

DENBIGHSHIRE COUNTY COUNCIL
ANNUAL STATEMENT OF ACCOUNTS

2009/10

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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 a 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.

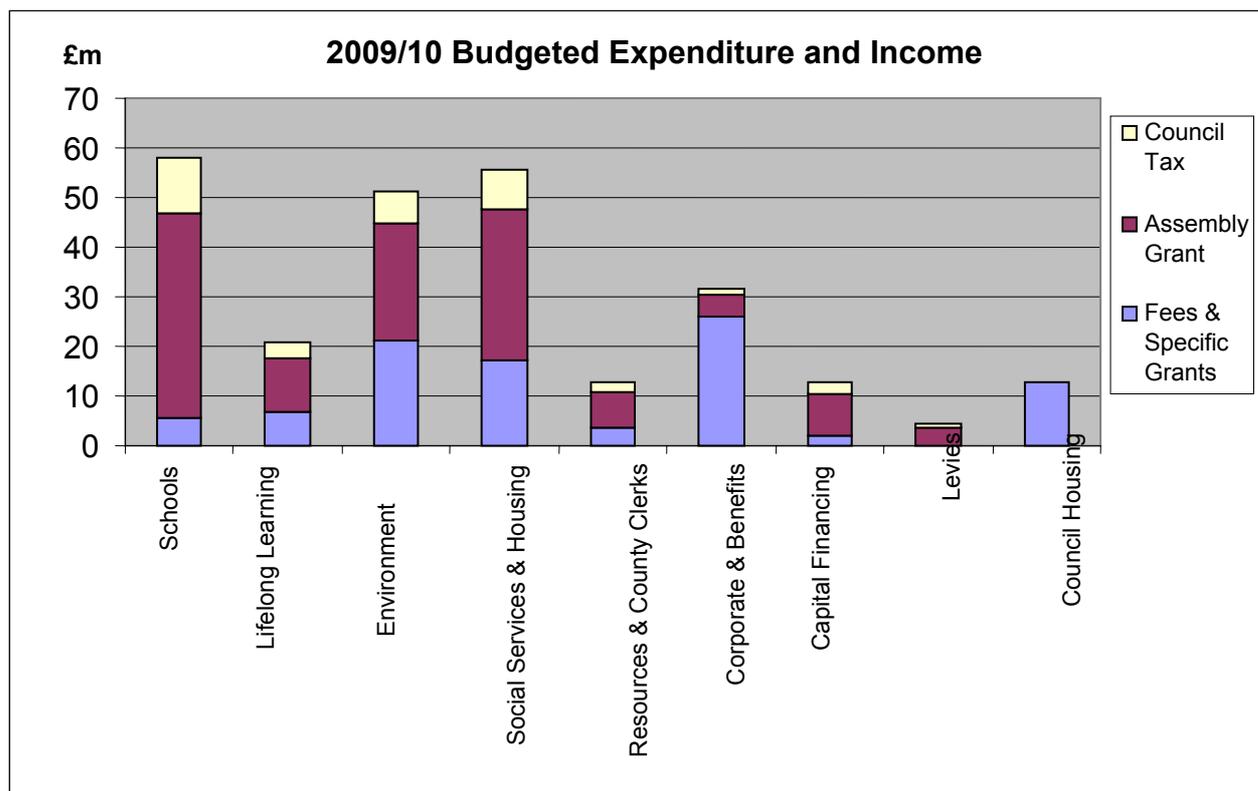
At the end of each year, the Council must produce a Statement of Accounts that complies with legislation and demonstrates what the Council spent its money on. These accounts are becoming more and more technical and difficult to understand. The purpose of the following introduction section is to try to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

Should you have any queries on the accounts please contact the Chief Financial Officer, 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 2009/10?**

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 2009/10, this gross budget was £264m.

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 £295k 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 that is given to schools to manage was £560k above budget. While the Council has increased 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.
- The net overspend of £87k on the rest of the Education budget has arisen because of a number of reasons but the main pressure has been increased costs associated with recovery plans for schools in financial difficulty.
- Environment Directorate encountered a number of pressures and reduced income levels resulting from the impact of the recession. The severe winter also placed additional pressure on the winter maintenance budget. These pressures

were however more than offset by the savings from other areas such as vacancy control and efficiencies gained from public and school transport tendering exercises and improved route planning. The net in-year position for the Environment Directorate for 2009/10 was an under spend of £24k.

- The final in-year position for Social Services & Housing in 2009/10 was an under spend of £193k. The directorate continued to deliver efficiency savings across many service areas as part of a strategy to meet growing demographic pressures. Demand across services has continued to increase this year but initiatives such as extra care housing and a vacancy control procedure have helped to contain pressures. Also, additional income has been received from the NHS to fund Continuing Healthcare initiatives and this has contributed to the under spend this year. Income from the Charging Policy was also higher than expected.
- The Corporate Governance and Efficiency directorate achieved a net under spend of £45k. There were pressures with the cost of translation and savings from vacancy control and additional special funding from the Department of Work & Pensions.
- Borrowing costs to fund capital spend were less than budgeted for because cash reserves were used rather than taking out further borrowing.

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 below and further details are shown in the notes to the accounts

The original in-year contribution to general balances was £226k which was £344k less than was budgeted for. The final figure, after audit adjustments, was £593k

	Explanation	Balance 31 March 2009 £000s	Balance 31 March 2010 £000s
Earmarked Reserves	This is money set aside by the Council to pay for specific projects. Note 33 to the Accounts gives further details.	(15,670)	(16,845)
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 25 to the Accounts gives further details.	(2,942)	(3,047)
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.	(978)	(136)
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.	(42)	(133)
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.	(1,498)	(938)
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.	(6,098)	(6,691)
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.	(1,022)	(1,544)
TOTAL		(28,250)	(29,334)

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 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 reduced level of the grant we are likely to receive from the Welsh Assembly in the coming years

- The ongoing 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 and school buildings
- Increased costs in relation to waste management

Therefore, while the Council can consider that it has managed its money well in 2009/10 and has reached a position of some financial stability, it will still need to continue to pay close attention to its budget. The Council will need to continue to target spending on its priorities and this may involve moving existing budgets to other areas as resources become more scarce.

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 22nd June 2010 £000s
Service Budgets	
Lifelong Learning	67,930
Environment	32,351
Social Services & Housing	38,809
County Clerks	1,700
Resources	7,724
	148,514
Corporate Budgets	
Corporate Budgets	6,174
Benefits	(33)
Capital Finance / Investment Interest	10,768
Levies	4,504
Contributions to Reserves and Provisions	(8)
Total Service and Corporate (excludes HRA)	169,919
Less Funding	(170,882)
In-year Position	(963)
Other Savings	(2,129)
Contribution to Reserves and General Balances Reported to Members	(3,092)
Income and Expenditure Adjustments	
FRS 17 Adjustments	1,375
Capital Accounting Adjustments	26,713
Other SORP Adjustments (includes HRA)	8,713
	36,801
Deficit Shown on Income and Expenditure Account	33,709

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 2009/10, capital expenditure consisted mainly of works to maintain and improve Council owned assets.

The table below shows how much the Council spent on its assets in 2009/10 and where the money came from to pay for it:

EXPENDITURE	£000s
Lifelong Learning - Schools	5,846
Lifelong Learning - Leisure and Libraries	511
Environment - Tourism Culture and Countryside	2,102
Environment - Development Services	4,650
Environment - Planning and Public Protection	3,873
Environment - Transport and Infrastructure	14,164
Council Housing	4,041
Other	1,329
Total	36,516
FUNDING	£000s
Grants	18,728
Supported Borrowing	7,540
Prudential Borrowing	7,784
Capital Receipts	739
Other	1,725
Total	36,516

Expenditure on major projects undertaken during the year includes:

Project	Description	2009/10 £000s
Ysgol Clawdd Offa, Prestatyn	Construction of New Primary School - Completion	576
Ysgol Dinas Bran, Llangollen	Dining and Refurbishment Project	1,569
Heather and Hillforts	Landscape Partnership Project	424
Llangollen	Improvements to Royal International Pavilion	992
Scala Prestatyn	Provision of New Cinema and Arts Centre – Final	270
Council Housing	Major Improvements	1,512
Council Housing	Disabled Adaptations	410
Council Housing	Housing Refurbishment Programme – Rhyl	1,004
Denbigh	Townscape Heritage Initiative – Phase 2	283
Denbighshire	Property and Environment Grants – (PEG)	795
Denbighshire	Warm Wales	446
Denbighshire	Property Purchases – North Wales Coast SRA	519
Prestatyn	Improvement Works – Central Beach PH 1 & 2	373
Hall Street, Llangollen	Flood Alleviation Scheme	973
Denbigh	Flood Alleviation Scheme	1,272
Prestatyn Railway Station	Enabling Works	202
Rhyl Bus Station	Redevelopment Works	1,486
Rhyl Bus Station	Redevelopment Work Ph 1 & 2	401
Ceg y Ffordd, Prestatyn	Cycleway	1,757

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 2009/10, 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 on time. This view was confirmed by the Welsh Assembly Government who reviewed the plan during the year.

Borrowing & Investments

Due to the careful management of its investments, the Council avoided any problems with banks in financial difficulty. The ongoing low interest rates and reduced number of banks that meet our security requirements mean that the Council will not be able to earn as much money from its investments as it did before 2008. To try to make up for this reduction, the Council continued to use its cash to pay off its existing loans rather than invest until a level was reached which the Council felt comfortable with for cash flow purposes. This was achieved by the end of 2009/10 and new long term loans amounting to £10m were taken out to boost the Council's cash flow position. The Council's outstanding debt at 31 March 2010 was £128.3m.

Accounting Policies & International Financial Reporting Standard

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 implemented a technical change to the presentation of the Council's Private Finance Initiative (PFI) scheme, as required by the 'Code of Practice on Local Authority Accounting in the United Kingdom 2009, A Statement of Recommended Practice'. The PFI scheme has been brought onto the Balance Sheet, rather than accounting for the financial impact in the Income and Expenditure Account; however, this change does not ultimately affect the Council's true financial position. This change in policy moves the accounts closer towards complying with International Financial Reporting Standards, which will be implemented fully in 2010/11.

Statutory Functions

There were no significant changes to the Council's statutory functions during 2009/10.

Management Restructure

During 2009/10, the newly appointed Chief Executive introduced a new management structure as part of his vision for Denbighshire to be among the best performing councils in Wales by 2012. Several senior posts were deleted and some new posts created. The Council's budgets and therefore this statement of accounts fully take account of the implications of the restructure.

Single Status / Equal Pay

As part of the pay negotiations in 1997, representatives of councils and trade 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. Work is continuing to calculate the adjustments to the pay of people affected and by August 2010 around half of the employees affected have had their pay adjusted in the accounts and a reasonable estimate has been made of the impact of the remaining adjustments.

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.

Looking Ahead

The UK economy is now technically out of recession but the impact of the 'credit crunch' and the cost of government intervention will be an ongoing burden to the economy for some years. The size of the public sector will decrease in the coming years and consequently, the funding received from the Welsh Assembly Government will reduce. The council will have to carefully manage demands for services whilst the amount of money available to pay for them is reduced. Over the next three years, unprecedented reductions in the amount the council spends each year will have to be made and some very tough decisions will have to be taken to ensure the council continues to live within its means.

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 Chief Financial Officer 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 Chief Financial Officer in preparing the accounts, and the Council's responsibilities to stick to the relevant regulations.

Section 4 - Main Financial Statements

The 2009 SORP brought the accounts closer to International Financial Reporting Standards which has changed some of the entries in the Balance Sheet and Income & Expenditure Account. The overall presentation of the statements is similar to last year. The main 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 2010. 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. This year the cash flow has been presented using the indirect method in order to match its presentation in the Whole of Government Accounts.

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.

Roger Parry
Chief Financial Officer/Head of Finance & Assets

SECTION 2 - STATEMENT OF ACCOUNTING POLICIES

2.0 General Principles

The Statement of Accounts summarises the council's transactions for the 2009/10 financial year and its position at the year-end of 31 March 2010. It has been prepared in accordance with the '*Code of Practice on Local Authority Accounting in the United Kingdom 2009: 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 2009 SORP. The most notable change in the accounting policy adopted in compiling the accounts is the treatment of PFI schemes. Previously such schemes were accounted for in accordance with the FRS5 Substance of Transactions. SORP 2009 requires these contracts to be accounted for in a manner that is consistent with the adaptation of IFRIC 12 Service Concession Arrangements contained in the government's Financial Reporting Manual (FReM) as this will assist in the transition to IFRS for 2010/11. Further information about the Council's PFI scheme can be found under section 2.2 (r) & Note 13 in the Main Financial Statements.

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 2009 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
 - Unlisted 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 more than one financial

year. Expenditure that secures but does not extend the previously assessed standard of performance of an 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 re-valued during 2009/10.

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

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 Council Fund Balance so there is no impact on the level of council tax.

l. 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. The stock at Cefndy Healthcare is valued on the latest cost price rather than assessed between cost and net realisable value and so is also a departure from the SORP. This is to reflect the volatility of some of the commodity values involved and is deemed to be a reasonable valuation method. A Social Services Equipment Store has been developed with the NHS. In keeping with general practice for such equipment, the stock is treated as a revenue item and recorded on an inventory basis.

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 other than the PFI. Please refer to section r.

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.

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. Private Finance Initiative

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

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. The original recognition of these fixed assets was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the assets. For Denbighshire's scheme, the liability was written down by an initial capital contribution of £300k.

Fixed assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the council.

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

- Fair value of the services received during the year – debited to the relevant service in the Income & Expenditure Account
- Finance cost – an interest charge of 6.19% on the outstanding Balance Sheet liability, debited to Interest Payable and Similar Charges in the Income and Expenditure Account
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to Interest Payable and Similar Charges in the Income and Expenditure Account.
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator
- Lifecycle replacement costs – recognised as fixed assets on the Balance Sheet

s. Soft Loans

A soft loan is a loan which the Council has given to an external body at an interest rate which is less than the market rate. In this case, soft loan accounting needs to be applied. However, if the size of the transaction is deemed to be de-minimis, there is no need to apply soft loan accounting. The Council has set this de-minimis level at £150k for each individual loan granted.

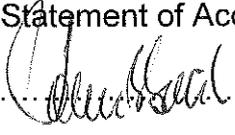
SECTION 3 - STATEMENT OF RESPONSIBILITIES**The County Council's Responsibilities**

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 Chief Financial Officer;
- (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.

Signed  Date 29/9/10

CHAIR OF CORPORATE GOVERNANCE COMMITTEE

Responsibilities of the Chief Financial Officer

The Chief Financial Officer 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 SORP').

In preparing this Statement of Accounts, the Chief Financial Officer 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 local authority SORP.

The Chief Financial Officer 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: Chief Financial Officer

I certify that the accounts set out on pages 25 – 88 give a fair and true view of the financial position of Denbighshire County Council at the accounting date and its income and expenditure for the year ended 31 March 2010.



Roger Parry
Chief Financial Officer

Date 29/9/2010

SECTION 4 - MAIN FINANCIAL STATEMENTS**INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2010**

Restated 2008/09 Net Expenditure £000s		Note	2009/10 Gross Expenditure £000s	2009/10 Income £000s	2009/10 Net Expenditure £000s
1,551	Central Services to the Public		10,992	(9,391)	1,601
230	Courts Services		486	(262)	224
37,879	Cultural, Environmental, Regulatory & Planning		57,649	(27,026)	30,623
86,509	Education and Children's Services		114,341	(21,703)	92,638
9,459	Highways & Transport Services		21,856	(10,828)	11,028
498	Other Housing Services		33,175	(30,748)	2,427
31,685	Adult Social Care		49,289	(17,027)	32,262
1,896	Corporate & Democratic Core		6,221	(5,023)	1,198
477	Non Distributed Costs		780	0	780
6,976	Local Authority Housing (HRA)		23,313	(11,021)	12,292
177,160	Net Cost of Services		318,102	(133,029)	185,073
	Precepts and Contributions				
6,993	Police Authority				7,353
4,429	Fire and Rescue Authority				4,476
1,238	Community Councils				1,282
9,392	Interest payable and similar charges	28			9,091
72	(Surplus) / Deficit on trading undertakings	12			(58)
(2,291)	Interest and investment income	28			(704)
5,906	Pensions interest cost and expected return on Pensions assets	3			8,638
202,899	Net Operating Expenditure				215,151
	Financed by				
(105,337)	General Government Grants	15			(109,081)
(25,469)	Share of National Non- Domestic Rates Pool	5			(26,372)
(44,341)	Council Tax	4			(45,989)
(175,147)	Total Sources of Financing				(181,442)
27,752	(Surplus) / Deficit for the Year				33,709

STATEMENT OF MOVEMENT ON THE COUNCIL FUND BALANCE 2009/10

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.

RESTATED 2008/09 £000s	STATEMENT OF MOVEMENT ON THE COUNCIL FUND BALANCE	2009/10	
		£000s	£000s
27,752	(Surplus) or Deficit for the year on the Income and Expenditure Account		33,709
	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		
(38,807)	Depreciation and impairment of fixed assets	(42,339)	
2,424	Government Grants Deferred Amortisation	3,246	
(1,547)	Revenue Expenditure funded from Capital Under Statute	(2,712)	
0	Net Loss on Sale of Fixed Assets	0	
128	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	(105)	
(15,429)	Net charges made for retirement benefits in accordance with FRS17	(15,292)	
(53,231)			(57,202)
	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		
6,835	Revenue Provision for Capital Financing	7,276	
3,956	Capital expenditure charged in-year to the Council Fund Balance	1,233	
13,658	Employer's contributions payable to Clwyd Pension Fund and retirement benefits payable direct to pensioners	14,002	
24,449			22,511
	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		
(2,685)	Housing Revenue Account Balance	522	
36	Repayment of Grant – Capital Receipt	1	
4,608	Net transfer to or from earmarked reserves	1,177	
1,959			1,700
(26,823)	Net additional amount required by statute and non statutory proper practices to be debited or credited to the Council Fund Balances for the year.		(32,991)
929	(Increase) / Decrease in Council Fund Balance for the year		718
(9,545)	Council Fund balances brought forward		(8,616)
(8,616)	Council Fund balances carried forward		(7,898)
(1,498)	Amount of Council Fund balance held by governors under schemes to finance school expenditure		(938)
(7,118)	Amount of Council Fund balance generally available for new expenditure		(6,960)
(8,616)			(7,898)

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	Restated 2008/09 £000s	2009/10 £000s
(Surplus)/deficit on the Income and Expenditure Account for the year		27,752	33,709
Surplus arising on revaluation of fixed assets	29	(89,171)	(50,093)
Actuarial gains and losses on Pension Fund Assets and Liabilities	3	(5,056)	43,375
TOTAL RECOGNISED (GAINS) OR LOSSES FOR THE YEAR		(66,475)	26,991

BALANCE SHEET AS AT 31 MARCH 2010

Restated 31 Mar 09 £000s		Note	31 Mar 10 £000s	
	<u>Fixed Assets</u>			
	Tangible Fixed Assets	16		
	Operational Assets			
236,203	Council Dwellings		265,974	
192,601	Other Land & Buildings		188,950	
9,360	Vehicles, Plant & Equipment		9,422	
62,595	Infrastructure Assets		70,957	
2,655	Community Assets		3,136	
	Non Operational Assets			
18,571	Investment Properties		18,806	
6,408	Asset Under Construction		7,547	
5,753	Surplus Assets held for disposal		5,753	
534,146	TOTAL FIXED ASSETS			570,545
6	Long Term Investments		6	
1,137	Long Term Debtors	20	1,447	1,453
535,289	TOTAL LONG TERM ASSETS			571,998
	<u>Current Assets</u>			
1,506	Stocks / Work In Progress	21	1,361	
20,950	Debtors	22	27,951	
27,571	Investments	28	22,299	51,611
585,316	TOTAL ASSETS			623,609
	<u>Current Liabilities</u>			
(6,171)	Short Term Borrowing	28	(3,395)	
(28,014)	Creditors	23	(36,976)	
(3,850)	Bank Overdraft		(3,606)	(43,977)
547,281	TOTAL ASSETS less current liabilities			579,632
(122,644)	Long Term Borrowing	28	(125,262)	
(10,974)	PFI Finance Lease Liability	13	(10,741)	
(1,972)	Capital Grants in Advance	32	(2,115)	
(94,987)	Government Grants Deferred	30	(107,032)	
(117,516)	Pensions Liability to defined benefit scheme	3	(162,180)	
(2,942)	Provisions	25	(3,047)	(410,377)
196,246	TOTAL ASSETS less liabilities			169,255

Restated 31 Mar 09 £000s		Note	31 Mar 10 £000s
	RESERVES		
(39)	Deferred Capital Receipts	24	(19)
(153,576)	Capital Adjustment Account	26	(125,197)
(2,541)	Usable Capital Receipts Reserve	31	(3,026)
117,516	Pensions Reserve	3	162,180
(132,535)	Revaluation Reserve	29	(177,250)
(1,022)	Housing Revenue Account Balance	34	(1,544)
(8,616)	Balances - Council Fund	34	(7,898)
237	Financial Instruments Adjustment Account	28	344
(15,670)	Earmarked Reserves	33	(16,845)
(196,246)	TOTAL EQUITY or TOTAL NET WORTH		(169,255)

CASH FLOW STATEMENT

Restated 2008/09 £000s		Note	2009/10		
			£000s	£000s	£000s
(18,412)	NET REVENUE ACTIVITIES CASH FLOW	42			(13,774)
	RETURNS ON INVESTMENT AND SERVICING OF FINANCE				
	Cash Outflows				
8,022	Interest paid		7,704		
1,381	Interest element of finance lease rental payment		1,352	9,056	
	Cash Inflows				
(2,580)	Interest Received		(1,676)	(1,676)	
	CAPITAL ACTIVITIES				
	Cash Outflows				
44,917	Purchase of Fixed Assets		34,275		
	Purchase of long term investments				
	Other capital cash payments			34,275	
	Cash Inflows				
(773)	Sale of Fixed Assets		(1,291)		
(27,674)	Capital Grants Received		(21,846)		
(356)	Other capital cash receipts		(1,195)	(24,332)	
22,937					17,323
	NET CASH INFLOW / OUTFLOW BEFORE FINANCING				3,549
	MANAGEMENT OF LIQUID RESOURCES				
(11,800)	Net increase / (decrease) in short term deposits	43		(4,300)	
493	Net increase / (decrease) in other liquid resources	43		611	(3,689)
	FINANCING				
	Cash Outflows				
10,674	Repayments of Amounts Borrowed			18,651	
250	Capital element of finance lease rental payment	13		233	18,884
	Cash Inflows				
(2,000)	New Loans Raised			(10,000)	
(3,000)	New short term loans			(8,500)	(18,500)
(858)	NET INCREASE/(DECREASE) IN CASH				244

SECTION 5 -
EXPLANATORY NOTES
TO THE
MAIN FINANCIAL
STATEMENTS

SECTION 5 - NOTES TO THE MAIN FINANCIAL STATEMENTS

1. PRIOR YEAR ADJUSTMENT

The Council has adopted the requirements of the SORP to:

- a) Include all council tax income in the Council's Statement of Accounts and the North Wales Police Authority precept to be presented as the Council's expenditure.
- b) Bring the Council's Private Finance Initiative Scheme onto the Balance Sheet.

The impact on the comparative figures for 08/09 on the Income and Expenditure Account is as follows

	As previously stated in 2008/09 £000s	Adjustment (a) £000s	Adjustment (b) £000s	As restated 2008/09 £000s
Central Services to the Public	1,551			1,551
Courts Services	230			230
Cultural, Environmental, Regulatory and Planning	37,939		(60)	37,879
Education & Children's Services	86,509			86,509
Highways & Transport Services	9,459			9,459
Other Housing Services	498			498
Adult Social Care	31,685			31,685
Corporate and Democratic Core	1,896			1,896
Non Distributed Costs	477			477
Local Authority Housing (HRA)	6,976			6,976
Net Cost of Services	177,220		(60)	177,160
Precepts and Contributions				
Police Authority	0	6,993		6,993
Fire and Rescue Authority	4,429			4,429
Community Councils	1,238			1,238
Interest Payable and Similar Charges	7,973		1,419	9,392
(Surplus) / Deficit on Trading Undertakings	72			72
Interest and Investment Income	(2,291)			(2,291)
Pensions Interest Cost and Expected Return on Pension Assets	5,906			5,906
Net Operating Expenditure	194,547	6,993	1,359	202,899
Financed by				
General Government Grants	(103,824)		(1,513)	(105,337)
Share of National Non-Domestic Rates Pool	(25,469)			(25,469)
Council Tax	(37,348)	(6,993)		(44,341)
Total Sources of Financing	(166,641)	(6,993)	(1,513)	(175,147)
(Surplus) / Deficit for the year	27,906	0	(154)	27,752

The impact on the comparative figures for 08/09 on the Statement of Movement on the Council Fund Balance is as follows:

	As previously stated in 2008/09 £000s	Adjustment (b) £000s	As restated 2008/09 £000s
(Surplus) or Deficit for the year on the Income and Expenditure Account	27,906	(154)	27,752
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			
Depreciation and Impairment of Fixed Assets	(38,732)	(75)	(38,807)
Government Grants Deferred Amortisation	2,424		2,424
Revenue Expenditure Funded from Capital Under Statute	(1,547)		(1,547)
Net Loss on Sale of Fixed Assets	0		0
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		128
Net charges made for retirement benefits in accordance with FRS17	(15,429)		(15,429)
	(53,156)	(75)	(53,231)
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			
Revenue Provision for Capital Financing	6,622	213	6,835
Capital expenditure charged in-year to the Council Fund Balance	3,956		3,956
Employer's contributions payable to Clwyd Pension Fund and retirement benefits payable direct to pensioners	13,658		13,658
	24,236	213	24,449
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			
Housing Revenue Account Balance	(2,685)		(2,685)
Repayment of Grant – Capital Receipt	36		36
Transfers to PFI Acquisition Reserve	58	(58)	0
Net transfer to or from earmarked reserves	4,534	74	4,608
	1,943	16	1,959
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)	154	(26,823)
(Increase) / Decrease in Council Fund Balance for the year	929		929
Council Fund balances brought forward	(9,545)		(9,545)
Council Fund balances carried forward	(8,616)		(8,616)
Amount of Council Fund balance held by governors under schemes to finance school expenditure	(1,498)		(1,498)
Amount of Council Fund balance generally available for new expenditure	(7,118)		(7,118)
	(8,616)	0	(8,616)

The 2009 SORP has also required the Council to make the following adjustments:

- c) An Amount owed by Prestatyn Town Council in relation to the development and regeneration of the Scala Cinema and Arts Centre was not previously shown in the Balance Sheet.
- d) Derecognise National Non-domestic rates (NNDR) debtors in the Council's Balance Sheet and instead recognise a debtor for the cash collected from NNDR debtors and overpaid to the Welsh Assembly Government.

The Impact on the comparative figures for 08/09 of these and in the Balance Sheet are as follows:

	As previously stated in 2008/09 £000s	Adjustment (b) £000s	Adjustment (c) £000s	Adjustment (d) £000s	As restated 2008/09 £000s
Total Fixed Assets	529,773	4,373			534,146
Long Term Investments	6				6
Long Term Debtors	326	(186)	997	0	1,137
Total Long Term Assets	530,105	4,187	997	0	535,289
Stocks and Works in Progress	1,506				1,506
Debtors	22,507	(564)		(993)	20,950
Investments	27,571				27,571
Total Assets	581,689	3,623	997	(993)	585,316
Short Term Borrowing	(6,171)				(6,171)
Creditors	(29,007)			993	(28,014)
Bank Overdraft	(3,850)				(3,850)
Total Assets Less Current Liabilities	542,661	3,623	997	0	547,281
Long Term Borrowing	(122,644)				(122,644)
PFI Finance Lease Liability	0	(10,974)			(10,974)
Capital Grants In Advance	(1,972)				(1,972)
Government Grants Deferred	(93,990)		(997)		(94,987)
Pension Liability to Defined Benefit Scheme	(117,516)				(117,516)
Provisions	(2,942)				(2,942)
Total Assets Less Liabilities	203,597	(7,351)	0	0	196,246

Reserves:					
Deferred Capital Receipts	(39)				(39)
Capital Adjustment Account	(160,932)	7,356			(153,576)
Useable Capital Receipt Reserve	(2,541)				(2,541)
Pensions Reserve	117,516				117,516
Revaluation Reserve	(132,535)				(132,535)
PFI Acquisition Reserve	(186)	186			0
Housing Revenue Account Balance	(1,022)				(1,022)
Balances – Council Fund	(8,616)				(8,616)
Financial Instruments Adjustment Account	237				237
Earmarked Reserves	(15,479)	(191)			(15,670)
Total Net Worth	(203,597)	7,351	0	0	(196,246)

2. 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 £2.370m in 2009/10 (£3.337m in 2008/09).

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 2009/10 the Authority reclaimed £1.058m (£1.180m in 2008/09).

3. 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 2009/10, the Council paid £4.907m (including St. Brigids) to Capita Teachers' Pension in respect of teachers' retirement benefits, at a rate of 14.1%. The figures for 2008/09 were £4.816m 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.

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 on the Council Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement on the Council Fund Balance during the year:

2008/09 £000s		2009/10 Council Fund £000s	2009/10 HRA £000s	2009/10 Total £000s
	<u>Income and Expenditure Account</u>			
	Net Cost of Services:			
9,046	Current Service Cost	5,784	90	5,874
335	Curtailment Costs	745		745
142	Past Service Costs	35		35
	Net Operating Expenditure			
19,953	Interest Cost	19,333	299	19,632
(14,047)	Expected Return on Scheme Assets	(10,826)	(168)	(10,994)
15,429	Net Charge to the Income and Expenditure Account	15,071	221	15,292
	<u>Statement of Movement on the Council Fund Balance</u>			
(15,429)	Reversal of Net Charges made for Retirement Benefits in Accordance with FRS 17	(15,071)	(221)	(15,292)
(15,429)		(15,071)	(221)	(15,292)
	<u>Actual Amount Charged Against the Council Fund Balance for Pensions in the Year:</u>			
13,658	Employers contributions payable to scheme.	13,827	175	14,002

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gains and losses of (£43,375k) (£5,056k in 2008/09) 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 2008/09 £000s	Funded Liabilities: Local Government Pension Scheme 2009/10 £000s	Unfunded Liabilities: Teachers Pension Scheme 2008/09 £000s	Unfunded Liabilities: Teachers Pension Scheme 2009/10 £000s
1 April	316,065	269,563	11,236	9,581
Current Service Cost	9,046	5,874	0	0
Interest Cost	19,292	18,982	661	650
Contributions by Scheme Participants	3,245	3,345	0	0
Actuarial (Gains) and Losses	(66,653)	84,844	(1,521)	1,740
Benefits Paid	(11,909)	(13,632)	(795)	(840)
Curtailments	335	745	0	0
Past Service Costs	142	35	0	0
31 March	269,563	369,756	9,581	11,131

<u>Reconciliation of fair value of the scheme assets:</u>		
	Assets: Local Government Pension Scheme 2008/09 £000s	Assets: Local Government Pension Scheme 2009/10 £000s
1 April	206,298	161,628
Expected Rate of Return	14,047	10,994
Actuarial Gains and (Losses)	(62,916)	43,209
Employers Contributions	12,863	13,163
Contributions by Scheme Participants	3,245	3,345
Benefits Paid	(11,909)	(13,632)
31 March	161,628	218,707

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 -£54,203k and -£48,869k in 2008/09.

Asset returns over 2009/10 have been exceptionally good (following a very poor 2008/09), with local authority funds typically achieving investment returns of at least 25% on their assets. 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 31 March 2010 are much more conservative than those used as at 31 March 2009, driven by the yields on corporate bonds falling substantially and the inflation assumption (even allowing for the introduction of the Inflation Risk Premium) increasing slightly during the year. The result has been a large increase in FRS17/IAS19 liabilities for employers.

Scheme History

	2005/06	2006/07	2007/08	2008/09	2009/10
	£000s	£000s	£000s	£000S	£000s
Present Value of Liabilities:					
Local Government Pension Scheme	(293,770)	(295,814)	(316,065)	(269,563)	(369,756)
Teachers Pension Scheme	(10,945)	(10,378)	(11,236)	(9,581)	(11,131)
Fair Value of Assets in the Local Government Pension Scheme	191,229	207,031	206,298	161,628	218,707
Surplus (deficit) in the Scheme:					
Local Government Pension Scheme	(102,541)	(88,783)	(109,767)	(107,935)	(151,049)
Teachers Pension Scheme	(10,945)	(10,378)	(11,236)	(9,581)	(11,131)
Total Surplus (Deficit)	(113,486)	(99,161)	(121,003)	(117,516)	(162,180)

The liability shows the underlying commitments that the council has in the long run to pay retirement benefits. The total liability of £162.180m 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 2011 is £12.456m.

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	
	2008/09	2009/10
Long-term Expected Rate of Return on Assets in the Scheme		
Equity Investments	7.50%	7.50%
Bonds	6.00%	5.20%
Property	6.50%	6.50%
Cash / Liquidity	0.50%	0.50%
Other	7.50%	7.50%
Mortality Assumptions		
Longevity at 65 for the current pensioners:		
Men	21.2 Years	21.2 Years
Women	24.0 Years	24.1 Years
Longevity at 65 for Future Pensioners:		
Men	22.2 Years	22.2 Years
Women	25.0 Years	25.0 Years
Rate of Inflation	3.30%	3.30 %
Rate of Increase in Salaries	4.55%	4.55 %
Rate of Increase in Pensions	3.30%	3.30 %
Rate for Discounting Scheme Liabilities	7.10%	5.60 %
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 2009 %	31 March 2010 %
Equity Investments	51.9	58.5
Bonds	12.5	11.8
Other Assets	35.6	29.7
	100.0	100.0

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pension Reserve in 2009/10 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2010.

	2005/06 %	2006/07 %	2007/08 %	2008/09 %	2009/10 %
Differences Between the Expected and Actual Return on Assets	15.00	(0.06)	(9.39)	(38.93)	19.76
Experience Gains and Losses on Liabilities	(1.97)	0.00	2.77	0.00	0.00

4. 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 37,617 in 2009/10 (37,564 in 2008/09).

This basic amount (including Community Council precept and North Wales Police precept) for a Band D property was £1,200.75 (£1,162.43 in 2008/09) 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 10	3,976	7,038	13,934	7,594	5,238	3,454	1,909	291	165

Analysis of the net proceeds from Council Tax:

2008/09 £000s		2009/10 £000s
44,341	Council Tax collectable	45,989
(6,993)	Amount payable to North Wales Police Authority	(7,353)
(326)	Provision for non-payment of Council Tax	(327)
37,022	Net proceeds from Council Tax	38,309
	Denbighshire County Council Split:	
35,677	Denbighshire County Council	36,909
1,238	Community Councils	1,282
107	Discretionary Non-domestic Rate Relief	118
37,022		38,309

5. NATIONAL NON-DOMESTIC RATES (NNDR)

NNDR is organised on a national basis. The Welsh Assembly Government specified the rate of 48.9p in 2009/10 (46.6p in 2008/09) 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 £19.247m for 2009/10 (£19.667m for 2008/09) was based on an aggregate rateable value of £48.702m for the year.

Analysis of the net proceeds from non-domestic rates:

2008/09 £000s		2009/10 £000s
19,667	Non Domestic Rates collectable	19,247
(199)	Cost of Collection allowance	(198)
(268)	Provision for Bad Debts	66
(39)	Refunds of interest	(74)
19,161	Payment into National Pool	19,041
25,469	Redistribution from National Pool	26,372

6. EMPLOYEES' EMOLUMENTS

The number of employees whose remuneration, excluding employer's pension contributions, was £60,000 or more.

2008/09 Total Employees	Remuneration Band	2009/10			
		School Based Staff	Non- School Staff	Total Employees	Left During Year
10	£60,000 - £64,999	7	4	11	3
6	£65,000 - £69,999	5	4	9	0
4	£70,000 - £74,999	2	3	5	2
2	£75,000 - £79,999	1	0	1	0
0	£80,000 - £84,999	1	0	1	1
4	£85,000 - £89,999	2	4	6	2
1	£90,000 - £94,999	0	1	1	0
0	£95,000 - £99,999	0	0	0	0
0	£100,000 - £104,999	0	1	1	1
0	£105,000 - £109,999	0	0	0	0
0	£110,000 - £114,999	0	0	0	0
0	£115,000 - £119,999	0	1	1	0
0	£120,000 - £124,999	1	0	1	1
0	£125,000 - £129,999	0	0	0	0
0	£130,000 - £134,999	0	1	1	1
1	£260,000 - £264,999	0	0	0	0
28	Total	19	19	38	11

It should be noted that this table includes the Senior Officers detailed in the table below.

A number of officers left during the year therefore their remuneration will contain any payments receivable on the termination of their employment.

The following tables set out the remuneration disclosures for Senior Officers whose salary is less than £150,000 but equal to or more than £60,000 per year.

2009/10

Post Title	Notes	Salary (including fees & allowances)	Bonuses, Benefits in kind and Compensation	Expenses allowances	Total Remuneration excluding pension contributions	Pension Contributions	Total Remuneration including pension contributions
£		£	£	£	£	£	£
Chief Executive		108,722	0	8,319	117,041	23,701	140,742
Corporate Director – Lifelong Learning		92,420	0	814	93,234	20,148	113,382
Corporate Director – Social Services & Housing		84,931	0	741	85,672	18,515	104,187
Corporate Director – Environment		84,931	0	646	85,577	18,515	104,092
Corporate Director – Governance & Efficiency		23,961	0	155	24,116	5,224	29,340
Corporate Director – Resources / Acting Chief Executive	1	66,791	59,047	499	126,337	12,998	139,335
Chief Finance Officer / Acting Corporate Director – Resources	2	67,470	0	764	68,234	14,708	82,942
Head of Corporate Governance		64,771		864	65,635	14,120	79,755
		593,997	59,047	12,802	665,846	127,929	793,775

The “Expenses allowances” column contains any relocation paid. Car allowances, including the profit element of car allowances as declared to HM Revenue and Customs on form P11D, are also disclosed in this column.

Pension Contributions disclosed are based upon actual costs.

The tables include remuneration paid to senior employees as Returning Officer.

There are no Senior officers whose salary is £150,000 or more

During 2009/10 a management restructuring exercise was undertaken. A new post of Corporate Director - Governance and Efficiency was created and the post of Corporate Director – Resources was deleted.

Note 1: Acting Chief Executive between November 2008 and May 2009.

Note 2: Acting Corporate Director between November 2008 and May 2009.

2008/09

Post Title	Notes	Salary (including fees & allowances)	Bonuses, Benefits in kind and Compensation	Expenses allowances	Total Remuneration excluding pension contributions	Pension Contributions	Total Remuneration including pension contributions
£		£	£	£	£	£	£
Interim Corporate Director – Lifelong Learning	3	116,820	0	0	116,820	0	116,820
Corporate Director – Social Services & Housing		84,931	0	642	85,573	18,515	104,088
Corporate Director – Environment		84,931	0	646	85,577	18,515	104,092
Corporate Director – Resources / Acting Chief Executive	1	91,009	0	766	91,775	19,840	111,615
Financial Controller/ Acting Corporate Director - Resources	2	67,992	0	0	67,992	14,822	82,814
County Clerk		64,771	0	753	65,524	14,120	79,644
		510,454	0	2,807	513,261	85,812	599,073

Note 3: Payments for the Interim Corporate Director – Lifelong Learning were made to an Employment Agency therefore gross payment shown in “Salary (including fees & allowances)” column.

Some disclosures have not been included in the above table due to the duty of confidentiality owed by the Authority.

7. MEMBERS' ALLOWANCES

Details of members' allowances paid in 2009/10 were issued to the press and posted on the Council's website in May 2010. Further copies are obtainable from the Corporate Communications Manager, County Hall, Wynnstay Road, Ruthin, Denbighshire, LL15 1YN.

2008/09 £000s		2009/10 £000s
616	Basic Allowances	597
201	Special Allowances	227
5	Carer's Allowance	8
1	Taxable Allowance	0
823	Total	832

8. 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 2009/10 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:

Restated 2008/09 £000s		2009/10 £000s
777	Provision for repayment of Debt - HRA	975
6,095	Provision for repayment of Debt – Council Fund	6,301
6,872	Revenue Provision	7,276
13,758	Provision for depreciation	15,593
(2,424)	Release of grant deferred	(3,246)
(4,462)	Reconciling amount to revenue provision	(5,071)
6,872	Revenue Provision	7,276

9. 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 2009/10:

- An elected member's spouse is Chief Executive of Denbighshire Enterprise Agency (see note on related companies) which received payments of £22,600
- An elected member declared an interest in the North Wales Resource Centre which received a grant of £8,765.
- Two elected members declared an interest in the Scala Prestatyn Company Ltd which received grants of £58,591, £8,000 contributions and a loan of £65,000
- Payments of £5,627 were made to a company in which a member had declared an interest.
- An elected member is chair of the Prestatyn Youth Arts Festival which received a grant of £9,000.
- An elected member declared membership of Llandyrnog Tuesday Club which received a grant of £500.
- An elected member declared an interest in the Rhyl Operatic Society, which received a payment of £6,184.
- An elected member received payments totalling £2,200 in respect of rents for short term tenancies.
- An elected member is Vice President and Ambassador for Llangollen International Eisteddfod which received £8,050 during the year.

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 Head of Corporate Governance 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.

10. LEASES

The Council holds various capital assets under operating leases. During 2009/10 operating lease rentals totalled £0.240m. These were all in respect of Plant and Vehicles (total for 2008/09 amounted to £0.304m).

The Authority was committed at 31 March 2010 to making payments of £0.82m under operating leases in 2010/11.

Those in which the commitment expires	£000s
Within 1 year	82
Within 2 – 5 years	16
Over 5 years	0

11. 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.

2008/09 £000s		2009/10 £000s
224	External Audit fees payable to the appointed auditor	169
83	Inspection Fee	147
307	Total Regulatory Fee	316
111	Grant Certification	83
0	Other Services	5

The Local Government Measure was introduced during 2009/10 and is a statutory inspection under s10 of the Local Government Act 1999. This replaces performance audit work that was carried out by the appointed auditor.

12. 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.

2008/09			ACTIVITY	2009/10		
Turnover £000s	Expenditure £000s	(Surplus)/ Deficit £000s		Turnover £000s	Expenditure £000s	(Surplus) /Deficit £000s
(1,461)	1,459	(2)	<u>Environmental Services</u>	(1,440)	1,434	(6)
(2,423)	2,407	(16)	Building Maintenance	(2,524)	2,480	(44)
(633)	687	54	Highways Maintenance	(612)	611	(1)
(294)	274	(20)	Sign Shop	(162)	160	(2)
(901)	873	(28)	Street Lighting	(1,007)	968	(39)
(2,540)	2,624	84	Building Cleaning	(2,583)	2,617	34
(8,252)	8,324	72	Total Environment Services	(8,328)	8,270	(58)

2008/09	Activity	2009/10				
(Underspend) /Overspend £000s		Turnover £000s	Expenditure £000s	(Surplus) / Deficit £000s	Budget £000s	(Underspend) /Overspend £000s
	<u>Other Trading Activities</u>					
40	Industrial Estates	(738)	405	(333)	(324)	(9)
163	Cefndy Enterprises	(3,127)	3,410	283	162	121
203	Total Other Trading Activities	(3,865)	3,815	(50)	(162)	112

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 2009/10 income of £859k was achieved against a budget of (£927k) resulting in an overspend of £68k (£40k in 2008/09).

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 2009/10 the Council charged £194k to operate the WPPP Unit. This sum was recharged to the partner authorities as follows: Denbighshire £56k, Gwynedd £86k, Anglesey £13k and Wrexham £39k.

North Wales Residual Waste Treatment Project (NWRWTP) - 5 local authorities (Anglesey, Conwy, Denbighshire, Flintshire and Gwynedd) have joined together to look to procure solutions for the treatment of residual waste. Flintshire County Council are leading on the project and in 09/10 Denbighshire contributed £180,561 as its share of the procurement costs incurred to 31 March 2010.

North East Wales Food Waste Hub - 3 local authorities (Conwy, Denbighshire and Flintshire) have joined together to look to procure solutions for the treatment of food waste. Denbighshire County Council are leading on the project. The Welsh Assembly Government are providing funding towards the project and they have paid all the associated costs incurred up to 31 March 2010 (£158,968).

Emergency Planning Unit - Denbighshire contributes towards the running costs of the Emergency Planning Unit operated by Flintshire County Council. Denbighshire's contribution for the year ended 31 March 2010 was £129,880.

North Wales Procurement Partnership – The North Wales Procurement Partnership consists of Anglesey, Conwy, Denbighshire, Flintshire, Gwynedd and Wrexham Councils. It is hosted by Gwynedd Council and funded by all six North Wales Councils who will manage the service through a joint management board. Its aim is to negotiate the best possible deals from suppliers through standardising the purchase of goods and organising procurement on a regional level. Denbighshire's contribution was £43,380 for the year ended 31 March 2010.

13. LONG TERM CONTRACTUAL OBLIGATIONS

Assets held under the 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 and since 2004 the scheme has been treated as being 'off-balance sheet'. A year ahead of the move to International Financial Reporting Standards (IFRS), SORP 2009 requires PFI contracts to be accounted for in a manner that is consistent with the adaptation of IFRIC 12 Service Concession Arrangements contained in the government's Financial Reporting Manual (FRM). This has led to a change in accounting treatment to 'on-balance sheet' requiring all past transactions for the service concessions to be reviewed and where necessary replaced with the entries which would have been made had the scheme always been 'on-balance sheet'.

Assets and Liabilities

The Authority has recognised the PFI assets and the related liability. The PFI Assets include the County Hall, Town Hall and the County Store all in Ruthin. The transactions since 2002/03 have been reviewed and entries reversed including the disposal of assets to the PFI contractor. The assets have been revalued in 2004 and 2009 with depreciation being charged in accordance with the authority's accounting policies.

Assets held under the PFI scheme

Financial Year	Opening Balances £000s	Additions £000s	Revaluations £000s	Depreciation/ Impairment £000s	Closing Balances £000s
2003/04	1,130			(13)	1,117
2004/05	1,117	12,564	(8,710)	(344)	4,627
2005/06	4,627	73		(137)	4,563
2006/07	4,563	1		(65)	4,499
2007/08	4,499			(64)	4,435
2008/09	4,435	11		(75)	4,371
2009/10	4,371			(130)	4,241

At the inception of the first PFI scheme the fair value of the fixed asset has been matched by a finance lease liability. The initial liability was £12.195m, reduced by a capital contribution from Denbighshire County Council of £0.300m.

The table below shows the writing down of the lease liability from 2004/05 to 2009/10.

	2004/05 £000s	2005/06 £000s	2006/07 £000s	2007/08 £000s	2008/09 £000s	2009/10 £000s
Finance Lease Liability opening						
Lease Liability						
Additions – new Assets	(12,195)	(11,764)	(11,590)	(11,393)	(11,187)	(10,974)
Release Capital Contribution	300	0	0	0	0	0
Repayment of Lease Creditor	131	174	197	206	213	233
Finance Lease Liability Closing	(11,764)	(11,590)	(11,393)	(11,187)	(10,974)	(10,741)

Unitary Payments

The amount payable to the PFI operations each year is now analysed into five elements.

- Fair value of the services received during the year – debited to the relevant service in the Income & Expenditure Account. In 2009/10 this was £0.489m plus payments for utilities and insurance.

- Finance cost - £1.374m in 2009/10 and debited to Interest Payable and Similar Charges in the Income and Expenditure Account.
- Contingent rent – Increases in the amount to be paid for the property arising during the contract, debited to Interest Payable and Similar Charges in the Income and Expenditure Account. £0.019m in 2009/10.
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator as shown in the table above.
- Lifecycle replacement costs – recognised as fixed assets on the Balance Sheet if they have occurred or as a repayment. Since the start of the PFI contract no lifecycle works have been done therefore there is a prepayment on the Balance Sheet of £0.111m.

The details of payments due to be made during the life of the scheme are as follows.

	Fair Value of Service Charge (including Lifecycle costs) £000s	Interest and Contingent Rents £000s	Repayment of Liability £000s	Total £000s
Within one year	550	1,368	269	2,187
Within two to five years	3,205	5,281	788	9,274
Within six to ten years	4,794	5,822	1,607	12,223
Within eleven to fifteen years	5,261	4,422	3,142	12,825
Within sixteen to twenty years	4,025	1,305	4,935	10,265
	17,835	18,198	10,741	46,774

The payments for the forthcoming financial years have been estimated using weighted average of the various indices stipulated in the contract.

14. Health Act 2006 – Section 33 Agreements

The Council has two formal Section 33 agreements. The Adult Mental Health Partnership with Conwy County Borough Council and the Betsi Cadwaladr University Health Board (BCUHB) and the Community Equipment store with BCUHB. The Mental Health Partnership is a joint management and commissioning arrangement while the Equipment Store is a formal pooled budget arrangement.

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 gross expenditure on the Mental Health Partnership was £932k (£745k net). The Council's contribution to the Community Equipment Store pooled budget was:

Community Equipment Store

Pooled Budget Contributions	£000s
Denbighshire County Council	(211)
Betsi Cadwaladr University Health Board	(127)
Other Grants	(80)
Total Pooled Budget Contributions	(418)
Expenditure	
Equipment Purchases	145
Operating Expenditure	262
Total Expenditure	407
Net Pooled Budget (Surplus)/ Deficit for the year	(11)

15. GOVERNMENT GRANTS

2008/09 £000s		2009/10 £000s
(103,655)	Revenue Support Grant	(107,456)
(1,513)	PFI Grant	(1,456)
(169)	Deprivation Grant	(169)
(105,337)		(109,081)

16. 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	248,560	209,633	19,766	75,078	2,655	555,692
At 31 March 2009						
<u>20% Revaluations</u>						
Net Gain	38,878	5,227	0	0	0	44,105
Loss						
- Impairment	(8,675)	(3,314)	0	0	0	(11,989)
- Depreciation	(404)	(256)	0	0	0	(660)
At 1 April 2009	278,359	211,290	19,766	75,078	2,655	587,148
Additions	3,859	8,006	2,665	12,819	515	27,864
Revaluations in Year	15	255	0	0	0	270
Impairment in –						
Year Spend	(1,180)	(4,430)	0	(2,577)	(34)	(8,221)
Reclassifications	0	(396)	0	0	0	(396)
Disposals	(72)	(1,160)	0	0	0	(1,232)
At 31 March 2010	280,981	213,565	22,431	85,320	3,136	605,433
Depreciation and Impairment at 31 March 2009	(12,357)	(17,034)	(10,406)	(12,483)	0	(52,280)
<u>20% Revaluations</u>						
Gain	2,576	407	0	0	0	2,983
Loss						
- Depreciation	404	256	0	0	0	660
- Impairment	0	(2,824)	0	0	0	(2,824)
Depreciation and Impairment at 1 April 2009	(9,377)	(19,195)	(10,406)	(12,483)	0	(51,461)
Charge for year	(5,634)	(5,475)	(2,603)	(1,880)	0	(15,592)
Depreciation	0	0	0	0	0	0
Disposal – Depreciation	4	55	0	0	0	59
Disposal – Impairment	0	0	0	0	0	0
Depreciation and Impairment at 31 March 2010	(15,007)	(24,615)	(13,009)	(14,363)	0	(66,994)
Balance Sheet as at 31 March 2010	265,974	188,950	9,422	70,957	3,136	538,439
Balance Sheet as at 1 April 2009	268,982	192,095	9,360	62,595	2,655	535,687
Balance Sheet as at 31 March 2009	236,203	192,599	9,360	62,595	2,655	503,412

Nature of asset holding						
Owned	265,974	184,709	9,422	70,957	3,136	534,198
PFI (Refer to Note 13)		4,241				4,241
	265,974	188,950	9,422	70,957	3,136	538,439

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	18,664	6,408	6,771	31,843	587,535
At 31 March 2009					
<u>20% Revaluations</u>					
Net Gain	2,305	0	0	2,305	46,410
Loss					
- Impairment	(2,556)	0	0	(2,556)	(14,545)
- Depreciation	0	0	0	0	(660)
At 1 April 2009	18,413	6,408	6,771	31,592	618,740
Additions	713	1,340	0	2,053	29,917
Revaluations in Year	0	0	39	39	309
Impairment in Year Spend	(623)	(201)	0	(824)	(9,045)
Reclassifications	396	0	0	396	0
Disposals	0	0	(39)	(39)	(1,271)
At 31 March 2010	18,899	7,547	6,771	33,217	638,650
Depreciation and Impairment at 31 March 2009	(93)	0	(1,018)	(1,111)	(53,391)
<u>20% Revaluations</u>					
Gain	0	0	0	0	2,983
Loss					
-Depreciation	0	0	0	0	660
- Impairment	0	0	0	0	(2,824)
Depreciation and Impairment at 1 April 2009	(93)	0	(1,018)	(1,111)	(52,572)
Charge for year	0	0	0	0	(15,592)
- Depreciation	0	0	0	0	0
Disposals – Depreciation	0	0	0	0	59
Disposals – Impairment	0	0	0	0	0
Depreciation and Impairment at 31 March 2010	(93)	0	(1,018)	(1,111)	(68,105)
Balance Sheet as at 31 March 2010	18,806	7,547	5,753	32,106	570,545
Balance Sheet as at 1 April 2009	18,320	6,408	5,753	30,481	566,168
Balance Sheet as at 31 March 2009	18,571	6,408	5,753	30,732	534,144

Nature of asset holding					
Owned	18,806	7,547	5,753	32,106	566,304
PFI	0	0	0	0	4,241
	18,806	7,547	5,753	32,106	570,545

17. 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 2010 and June 2010.

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			9,422		9,422
Valued at current value in:					
2009/10	46,092	48,724		6,918	101,734
2008/09	80,129	38,206		6,788	125,123
2007/08	45,382	29,227		4,681	79,290
2006/07	31,854	46,575		3,796	82,225
2005/06	62,517	26,218		2,376	91,111
Total Net Book Value	265,974	188,950	9,422	24,559	488,905

18a. INFORMATION ON ASSETS HELD

	Type of Property	31 Mar 10
<u>Operational Assets</u>		
- Council Dwellings	Houses and Flats	3,469
- Other Land and Buildings		
	Farms	44
	Car Parks	48
	Town/County Halls	4
	Offices	15
	Schools	69
	Libraries	8
	Youth Centres	6
	Leisure Centres	7
	Theatres/Craft Centres	5
	Depots & Lon Parcwr Stores	8
	Museums	3
	Residential Homes	3
	Day Centres	5
	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

18b. FINANCING OF CAPITAL EXPENDITURE

2008/09 £000s		2009/10 £000s
40,313	Fixed Assets	29,918
6,909	Revenue Expenditure Funded from Capital Under Statute	6,598
47,222	Total Capital Expenditure	36,516
	Financed By:	
4,516	Supported Borrowing	7,540
9,500	Prudential Borrowing	7,784
27,050	Capital Grants	18,728
1,630	Capital Receipts - Earmarked	739
570	Contributions	492
3,956	Capital Expenditure charged to Revenue	1,233
47,222	Total Finance	36,516

18c. 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:

Restated 2008/09 £000s		2009/10 £000s
534,146	Fixed Assets	570,545
(132,535)	Revaluation Reserve	(177,250)
(153,576)	Capital Adjustment Account	(125,197)
(94,987)	Government Grants Deferred	(107,032)
997	Long Term Debtor – Prestatyn Town Council	955
154,045	Total	162,021

18d. 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	1,742	(1,742)	0	0
Warm Wales Project - SRA	447	(447)	0	0
Renewal Areas	1,684	0	1,684	(1,684)
School Accommodation	222	(18)	204	(204)
Legal Services	33	0	33	(33)
Community Projects	45	0	45	(45)
Members Priority Grants	52	0	52	(52)
Feasibility	44	0	44	(44)
Exchequer Division	50	0	50	(50)
Town Schemes	1,233	(1,233)	0	0
Business Development Grant	91	(75)	16	(16)
Adaptations to Homes of Disabled	132	0	132	(132)
Heather and Hillforts	424	(354)	70	(70)
Office Accommodation Moves	252	(14)	238	(238)
Other	147	(3)	144	(144)
Total	6,598	(3,886)	2,712	(2,712)

In 2009/10 £6.598m was written off to the Council Fund. Also £3.886m was credited to the Council Fund in respect of grants and contributions.

19. SIGNIFICANT CONTRACTS FOR FUTURE CAPITAL SPENDING

At 31st March 2010, the Council was contractually committed to capital works which amounted to £7.895mon the following schemes:

PROJECT	TOTAL FUTURE CONTRACT PAYMENTS
	2010/11 £000s
Housing Refurbishment - Rhyl	722
Housing Refurbishment – 2009-2013	1,580
Denbigh Skate Park	129
Housing Refurbishment 2006-11	85
Llangollen Pavilion - Refurbishment	605
Rhyl Bus Station – Improvement Works Ph2	345
Rhyl Recycling Centre	1,497
Denbigh Flood Risk Management Scheme Ph1	2,547
Llangollen Flood Alleviation Scheme	292
Ceg y Ffordd Cycleway, Prestatyn	93
Total	7,895

20. LONG TERM DEBTORS

Restated 31 Mar 09 Balance £000s		Advances 2009/10 £000s	Capital Repayments 2009/10 £000s	31 Mar 10 Balance £000s
39	(i) Loan Agreements Mortgages	0	(20)	19
52	(ii) Car Loans	45	(27)	70
49	(iv) St Asaph Town Council	0	(1)	48
997	(v) Prestatyn Town Council	0	(42)	955
0	(vi) Scala Prestatyn Ltd	65	0	65
0	(vii) Single Status	337	(47)	290
1,137	Total	447	(137)	1,447

21. STOCKS & WORK IN PROGRESS

At 31st March 2010 the Authority held stocks and work in progress to the value of £1.361m (£1.506m at 31 March 2009).

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

31 Mar 09 £000s		31 Mar 10 £000s
	Stocks	
110	Resources - ICT	85
463	Environmental Services	446
625	Social Services & Housing	620
175	Environment	113
14	Lifelong Learning	14
1,387	Total Stocks	1,278
119	Work in Progress	83
1,506	Total Stocks & Work in Progress	1,361

22. DEBTORS AND PAYMENTS IN ADVANCE

Restated 31 Mar 09 £000s		31 Mar 10 £000s
	Debtors amounts falling due in one year:	
6,912	Government Department Grants	6,487
2,520	Council Tax Debtors	2,606
1,059	Central Government NNDR	2,012
2,112	Other Public Sector Bodies	4,872
531	Housing Rents	421
337	Other Capital Debtors	1,567
1,761	Taxes and Social Security Debtors (incl. VAT)	1,689
7,629	Sundry Debtors	9,710
22,861	Total Debtors	29,364
1,039	Payments in Advance	1,558
(2,950)	Bad Debt Provision	(2,971)
20,950	Total	27,951

2008/09 Adjustment for agency accounting for NNDR

At 31 March 2009, the Council had the following balances in its Balance Sheet relating to NNDR collection:

	£000
Arrears	1,958
Impairment allowance for doubtful debts	(1,117)
Overpayments/Prepayments	(993)
Amount due from the national pool for instalments paid in excess of final amount payable	1,211
	1,059

The prior year adjustment is affected by deleting all of the above balances and replacing them with a debtor for central government of £1.059m.

23. CREDITORS AND RECEIPTS IN ADVANCE

Restated 31 Mar 09 £000s		31 Mar 10 £000s
	Creditors	
(950)	Government Departments/Grants	(3,374)
(2,247)	Tax and Social Security Creditor	(2,214)
(15,758)	Trade Creditors	(16,339)
(5,178)	Capital Creditors	(5,309)
(65)	Sundry Creditors	(5,495)
(24,198)	Total Creditors	(32,731)
(3,816)	Receipts in Advance	(4,245)
(28,014)	Total	(36,976)

24. 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 2010 are:

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

25. PROVISIONS**Insurance Fund**

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

As at 31st March 2010 a £0.9m provision has been set aside for the full estimated cost of meeting insurance liabilities.

The £0.1m movement in the value of the insurance provision during 2009/10 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.

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 09 £000s		In £000s	Out £000s	31 Mar 10 £000s
(803)	Insurance Fund	(643)	515	(931)
(48)	Other	0	5	(43)
(186)	Health & Safety	0	0	(186)
(142)	Fire Service Pension	0	0	(142)
(1,696)	Equal / Back Pay Claims	0	0	(1,696)
(67)	Financial Software Developments	(24)	42	(49)
(2,942)	Total	(667)	562	(3,047)

26. 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.

Restated 2008/09 £000s		2009/10 £000s
(183,717)	Balance at the Beginning of the Year	(153,576)
	Transactions During the Year	
13,822	Depreciation	15,592
24,984	Impairment Losses	26,747
1,547	Revenue Expenditure Funded by Capital Under Statute	2,712
(2,424)	Write off from Government Grants Deferred	(3,246)
(3,268)	Depreciation Adjustment	(4,100)
0	Impairment Adjustment	(302)
763	Disposals	1,276
(260)	Disposals – Adjustment to Revaluation Reserve	(979)
7,495	PFI Adjustment	0
	Resources Set Aside to Finance Capital Expenditure	
(6,835)	Revenue Provision for the Repayment of Debt	(7,276)
(1,630)	Capital Receipts	(739)
(97)	Capital Receipts set aside	(73)
(3,000)	Capital Expenditure Financed by Revenue - HRA	0
(370)	Capital Expenditure Financed by Revenue	(384)
(586)	Reserves	(849)
(153,576)	Balance at end of year	(125,197)

27. 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.

Restated 2008/09 £000s		2009/10 £000s
2,289	Council Fund	(45,035)
193,957	Housing Revenue Account	214,290
196,246	Total	169,255

28. 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 (debtors) and trade payables (creditors) 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 Public Works Loan Board (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 2009/10.

(b) Financial Instruments - Balances

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

Long Term 31 March 2009 £000s	Restated Short Term 31 March 2009 £000s		Long Term 31 March 2010 £000s	Short Term 31 March 2010 £000s
122,644	6,171	Financial Liabilities: Total borrowings	125,262	3,395
	28,014	Creditors		36,976
122,644	34,185	Total Financial Liabilities	125,262	40,371
6	27,571	Financial Assets: Total investments	6	22,299
	20,950	Debtors		27,951
6	48,521	Total Financial Assets	6	50,250

Short term borrowing includes accrued interest and physical debt falling due within 12 months in accordance with the 2009 SORP.

(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:

Restated Financial Liabilities 2008/09 £000s	Restated Financial Assets 2008/09 £000s		Financial Liabilities 2009/10 £000s	Financial Assets 2009/10 £000s	Total 2009/10 £000s
9,412		Interest Expenditure	8,972		8,972
119		Losses on de-recognition	119		119
	(139)	Gains on de-recognition			
9,531	(139)	Total interest payable & Similar Charges	9,091	0	9,091
	(2,291)	Interest Receivable		(704)	(704)
	(2,291)	Total interest receivable and investment income		(704)	(704)

(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 2009 and 31 March 2010 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.

Restated Carrying amount 31 March 2009 £000s	Restated Fair value 31 March 2009 £000s		Carrying amount 31 March 2010 £000s	Fair value 31 March 2010 £000s
128,815	164,875	Financial Liabilities:		
28,014	28,014	Loans Outstanding	128,657	158,506
		Creditors	36,976	36,976
156,829	192,889	Total Financial Liabilities	165,633	195,482
		Financial Assets:		
6	6	Long Term Investments	6	6
27,571	27,571	Short Term Investments	22,299	22,299
20,950	20,950	Debtors	27,951	27,951
48,527	48,527	Total Financial Assets	50,256	50,256

(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 (increased to £8m in February 2010) is placed on the amount of money that can be invested with a single counterparty. No more than £6m in total can be invested for a period longer than one year.

The Council has no historical experience of counterparty default. All investments with banks which had been downgraded during the term of the investments have been repaid in full and re-invested with highly credit rated UK banks.

The Council uses a range of indicators in addition to credit ratings to decide who to invest with. These include Government guarantees, financial strength of the Country and share prices. The Council and its treasury adviser will continue to analyse and monitor these indicators and credit developments on a regular basis and respond as necessary to ensure the security of the sums invested.

The Council took advantage of opportunities to repay long term debt in 09/10 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. 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.

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 31/03/2010	Balance Invested at 31/03/2010 £000s	Maturity Date			
					1-3 Months £000s	4-6 Months £000s	7-9 Months £000s	10-12 Months £000s
UK Banks	Barclays	AA-	AA-	3,000	3,000			
	Santander UK	AA-	AA-	6,000	6,000			
	NatWest	AA-	AA-	3,700	3,700			
	Lloyds	AA-	AA-	4,000		4,000		
	Clydesdale	AA-	AA-	3,000	3,000			
				19,700	15,700	4,000		
UK Building Society	Nationwide	AA-	AA-	2,500	2,500			
	Total			22,200	18,200	4,000		

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.

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 2010 was as follows:

	Years	31 Mar 2010 £000s	%
Short Term Borrowing	Less than 1 year	2,040	1
Long Term Borrowing	Over 1 under 6	11,129	9
	Over 6 under 10	8,747	7
	Over 10 under 15	7,813	6
	Over 15 under 20	5,906	4
	Over 20 under 25	3,734	3
	Over 25 under 30	0	0
	Over 30 under 35	6,000	5
	Over 35 under 40	0	0
	Over 40 under 45	24,250	19
	Over 45 under 50	58,701	46
Total Long Term Borrowing		126,280	99
Total Borrowing at Nominal Amount		128,320	100
Accrued Interest		1,355	
Deferred Premium		(1,018)	
Total Borrowing at Amortised Cost		128,657	

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 40% on external debt that can be subject to variable interest rates. At 31 March 2009 and 31 March 2010 100% of the debt portfolio was held in fixed rate instruments.

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 2009/10 a premium of £0.119m was incurred which was initially charged to Income & Expenditure.

The transactions reflected in the Financial Instruments Adjustment Account in 2009/10 were as follows:

	Discounts £000s	Premia £000s	Net Total £000s
Balance at 1 April 2009	(326)	563	237
2009/10 Loan Extinguishment Transferred from I&E		119	119
2009/10 Statutory Amortisations charged to Revenue	49	(61)	(12)
Balance at end of year	(277)	621	344

29. 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.

2008/09 £000s		2009/10 £000s
(46,892)	Balance at the beginning of the year	(132,535)
(89,171)	Recognition of Net Revaluation Gain	(50,096)
3,268	Difference between current value depreciation and historical cost depreciation	4,100
260	Clearance of balance remaining on Revaluation Reserve following disposal	979
0	Impairment Adjustment	302
(132,535)	Balance at end of year	(177,250)

30. GOVERNMENT GRANTS DEFERRED ACCOUNT

2008/09 £000s		2009/10 £000s
(74,155)	Balance at beginning of year	(94,987)
	Applied in year	
(22,686)	Capital Grants	(14,799)
(570)	Capital Contributions	(492)
(97,411)		(110,278)
2,424	Less: written off to Revenue	3,246
(94,987)	Balance at end of year	(107,032)

Capital grants and contributions applied to finance capital expenditure in 2009/10 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.

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.

31. USABLE CAPITAL RECEIPTS RESERVE

	Housing £000s	Council Fund £000s	Total £000s
Plus Balance at beginning of year	(306)	(2,235)	(2,541)
Receipts – Asset Sales	(72)	(1,199)	(1,271)
Receipts – Grants repaid	0	(1)	(1)
Receipts – RtB Discounts Repaid	(5)	0	(5)
Deferred Capital Receipts	(20)	0	(20)
	(403)	(3,435)	(3,838)
Less Applied during year:			
Financing Capital Expenditure – RtB Costs	0	0	0
Financing Capital Expenditure – Other	24	715	739
Debt Redemption	73	0	73
Balance at end of year	(306)	(2,720)	(3,026)

32. CAPITAL GRANTS IN ADVANCE

	£000s	£000s
Unapplied at 31 Mar 09		(1,972)
Plus Capital Debtors at 31 Mar 09		5,003
Less Capital Creditors at 31 Mar 09		(3,367)
Net Balance at 1 Apr 09		(336)
Less Grants & Contributions received in year		(23,035)
		(23,371)
Plus Amounts Transferred	16	
Grants and Contributions applied in year		
-Capital Grants	18,728	
-Capital Contributions	491	19,235
		(4,136)
Less Capital Debtors at 31 Mar 10		(4,253)
		(8,389)
Plus Capital Creditors at 31 Mar 10		6,274
Unapplied at 31 Mar 10		(2,115)

33. RESERVES

Details of significant cash backed reserves are given below:

31 Mar 09 £000s		Transfers (In) / Out £000s	31 Mar 10 £000s
(400)	Capital Schemes	(612)	(1,012)
(57)	Environmental Services	(35)	(92)
(205)	LDP Future Costs	(50)	(255)
(38)	Environment Directorate - Reserves	(22)	(60)
(273)	Winter Maintenance	0	(273)
(1,209)	Sustainable Waste Management	533	(676)
(126)	Renewals Fund	126	0
(160)	Major Highways Projects	0	(160)
(55)	Design and Development	(41)	(96)
(648)	Regeneration Project (VAT Refund)	363	(285)
0	External Funding Administration	(115)	(115)
(56)	Early Retirement Fund – Schools	(35)	(91)
(22)	Mousematics	22	0
(250)	Modernising Education	250	0
(100)	North Wales Child Abuse Inquiry	100	0
0	Leisure Strategy	(50)	(50)
0	Youth Service	(61)	(61)
0	Integrated Children's Centre	(49)	(49)
(10)	Llys Marchan Reserve	0	(10)
(2,696)	Supporting People Reserve	0	(2,696)
(52)	S.117 Mental Health Act	0	(52)
(890)	Specialist PSS Placements	0	(890)
(78)	Major Events Reserve	(61)	(139)
(104)	Risk Management Fund	(33)	(137)
(788)	Insurance Fund	6	(782)
(2,608)	PFI Grant	(384)	(2,992)
(5)	Elections	(25)	(30)
(2,894)	Single Status	2,232	(662)
(306)	Spend to Save	158	(148)
(490)	IT Systems Developments (EDRMS)	338	(152)
0	IT Networks Development	(110)	(110)
(350)	Modernising Structures / Service Delivery	350	0
(600)	Early Voluntary Retirement	600	0
(200)	LABGI Reserve	51	(149)
0	General Reserve	(1,881)	(1,881)
0	Delivering Change	(2,359)	(2,359)
0	Capital Financing (VAT refund interest)	(381)	(381)
(15,670)	Total	(1,175)	(16,845)

34. 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 09 £000s		Transfers (In)/Out £000s	31 Mar 10 £000s
	<u>Council Fund Revenue Balances:</u>		
(6,098)	General Balances	(593)	(6,691)
(1,498)	Schools Balances	560	(938)
(978)	Earmarked Balances	842	(136)
(42)	Environmental Services Balances	(91)	(133)
(8,616)	Total Council Fund Balances	718	(7,898)
(1,022)	Housing Revenue Account Balances	(522)	(1,544)

35. 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 £5,070 in 2009/10.

The County Council's proportion of the Fund is administered by Denbighshire Voluntary Services Council (DVSC). During 2009/10 the DVSC awarded £5,065 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 £574,794 (£517,534 in 2008/09). Denbighshire County Council keeps a separate balance sheet for the Welsh Church Acts Fund. The balance in the Fund as 31 March 2010 was £8 (£3 as at 31 March 2009).

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 2010:

	Income £000s	Expenditure £000s	Investments £000s
31 March 2010	(13)	23	572
31 March 2009	(89)	33	504

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

36. EDUCATION TRUST FUNDS

The County Council administered 54 Education Trust Funds during 2009/10. 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 2009/10, Fund income amounted to £7,296.51 (£3,207.40 in 2008/09). Awards made during the year amounted to £1,975.15 (£0.00 in 2008/09).
- The Council has no outstanding liabilities in respect of the trust funds it administers.

The Fund balances as at 31 March 2010 amounted to £277,825 which is not reflected in the Balance Sheet.

The market value of all investments held at 31 March 2010 was £60,083

37. 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 2008/09.

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 2009/10 is not yet available. However, the net assets of the company as at 31 March 2009 were £260,597 and the net loss achieved by the company was £72,153.

The Board of Directors as at 31 March 2010 consists of ten members in total, of which seven 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 2010 was £25,727.

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 2009/10 ECTARC received £46,088. 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 2010 was £271.

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 2009/10 the Trust received £187,942. 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 six members, which includes one Denbighshire County Councillor.

The audited Statement of Accounts for the financial year 2009/10 is not yet available. However the net assets of the group as at 31 March 2009 were £730,254 and the net loss achieved by the company was £61,374

The balance owed to Denbighshire County Council as at 31 March 2010 was £72,400.

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 2009/10 Clwyd Leisure Ltd. received £295,059. The Council provides both creditor and payroll services. The company's audited financial statement for the 2009/10 year is not yet available. However, the net assets of the company as at 31 March 2009 were £27,355 and the company had made a net loss of £198,327 in 2008/09. The Board of Directors consists of fourteen 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 2010 was £278,666.

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 2009/10 the Scala Prestatyn Company Ltd received £54,470. 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. A loan facility of a maximum of £80,000 has also been agreed, of which £65,000 was drawn down in 2009/10. The terms of the loan state that it can be for up to ten years, with the commencement of repayments being deferred until 2012/13

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 un-audited financial statements for 2009/10 show a net loss of £84,087

The balance owed to Denbighshire County Council as at 31 March was £167.

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

38. 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 37.

39. 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 Presented to the Corporate Governance Committee on 27th September 2010 there was one such event.

In his budget statement on 22 June, the Chancellor announced that, from April 2011, public service pensions will increase in line with the consumer price index (CPI) rather than the retail price index (RPI). To date, public service pensions have increased in line with RPI and the pension costs and liabilities included in the accounting statements have been determined on that basis.

It is anticipated that the change will result in future increases in public sector pensions being lower, on average, than would have been the case if this change had not been made. It is estimated that the effect of the lower future pension increases will reduce the FRS17 [IAS19] benefit obligations by between 5% and 8%. Pension liabilities at 31 March 2010 would therefore be between £19 million and £30 million

lower than disclosed in the balance sheet at that date. The change will have a similar impact on the balance on the Pension Reserve and will impact upon reported pension costs. However, the figures in the accounting statements have not been amended on the grounds that this is a non-adjusting event. The financial effect of the change will be reflected in the FRS17 [IAS19] figures for the financial year ending 31 March 2011.

40. EXCEPTIONAL ITEMS

There are no exceptional items to report.

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

	31/03/2009 £'000	IN £000	OUT £000	31/03/2010 £'000
Long Term borrowing (more than one year) Public Works Loan Board	(122,320)	(10,000)	6,040	(126,280)
Short Term Borrowing	(6,151)	(8,500)	12,611	(2,040)
Total Borrowing	(128,471)	(18,500)	18,651	(128,320)

42. RECONCILIATION OF INCOME AND EXPENDITURE ACCOUNT TO REVENUE

ACTIVITIES CASHFLOW

	2009/10 £000s	2009/10 £000s
Deficit for the year on the Income and Expenditure Account		33,709
Adjustment for Net Interest		(7,380)
Non Cash Transactions		
Depreciation and Impairment	(42,339)	
Government Grants Deferred Amortisation	3,246	
Revenue Expenditure funded from Capital under Statute	(2,712)	
Transfer from Pensions Reserve	(1,290)	
Transfer to (from) provisions	31	
Other Non Cash Items – grants transferred from capital to revenue – miscode	16	
Transfer from (to) provision for bad debts	(351)	
		(43,399)
Items on Accruals Basis		
Increase / (Decrease) in Long Term Debtors	372	
Increase / (Decrease) in Stock	(145)	
Increase / (Decrease) in Debtors	6,750	
Increase / (Decrease) in Payments in Advance	519	
(Increase) / Decrease in Creditors	(3,771)	
(Increase) / Decrease in Receipts in Advance	(429)	
		3,296
Net Cash Inflow from Revenue Activities		(13,774)

43. ANALYSIS OF MOVEMENT IN CASH AND EQUIVALENTS

31 Mar 09 £000s		31 Mar 10 £000s	Movement £000s
72	Cash Floats and Imprest Accounts	77	5
242	Cash in Transit	229	(13)
(4,164)	Cash Overdrawn	(3,912)	252
(3,850)	Total	(3,606)	244
Management of Liquid Resources			
26,500	Temporary Investments	22,200	(4,300)
406	Cash Collected on behalf of Government and the amount paid over to the Pool for NNDR	1,017	611
26,906		23,217	(3,689)
Financing of Liquid Resources			
(128,471)	Borrowing	(128,320)	151
(10,823)	PFI Finance Lease Liability	(10,548)	275
(139,294)		(138,868)	426

44. ANALYSIS OF GRANTS RECEIVED

2008/09 £000s		2009/10 £000s
10,057	Government Grants	5,465
4,657	Education Grants	5,762
10,151	Social Services Grants	13,055
2,069	Environmental Grants	2,368
6,377	European Grants	5,533
33,311	Total Grants Received	32,183

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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 2010**

2008/09 £000s		Note	2009/10 £000s
	INCOME		
10,186	Dwelling Rents (Gross)		10,474
139	Non-Dwelling Rents (Gross)		140
320	Government Grants Deferred		400
0	Reduction in Bad Debt Provision	2	7
10,645	Total Income		11,021
	EXPENDITURE		
4,681	Management & Maintenance		4,700
395	Rents, Rates, Taxes & Other Charges		13
2,926	Negative housing revenue account subsidy payable		3,044
9,546	Depreciation and Impairment of Fixed Assets		15,495
15	Debt Management costs		15
17	Increase in bad debt provision		0
17,580	Total Expenditure		23,267
6,935	Net Cost of Services per Authority Income and Expenditure Account		12,246
44	HRA Share of Corporate & Democratic Core		46
6,979	Net Cost of HRA Services		12,292
1,217	Interest payable and similar charges		1,212
89	Pension Interest Costs & Expected Return on Pension Assets		131
(102)	Interest and Investment income		(5)
8,183	(Surplus) or deficit for the year on HRA services		13,630

STATEMENT OF MOVEMENT IN THE HRA BALANCE

2008/09 £000s		2009/10 £000s	
8,183	(Surplus) or deficit for the year on the HRA Income and Expenditure Account		13,630
	Items included in the HRA Income and Expenditure Account but excluded from the movement on the HRA Balance for the year	2	
(8)	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)	12	
(9,546)	Depreciation and impairment of fixed assets	(15,495)	
320	Government Grants Deferred	400	
0	Gain or loss on sale of HRA fixed assets	0	
(226)	Net charges made for retirement benefits in accordance with FRS17	(221)	
(9,460)			(15,302)
	Items not included in the HRA Income and Expenditure Account but included in the movement in HRA Balance for the year		
185	Employers contribution payable to Clwyd Pension Fund & retirement benefits payable direct to pensioners	175	
777	HRA Revenue Provision	975	
3,000	Capital Expenditure funded by HRA	0	
3,962			1,150
(5,498)	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year		(14,152)
2,685	(Increase) or decrease in the Housing Revenue Account Balance		(522)
(3,707)	Housing Revenue Account surplus brought forward		(1,022)
(1,022)	Housing Revenue Account surplus carried forward		(1,544)

**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:

2008/09 No. of Properties		2009/10 No. of Properties
1,878	Houses	1,877
971	Flats	971
621	Bungalows	621
3,470	Total	3,469

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

2. RENT ARREARS

At the 31st March 2010, tenants' net rent arrears were £0.258m, (£0.310m as at 31st March 2009) which represented 2.34% of the net rent income due in the year. Arrears totalling £0.074m were written off during the year. The Provision for Bad and Doubtful Debts has been reduced by £0.007m, to give a balance at year end of £0.195m.

3. CAPITAL RECEIPTS

HRA capital receipts for 2009/10 are summarised below:

2008/09 £000s	Housing Receipts	2009/10 £000s
127	Sales	72
12	Sale of Land	0
11	Repaid Discounts	5
21	Mortgages	20
171	Total Receipts	97

4. ANALYSIS OF HOUSING REVENUE ACCOUNT CAPITAL EXPENDITURE

During 2009/10, capital expenditure of £4.041m was incurred on improvements to the Council's housing stock and upgrades to the Lifeline telephone system and the housing rents system. Total capital expenditure has been financed by three sources: the Major Repairs Allowance (a government grant), capital receipts (from the 'Right to Buy' scheme) and unsupported borrowing as detailed in the table below.

2008/09 £000s	Housing Capital Expenditure	2009/10 £000s
9,482	Improvement Works	3,945
0	System Replacement	96
41	Right to Buy Expenses	0
9,523	In-year Expenditure	4,041
	<i>Financed by:</i>	
2,400	Major Repairs Allowance (Grant)	2,400
74	Useable Capital Receipts	24
3,000	CERA	0
4,049	Prudential Borrowing	1,617
9,523	Total	4,041

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 impairment losses arise as a result of the revaluation process and previous general HRA capital expenditure that could not be allocated to individual properties being written off. 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 2009/10. The depreciation charge and impairment losses have no effect on HRA balances.

The total depreciation charges and impairment losses for 2009/10 are shown below:

2008/09 £000s	HRA Depreciation Charges & Impairment Losses	2009/10 £000s
4,962	Operational Assets – Dwellings	5,613
21	Operational Assets - Garages	21
0	Operational Assets – Communication Systems	7
4,983	Total Depreciation	5,641
4,563	Impairment Losses	9,854
9,546	Total HRA Depreciation & Impairment Losses	15,495

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:

2008/09 £000s	<u>INCOME AND EXPENDITURE ACCOUNT</u>	2009/10 £000s
137	<u>Net cost of services:</u> Current Service Cost	90
	<u>Net Operating Expenditure</u>	
301	Interest cost on gross pension liability	299
(212)	Expected return on gross pension assets	(168)
226	Net charge to the Income & Expenditure Account	221
	<u>STATEMENT OF MOVEMENT IN THE HRA BALANCE</u>	
(226)	Reversal of net charges made for retirement benefits in accordance with FRS 17	(221)
185	Employer's contribution payable to the Clwyd Pension Fund Scheme	175

**SECTION 8 – THE INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF
DENBIGHSHIRE COUNTY COUNCIL WILL APPEAR HERE.**

I have audited the accounting statements and related notes of Denbighshire County Council for the year ended 31 March 2010 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 the Statement of Responsibilities 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 Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2009 are set out in the Statement of Responsibilities for the Statement of Accounts.

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 give a true and fair view, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2009, 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.

The maintenance and integrity of the Denbighshire County Council web site is the responsibility of the local government body; the work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred to the statement of accounts since it was initially presented on the web site

Basis of audit opinion

I conducted my audit in accordance with the Public Audit (Wales) Act 2004 , the Code of Audit Practice issued by the Auditor General for Wales, and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by 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 give a true and fair view, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2009, the financial position of Denbighshire County Council as at 31 March 2010 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 2010 will be reported separately in the published Annual Audit Letter.

Certificate of completion

I have carried out my audit of the accounting statements in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Code of Audit Practice issued by the Auditor General. However, I cannot formally conclude the audit and issue the certificate until the public's rights in relation to the audit of the 2009/2010 accounts are completed.



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

30 September 2010

SECTION 9 - STATEMENT ON THE SYSTEM OF INTERNAL CONTROL

1 SCOPE OF RESPONSIBILITY

The Council is responsible for ensuring that it conducts its business 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 it exercises its functions, 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 Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE) recommended framework for corporate governance identifies three underlying principles of good governance, namely:

- openness
- integrity
- accountability

Each local authority should embed the principles of corporate governance into its culture. Furthermore, each local authority has to be able to demonstrate that it is 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 financial management, policies and guidance, political and managerial structures and processes, strategic planning processes, management and decision making processes, compliance arrangements, risk management, internal audit, counter fraud activities and performance management.

External Inspections

Every year a number of external inspections take place. These can lead to changes in the Council's processes and procedures and can therefore have some impact on the internal control environment. The inspections completed in 2009/10 are listed below, along with an overview of findings.

Wales Audit Office Corporate Governance Report

The Wales Audit Office reviewed the Council's corporate governance arrangements in 2008 and made recommendations that have resulted in significant changes to the organisation of the council. The annual audit letter for 2008/09 (issued in January 2010) concluded that there was no need to make any further recommendations for improvement on matters raised originally. A follow-up inspection was completed in October 2009 and a final report issued in September 2010.

Wales Audit Office Preliminary Corporate Assessment

The Auditor General is required by the Local Government (Wales) Measure (2009) (the Measure) to undertake an annual Improvement Assessment for the Authority.

In order to fulfil this requirement the Wales Audit Office will undertake:

- A Corporate Assessment – an assessment of an authority's arrangements to secure continuous improvement; and
- A Performance Assessment – an assessment of whether an authority has achieved its planned improvements.

The conclusion arising from the Preliminary Corporate Assessment is that: Good leadership is driving change, making Denbighshire County Council (the Council) well placed to deliver better outcomes despite current weaknesses in some arrangements.

The second reporting element of this Improvement Assessment will take the form of a published Annual Improvement Report which will be published by the end of November 2010

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.

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.

As result of the original inspection, the Welsh Assembly Government set up an independent recovery board to help ensure improvements were delivered. At the end of 2009/10, the board was disbanded as sufficient progress had been made.

Care and Social Services Inspectorate for Wales

Several reviews were undertaken in 2009/10, including the following:

- An Inspection Review of Adult Protection concluded that the effective implementation of the North Wales policies and procedures for the Protection of Vulnerable Adults in Denbighshire has been supported by an organisational commitment to learn from experience and to promote a positive adult protection service culture. Some recommendations were made to enhance clarity of responsibilities.
- A Review of the Conwy & Denbighshire Local Safeguarding Children Board reported that it has developed structures and governance including, terms of reference, an improvement vision statement and a strategic plan / business plan. The Board also has some well developed professional working relationships.
- A Review of Children's Safeguarding Arrangements reported that 'The authority has sound organisation in place to safeguard children. It can build on this and improve services to children by further work in tackling the issue of the volume of police referrals, ensuring timeliness of child protection conferences, evidencing consistently work done, and raising the quality of assessments'. Areas for improvement included implementing the Safeguarding Children in Education Quality Assurance Framework and implementing the authority's action plan to promote more effective links between Children's and Adult services.

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, Whistle blowing 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, Head of Finance & Assets 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.

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

The Council is continuing to develop the role of Scrutiny and Corporate Governance Committees to ensure that proper scrutiny is undertaken of corporate and cross-cutting issues. The Corporate Governance Committee has reviewed its terms of reference and a development programme for members is ongoing.

The Corporate Governance Committee has also undertaken 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.

Strategic Planning Processes

The Council's 'Corporate Plan 2009-12' sets the strategic direction and was agreed in July 2009. The Plan details what the Council is trying to achieve over the medium term, how this contributes to wider agendas such as Denbighshire's Community Strategy, the rationale behind Members' choice of priorities and how resources will be aligned so that priority outcomes and targets can be achieved.

The Council's 'Delivering the Corporate Plan 2010-11' document reaffirms the commitments we made in the Corporate Plan itself, and provides information about the specific areas of activity that will take place during 2010-11. An additional section for each of the six Community Areas in Denbighshire has been produced as part of the plan to inform local residents of our activity in their area.

Progress against the Corporate Plan is monitored quarterly by Cabinet, and an Annual Performance Report is published to describe the progress made in delivering the Plan.

The Council has a dedicated Corporate Improvement Team that is responsible for developing the Corporate Plan and for developing the business planning & performance management framework which ensures that Service Business Plans support the delivery of the Corporate Plan. This framework includes a twice yearly service performance review that will help identify how well services have performed and where there are areas for improvement. A Service Performance Report will then be presented (twice yearly) to Scrutiny and Cabinet to identify trends in performance at service level.

Financial Management

Head of Finance & Assets, 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 County Fund revenue and capital financial position are presented to Cabinet. Full Council also receives an update on the capital plan at every meeting. An update of the Housing Revenue Account is presented to Cabinet each quarter.

During 2009/10 a revised Medium Term Financial Plan was introduced and the budget setting process is being revised to more closely link with the strategic planning and performance management frameworks.

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 Head of Corporate Governance, as the Council's appointed 'Monitoring Officer' responsible for general compliance with laws, regulations and procedures; and
- the Head of Finance & Assets, as 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 service. The Head of Internal Audit & Risk Management 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. Internal Audit provides reports to the Corporate Governance Committee, as well as any incidences of failure to implement improvements to manage the issues that it has raised.

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

Risk Management

The Council has continued to implement robust risk management processes as part of its Risk & Opportunity Management Strategy. The Head of Internal Audit & Risk Management has drafted new procedural guidelines that now need to be amended to take account of the new business planning framework and service review process before being finalised and issued.

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 they also update at least twice a year, and these are integrated into the business planning process. Major partnerships have also developed risk registers and they update these 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.

The above risk registers are used to develop the Corporate Risk Register that shows the key risks the Council faces and is reported to the Corporate Governance Committee and each Scrutiny Committee twice a year.

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

Internal Audit and Counter Fraud Initiatives

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

- advice and assistance to managers in the design, implementation and operation of controls; and
- support for managers in the prevention and detection of fraud, corruption and other irregularities.

4. REVIEW OF EFFECTIVENESS

The Council has been subject to some 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 business 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 & Risk Management;
- regular reviews by Cabinet and Scrutiny Committees of performance and decision making; and
- Internal Audit reviews.

Internal Audit Annual Report

The role of the Internal Audit service 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.

Internal Audit bases its work on an assessment of risk, linked to the corporate risk management process, thus ensuring that it focuses its resources on the most critical operations.

The Head of Internal Audit & Risk Management 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.

During 2009/10, Internal Audit raised seven high-risk areas in its reviews of Travel & Subsistence, School Meals and Sickness Absence. All seven issues are being addressed and the Corporate Governance Committee continues to receive progress reports on the six high-risk issues raised in the School Meals and Sickness Absence reviews.

Partnerships and Collaboration

Significant new developments include the North Wales Residual Waste Treatment project.

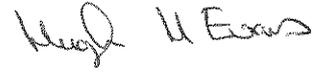
The North Wales Regional Partnership Board involves elected members and senior managers and is looking to increase the scope of regional collaboration projects. Going forward, this will mean greater values involved and the Council will have to ensure that risks are identified and managed and that effective governance and control arrangements are in place.

Looking Ahead

The new management team will need to manage significant financial challenges ahead. This will involve reviewing all services and looking to deliver them more cost effectively and potentially in collaboration with other public and private sector partners. Sound financial management and planning means that the council is reasonably well placed to face the future but it will bring significant change to the way the Council operates.



**Mohammed Mehmet
Chief Executive**



**Cllr. Hugh Evans
Leader of the Council**