association.

Further change proposals are currently being developed which will lead to further improvements in the Council's Governance. In particular projects which will commence over the summer include:

- Chief Executive's restructure of senior management
- A review of support services and planning and performance management
- Linking area profiles into service and financial planning

Estyn Inspection

During 2007/08 the Council received a report from the education inspection body Estyn. It highlighted weaknesses in the leadership and management of the service and made a number of recommendations for improvement. Throughout 2008/09 the Council continued to make improvements to the way the Education service was managed.

This included:

- Ongoing challenge by the Modernising Education Board consisting of senior managers and members.
- Development of the Schools Standards Monitoring Group to review the performance of individual schools.
- Appointment of a permanent Head of School Improvement and a new Corporate Director: Lifelong Learning.
- Working closely with Estyn and Independent Monitoring Board appointed by the Minister.

Estyn re-inspected the authority in March 2009 and found that significant improvements had been made and that it was likely further improvements would continue.

Review of Hyfrydle

The Council commissioned an independent review of the development and closure of the Hyfrydle facility during the year. This review found problems with the way the project had been developed and implemented. The Council has already implemented improved project management and planning processes to address a number of these weaknesses.

Care and Social Services Inspectorate for Wales

A performance evaluation of social services was undertaken during 2008/09. The evaluation is designed to assist the council in its programme for improvement and assist CSSIW and other inspectorates plan their work. The evaluation concluded that the council had continued to develop, particularly when measured against a number of performance indicators, representing an encouraging platform upon which further progress can be achieved.

Improvement Plan 2008/09

The Council publishes an Improvement Plan each year which is then subject to audit. The recommendations from this year's audit were that the Council should implement the recommendations from the Corporate Governance audit (outlined above), prepare for the Estyn inspection (outlined above) and implement the recommendations of the review of Hyfrydle (outlined above)

Policies and Guidance

Specific policies and written guidance exist to support the corporate governance arrangements and include

- The Council's Constitution.
- Formal Codes of Conduct for members and employees
- Corporate Performance Management Guidance
- Protocol on Officer / Member Relations
- Financial Regulations and Procurement Rules and Procedures
- Member and Officer Schemes of delegation
- Register of interests, gifts and hospitality
- Corporate policies, for example those relating to Personnel, Whistleblowing and Anti-fraud and Corruption
- Asset Management Plans
- Risk and Opportunity Management Strategy

Political and Managerial Structures and Processes

The Council is responsible for agreeing overall policies and setting the budget. The Cabinet is responsible for decision making within the policy and budget framework set by the Council. There is also a scheme of delegation to individual Lead Members.

The Council's Corporate Executive Team (CET – consisting of the Chief Executive, Corporate Directors and Monitoring Officer) has responsibility for implementing Council policies and decisions, and for managing and coordinating the use of resources and the work of the Council's directorates. There is also a scheme of delegation to individual officers.

As part of its response to the Corporate Governance audit, a review of CET's activities, priorities and workloads is being undertaken to ensure that CET can become more effective with a stronger focus on key issues.

The Council has scrutiny arrangements which include the review of policies, budgets and service delivery. There is also a Corporate Governance Committee, its purpose being to provide independent assurance of the adequacy of the risk management framework and the associated control environment.

The Council is developing the role of Scrutiny and Corporate Governance Committees to ensure that proper scrutiny is undertaken of corporate and cross-cutting issues. The terms of reference of the Corporate Governance Committee have been reviewed and a training and development programme for members is being developed.

The Corporate Governance Committee is also undertaking a review of the Council's constitution.

The Council has a Standards Committee whose role includes promoting and maintaining high standards of conduct by councillors, co-opted members and church and parent governor representatives; and monitoring the operation of the Members' Code of Conduct.

The Council has also set up a Focused Agenda Board consisting of senior politicians who have responsibility for challenging the progress services are making on Council priorities.

Strategic Planning Processes

The Council has developed a strategic planning process that is intended to reflect political and community objectives and act as a basis for corporate prioritisation.

The Council's annual Improvement Plan sets targets for service priorities in line with the Council's priorities. Progress is monitored by regular reporting to Cabinet and Scrutiny Committees. The Improvement Plan is supported by Directorate and Service Plans.

The Council has a dedicated Strategic Policy Unit that enables the coordinated development of corporate strategies and policies.

The introduction of a new set of priorities during the year has meant that clear, defined, achievable and measurable outcomes are required. The Council is currently reviewing both its improvement planning and business planning processes, to ensure they are coordinated and linked to the Council's priorities.

Area profiles have been developed to ensure that the Council can better understand the needs of service users in different parts of the County and improve its interaction with communities.

Financial Management

The Corporate Director of Resources, as Section 151 Officer, has the overall statutory responsibility for the proper administration of the Council's financial affairs, including making arrangements for appropriate systems of financial control. The Council operates a system of delegated financial management within a corporate framework of standards and financial regulations, budgetary control systems and regular reporting of financial management information.

The Financial Regulations lay out roles and responsibilities for the day to day financial management of the Council.

The Council operates a scheme of delegated budgets supported by a centrally managed team of finance professionals.

Monthly updates on the HRA and County Fund revenue and capital financial position are presented to Cabinet. Full Council also receives an update on the capital plan at every meeting.

All capital projects are appraised by the Capital Strategy Group which is made up of members and directors. All major capital projects are overseen by a dedicated project board to monitor progress.

The Management of the Council's cash, investments and borrowing is carried out in accordance with CIPFA guidance.

During the year the Corporate Governance Inspection by the Wales Audit Office and an inspection by Estyn both commented that the Council's financial management was effective and highlighted areas such as the prioritisation and implementation of capital projects as good practice.

During 2008/09 a review of the Council's Medium Term Financial Planning was undertaken which will lead to a revised process being implemented for the 2010/11 budget setting process. It will also link more closely with the Council's Business Planning process.

Work is also being undertaken to improve schools' management of their delegated budgets.

Compliance Arrangements

By law the Council has to appoint two officers to take responsibility for adherence to the relevant policies, procedures, laws and regulations. These are:

- The County Clerk is the Council's appointed 'Monitoring Officer' responsible for general compliance with laws, regulations and procedures.
- The Corporate Director of Resources is the Council's appointed 'Section 151 Officer' responsible for the financial management of the Council and adherence to financial regulations, legislation and statutory guidelines.

The Council has an Internal Audit department. The Head of Internal Audit has direct access to the Chief Executive, all Directors, Heads of Service, Cabinet, Corporate Governance Committee and Scrutiny Committees.

All services are subject to a programme of Internal Audit based upon an assessment of risk. The Internal Audit reports and any incidences of failure to implement improvements to manage the issues raised by Internal Audit are reported to the Corporate Governance Committee.

The Council is also subject to review by external regulators such as the Wales Audit Office, Estyn, Social Services Inspectorate for Wales and European Union Auditors. These reviews are summarised in the Regulatory Plan. The actions carried out as a result of this plan are monitored and reported to the Corporate Governance Committee quarterly.

Risk Management

The Council adopted a new Risk & Opportunity Management Strategy in March 2009 partly in response to the Wales Audit Office report on Corporate Governance. More robust processes have been implemented over the last three years that led to the previous Risk Management Strategy becoming outdated. These new processes are now fully documented in the new strategy.

Corporate Executive Team (CET) updates its strategic risk assessment twice a year, showing the highest level risks to the Council. Each service has an operational risk assessment that is also updated at least twice a year, and these are integrated into the business planning process. Risk assessments have also been developed for major partnerships and will be updated at the same time as service risk assessments. Mission-critical projects already have risk assessments that are regularly updated as part of the project management methodology, but these risks are also incorporated into the corporate risk management process to identify any risks that are of corporate concern.

A corporate risk register is maintained alongside operational risk registers for each service, major partnerships and mission-critical projects. The corporate risk register informs the Joint Risk Assessment (JRA) process carried out in conjunction with the Council's external regulators and is taken into account when planning the work of Internal Audit. The JRA is reported to CET, the Corporate Governance Committee and each Scrutiny Committee twice a year.

Cabinet reports include an assessment of risk to inform the decision making process.

The Corporate Governance Inspection identified some concerns about the Council's risk management. During the year it has therefore undertaken the following tasks:

- Completion of the Corporate Risk and Opportunity Management Strategy
- Compilation of a projects register
- Development of corporate risk registers for major partnerships and identification of 'Mission Critical' projects
- A strategic risk assessment to identify the top 9 risks of a strategic rather than operational nature
- Development of new terms of reference for the Corporate Governance Committee, including a training plan and review of effectiveness
- A change to audit planning to enable it to be done on a quarterly rather than annual basis to allow greater flexibility

Actions underway during 2009/10 include

- Development of a risk management procedures manual
- Planned training for members and services on risk management

Internal Audit and Counter Fraud Initiatives

The Council operates internal audit and fraud investigation functions. The Internal Audit team undertake reviews covering financial and operational systems and including risk-based systems, regularity and probity audits designed to give assurance to Members and managers on quality of operations, with particular emphasis on corporate governance, risk management and operational and financial control. Through its work, the team provides assurance to the Section 151 Officer in discharging his statutory review and reporting responsibilities. In addition the team provides

- Advice and assistance to managers in the design, implementation and operation of controls
- Support for managers in the prevention and detection of fraud, corruption and other irregularities

Performance Management and Continuous Improvement

The Council constantly strives to improve the efficiency and quality of services and has a number of methods of facilitating this. The Improvement Plan identifies the improvement targets for the year and progress is reported regularly to Members.

The Council's Focused Agenda Board oversees the progress of the Corporate Governance Action Plan and the various priority improvement boards.

The Corporate Governance Inspection highlighted the need to review and improve the way the Council managed its performance. The Council has therefore begun to roll out its revised project management methodology and associated training, and will review current performance management arrangements. A review of the staff appraisal system will also be undertaken to ensure it is appropriate and adhered to.

4. REVIEW OF EFFECTIVENESS

The Council has been subject to significant external scrutiny over the past twelve months. This scrutiny has effectively reviewed the effectiveness of the Council's controls. Identified weaknesses and remedial actions have been detailed above, and the purpose of this section is to demonstrate the processes the Council has in place for reviewing its controls.

The effectiveness of the system of internal control is informed by:

- The annual improvement planning process.
- External auditors in their annual audit letter and other reports.
- External Inspections
- Regular reviews of the Council's Constitution and Financial Regulations.
- Regular risk reviews carried out by senior managers and assisted by the Head of Internal Audit
- Regular reviews by Cabinet and Scrutiny Committees of performance and decision making.
- Internal Audit reviews.

Internal Audit Annual Report

The role of the Internal Audit Department is to ensure that:

- all strategic risks are identified, prioritised and addressed;
- all operations are conducted effectively, efficiently and economically in accordance with policies, good governance, laws and regulations;
- the assets of the Council are safeguarded;
- records and reports of the Council are accurate and reliable; and
- fraud and corruption is deterred, prevented or detected.

The Internal Audit work is based upon an assessment of risk, linked to the corporate risk management process, thus ensuring that resources are focused on the most critical operations.

The Head of Internal Audit produces an annual report to the Corporate Governance Committee that provides an opinion on the overall control and risk environment and reports upon significant findings in the year.

The report concluded that the Council can have assurance in the overall adequacy and effectiveness in its internal control environment.

The report highlighted only two high risk issues of an internal control and governance concern:

- There is a need to develop a Council policy on the processes for raising sundry debtor invoices for salary recharges to external organisations. (Revised guidance now in place)
- There is a lack of security awareness and high level of non-compliance with the Information Security Policy. (Training to be provided and guidance issued to Head Teachers from June 2009).

Partnerships and Collaboration

A review of the controls of strategic partnerships arising from the collaboration agenda was undertaken and it was clear that while controls are in place there are further improvements to be undertaken during the coming year. Identification of separate risk registers was completed for the:

- Children and Young People's Partnership,
- Health, Social Care and Wellbeing Partnership,
- Community Safety Partnership

As the Local Service Board moves from planning into delivery of priorities, further work will need to take place to identify the risks involved.

Looking Ahead

Over the past year the Council has developed a Statement of Intent and set of priorities which will guide its future direction. There are a number of projects due to commence over the next few months that will fundamentally transform how the Council works. The Council has developed a new Corporate Plan which will provide the direction for the Council. This has been developed alongside a new Medium Term Financial Plan and business planning and budgeting framework. These new processes and documents will allow the Council to better direct its resources at its priorities. They will also aid consistency, transparency and robustness of decision making. It is also responding to issues identified by external inspection and will ensure its improvements go beyond simple compliance so that the Council is well placed to deliver the best possible services to its communities.

Mohammed Mehmet
Chief Executive

Cllr.Hugh Evans
Leader of the Council