

**STATEMENT  
OF  
ACCOUNTS  
2012/13**

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**DENBIGHSHIRE COUNTY COUNCIL**  
**STATEMENT OF ACCOUNTS**  
**2012/13**

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## **INTRODUCTION**

Denbighshire County Council is a Welsh unitary authority with a population of over 96,000. 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. There are 47 councillors elected to represent the various wards of the county. The Council employs around 4,500 staff.

The County Council was formed in April 1996 and is responsible for a wide range of services including schools, social care, highways, collection and disposal of waste, planning, economic development, tourism, libraries, leisure centres and lots more besides.

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 some of the most important 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.

## **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 and the Code of Practice on Local Authority Accounting (the Code) in the United Kingdom 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 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 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 3 - Main Financial Statements & Notes to the Accounts**

The 2012 Code requires that local authority accounts comply with International Financial Reporting Standards (IFRS). The main financial statements comprise:

### **Movement in Reserves Statement**

This shows the adjustments to the Comprehensive Income & Expenditure Statement for statutory accounting requirements, to align it with the accounting basis by which the Council Tax level for the year was set.

### **Comprehensive Income and Expenditure Statement**

This account is a summary of the money generated and spent in providing services and managing the Council during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of assets actually consumed during the year. It also shows the projected value of retirement benefits earned by employees during the year.

### **Balance Sheet**

The Balance Sheet shows a snapshot of the Council's financial position as at 31st March 2013. It sets out the value of the items it owns (assets) and the value of what it owes to others (liabilities). It incorporates all the Council's funds, both capital and revenue.

### **Cash Flow Statement**

This summarises the Council's cash and cash equivalent transactions over the year, showing actual cash received and cash spent and the changes in the Council's cash position. The statement is presented using the indirect method in order to match its presentation in the Whole of Government Accounts.

### **Notes to the Accounts**

Explanatory notes are provided after both the main and supplementary financial statements. The notes give additional information to aid the understanding of the accounts.

## **Section 4 - 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 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 5 - External Auditor's Report**

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

**Section 6 – Annual Governance Statement**

This outlines the Council's approach to ensuring that it maintains an effective system of corporate governance and internal control.

**Section 7 – Glossary**

This contains a list of some of the definitions adopted for the purpose of accounts completed under International Financial Reporting Standards.

## **SECTION 1: EXPLANATORY FOREWORD**

### **1.1 REVIEW OF THE YEAR – REVENUE EXPENDITURE**

The Council sets a revenue budget each year. This is a budget for services it will provide in the year and that will be paid for by service users, Welsh Government Grants and Council Tax and Business Rate payers. For 2012/13, this gross budget was £260m. A savings target of £3.4m was set and delivered in 2012/13 as the second year of a four year savings programme to deliver approximately £18m by the end of 2014/15.

By the end of the year, the Council had spent £1.5m less than it budgeted for on services and corporate budgets, including making a budgeted contribution to balances of £300k.

#### **Balances, Provisions and Reserves**

The final revenue position this year has meant that it has been possible to make a net contribution to reserves within the accounts of £4.0m.

The Council's general balances now stand at £8.4m. 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. Details of all provisions and reserves are contained within the Notes to the Statement of Accounts.

#### **How We Report Our Budget**

Each month a budget report is given to the Council's Cabinet (a group of 8 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. Within the Notes to the Accounts is an explanation of the adjustments made between the final reported revenue position and the amounts reported in the Comprehensive Income & Expenditure Statement.

The table below shows the final revenue position as reported and approved by Cabinet in June 2013.

	<b>Final Revenue Outturn Report £000</b>
<b>Service and Corporate Budgets</b>	
Business Planning & Performance	1,310
Legal & Democratic Services	1,436
Finance & Assets	6,130
Highways & Environmental Services	20,620
Planning & Public Protection	2,614
Adult & Business Services	32,080
Children & Family Services	8,765
Housing and Community Development	2,093
Communication, Marketing and Leisure	5,661
Strategic HR	901
ICT/Business Transformation	1,826
Customers and Education Support	1,737
School Improvement & Inclusion	4,103
Schools	60,893
Corporate	6,006
<b>Total Service and Corporate Budgets</b>	<b>156,175</b>
<b>Other</b>	
Capital Finance / Investment Interest	12,656
Levies	4,569
<b>Total Expenditure (excludes HRA)</b>	<b>173,400</b>
Less Funding	(177,652)
<b>In-year Position</b>	<b>(4,252)</b>
Budgeted Contribution to Balances	300
<b>Final Outturn</b>	<b>(3,952)</b>
<b>Contribution to Reserves and General Balances Reported to Members:</b>	
<b>Allocated as follows:</b>	
Earmarked Balances – Services	1,139
General Balances	1,093
Corporate Plan Reserve	651
School Balances	1,069
<b>Total</b>	<b>3,952</b>

**1.2 REVIEW OF THE YEAR – CAPITAL EXPENDITURE**

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 2012/13, capital expenditure consisted mainly of works to maintain and improve Council owned assets. There was no significant investment in the procurement of new assets. During the year, properties were purchased in Rhyl to either demolish or refurbish as part of the major regeneration project underway in the town.

The table below shows how much the Council spent on its assets per service block in 2012/13 and how the expenditure was funded:

<b>Expenditure</b>	<b>£000</b>
Strategic HR	45
Legal & Democratic Services	26
Finance & Assets	1,760
Highways & Environmental Services	10,003
Planning & Public Protection	3,690
Adult & Business Services	152
Housing & Community Development	19,203
Communication, Marketing & Leisure	878
ICT/Business Transformation	288
Customers & Education Support	2,227
Education	73
<b>Total</b>	<b>38,345</b>
<b>Funding</b>	<b>£000</b>
Grants	22,020
Supported Borrowing	4,469
Prudential Borrowing	9,121
Capital Receipts	322
Capital Expenditure charged against the Council Fund	2,413
<b>Total</b>	<b>38,345</b>

Expenditure on major Projects undertaken during the year includes:

Project	Description	2012/13 £000
Rhyl	Townscape Heritage Initiative	375
Bee and Station, Rhyl	Major Refurbishment	922
Rhyl Harbour Development	Works to Cycle/Pedestrian Bridge, Quayside Units, Public Square & Quay Wall	5,210
East Parade, Rhyl	DDA Access and Slipway	284
Denbigh	Denbigh High School Gymnasium Activity Centre	337
Corwen	Flood Alleviation Scheme	313
Ruthin	Vale of Clwyd Cyclerooute, Ruthin Links	253
Ysgol y Llys, Prestatyn	Refurbishment, Remodelling and Extension	223
Ysgol Dewi Sant, Rhyl	Extension/Remodelling Works	223
Rhyl	Property Acquisition/Demolition & Public Realm Works	6,054
Rhyl	Coastal Defence Works	520
Denbighshire	North Wales Cycling Centre of Excellence and Rhyl Cut Fisheries	269
Council Housing	Major Improvements	5,105
Council Housing	Disabled Adaptations	416
Section 106	Town and Country Planning	442
Heather and Hillforts	Landscape Partnership Project	306
Prestatyn	Library Re-location	388

### 1.3 OTHER ISSUES

#### **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. At the end of 2012/13, the Council had invested over £50m in improving its housing stock and will achieve the Welsh Housing Quality Standard by the end of 2013.

**Borrowing & Investments**

The Council's strategy in 2012/13 has continued to be one of keeping borrowing and investment balances as low as possible through use of temporary cash surpluses but to maintain a sufficient level of cash. Investment balances are continually monitored with the aim of maintaining sufficient levels to meet the Council's cash flow requirements. The council's treasury position is reported to the Corporate Governance Committee throughout the year. The Council's outstanding debt at 31 March 2013 was £133m and investment balances were £11m .

**Accounting Policies & International Financial Reporting Standards (IFRS)**

The Accounting Policies are detailed fully in Note 1 to the accounts. This is the third year that the Council's accounts have been produced to comply with international standards and the Code of Practice on Local Authority Accounting. There are no significant changes to the way the accounts are presented this year.

**Statutory Functions**

There were no significant changes to the Council's statutory functions during 2012/13.

**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. With the exception of a small number of posts, the Single Status exercise is now complete.

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 will defend any claims received, it considers that it is prudent to maintain a provision to cover any possible future claims.

**Severe Weather Events**

In 2012/13 the council faced two significant events caused by severe weather. In November parts of the county were flooded causing major damage to private and council owned property. The cost of dealing with the immediate response and recovery after the event is estimated to be over £300k. Damage to council assets such as council houses and other buildings amounted to approximately £1.2m, which was covered by insurance.

At the end of March, parts of the county experienced the heaviest snowfall for decades which resulted in additional costs of over £250k.

**MMI**

The Mutual Municipal Insurance Co. (MMI) was wound up in 1992. MMI was the principal insurer of around 95% of local councils in the UK, including Denbighshire's predecessor authorities. As MMI was a company under the mutual ownership of its local authority members its members are responsible for liabilities (claims) still arising relating to events prior to 1992. The impact of claims still arising, along with a downturn in the returns on investments means that those administering MMI's affairs are

projecting that the company may not have sufficient resources to fund all future claims, meaning former members will be obliged to contribute to the shortfall. Provision has been made within the 2012/13 accounts to cover the anticipated liability as advised by those administering the affairs of MMI but there is potential for the liability to increase in the future.

**The Corporate Plan**

During 2012/13 the Council committed to delivering an ambitious Corporate Plan which aims to deliver investment of over £120m in schools, social care facilities and roads in the coming five-seven years. External funding will contribute to the overall cost of investment in schools and roads but the Plan relies upon internal resources to fund borrowing and to provide cash. Such a significant investment will help improve key services but does not come without risk and therefore measures are in place to continually assess the delivery and affordability of the Plan.

**Looking Ahead**

The Council will have to continue to carefully manage demands for services whilst the amount of money available to pay for them is reduced. It is likely that local government funding settlements will reduce further in the coming three-five years so the amount the Council spends each year will have to reduce accordingly. Some very tough decisions will have to be taken to ensure the Council continues to live within its means.

**Paul McGrady**  
**Chief Financial Officer/Head of Finance & Assets**

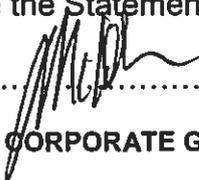
**SECTION 2: STATEMENT OF RESPONSIBILITIES****The County Council's Responsibilities**

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 27/9/13

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 Code').

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 Code.

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 presented give a true and fair view of the financial position of Denbighshire County Council at the reporting date and its income and expenditure for the year ended 31 March 2013.



**Paul McGrady**  
**Chief Financial Officer**

**Date** 27/9/13.



**SECTION 3:  
FINANCIAL  
STATEMENTS  
AND  
NOTES TO THE  
ACCOUNTS  
2012/13**

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## Movement in Reserves Statement

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

	Note	Revenue Reserves			Capital Reserves		Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
		Council Fund Balance £000	Earmarked Reserves £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000			
<b>Balance at 31 March 2011</b>		<b>(8,281)</b>	<b>(25,977)</b>	<b>(2,009)</b>	<b>(3,478)</b>	<b>(5,714)</b>	<b>(45,459)</b>	<b>(295,239)</b>	<b>(340,698)</b>
<b>Movement in reserves during 2011/12</b>									
(Surplus) or deficit on the provision of services	CI&E	5,745		8,629			14,374		14,374
Other Comprehensive Income & Expenditure	CI&E							11,338	11,338
<b>Total Comprehensive Income &amp; Expenditure</b>		<b>5,745</b>	<b>0</b>	<b>8,629</b>	<b>0</b>	<b>0</b>	<b>14,374</b>	<b>11,338</b>	<b>25,712</b>
Adjustments between accounting basis & funding basis under regulations	7	(11,164)		(7,477)	1,884	779	(15,978)	15,978	0
Net Increase/Decrease before Transfers to Earmarked Reserves		<b>(5,419)</b>	<b>0</b>	<b>1,152</b>	<b>1,884</b>	<b>779</b>	<b>(1,604)</b>	<b>27,316</b>	<b>25,712</b>
Transfers to/from Earmarked Reserves	22	4,542	(4,528)	(14)			0	0	0
<b>Increase/Decrease in 2011/12</b>		<b>(877)</b>	<b>(4,528)</b>	<b>1,138</b>	<b>1,884</b>	<b>779</b>	<b>(1,604)</b>	<b>27,316</b>	<b>25,712</b>
<b>Balance at 31 March 2012</b>		<b>(9,158)</b>	<b>(30,505)</b>	<b>(871)</b>	<b>(1,594)</b>	<b>(4,935)</b>	<b>(47,063)</b>	<b>(267,923)</b>	<b>(314,986)</b>

	Note	Revenue Reserves			Capital Reserves		Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
		Council Fund Balance £000	Earmarked Reserves £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000			
<b>Balance at 31 March 2012</b>		<b>(9,158)</b>	<b>(30,505)</b>	<b>(871)</b>	<b>(1,594)</b>	<b>(4,935)</b>	<b>(47,063)</b>	<b>(267,923)</b>	<b>(314,986)</b>
<b>Movement in reserves during 2012/13</b>									
(Surplus) or deficit on the provision of services	CI&E	(5,914)		16,242			10,328		10,328
Other Comprehensive Income & Expenditure	CI&E							168,455	168,455
<b>Total Comprehensive Income &amp; Expenditure</b>		<b>(5,914)</b>		<b>16,242</b>			<b>10,328</b>	<b>168,455</b>	<b>178,783</b>
Adjustments between accounting basis & funding basis under regulations	7	1,218		(16,380)	(1,203)	1,308	(15,057)	15,057	0
Net Increase/Decrease before Transfers to Earmarked Reserves		<b>(4,696)</b>		<b>(138)</b>	<b>(1,203)</b>	<b>1,308</b>	<b>(4,729)</b>	<b>183,512</b>	<b>178,783</b>
Transfers to/from Earmarked Reserves	22	4,056	(4,019)	(37)			0		0
<b>Increase/Decrease in 2012/13</b>		<b>(640)</b>	<b>(4,019)</b>	<b>(175)</b>	<b>(1,203)</b>	<b>1,308</b>	<b>(4,729)</b>	<b>183,512</b>	<b>178,783</b>
<b>Balance at 31 March 2013</b>		<b>(9,798)</b>	<b>(34,524)</b>	<b>(1,046)</b>	<b>(2,797)</b>	<b>(3,627)</b>	<b>(51,792)</b>	<b>(84,411)</b>	<b>(136,203)</b>

## Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2011/12				2012/13			
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Note	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
12,501	(10,488)	2,013	Central Services to the Public		12,641	(10,797)	1,844
22,535	(8,336)	14,199	Cultural & Related Services		21,699	(7,302)	14,397
121,002	(22,433)	98,569	Children's & Education Services		110,279	(24,268)	86,011
20,831	(10,622)	10,209	Environmental & Regulatory Services		22,853	(10,753)	12,100
25,185	(14,149)	11,036	Highways & Transport Services		24,617	(15,692)	8,925
20,894	(11,302)	9,592	Local Authority Housing (HRA)		29,114	(11,956)	17,158
37,249	(34,158)	3,091	Housing Services		38,537	(36,031)	2,506
49,227	(16,069)	33,158	Adult Social Care		53,241	(18,775)	34,466
7,004	(3,361)	3,643	Planning Services		6,762	(2,611)	4,151
14,773	(7,185)	7,588	Corporate & Democratic Core		15,507	(7,226)	8,281
541	0	541	Non Distributed Costs		211		211
331,742	(138,103)	193,639	<b>Cost of Services</b>		335,461	(145,411)	190,050
14,131	(560)	13,571	Other Operating Expenditure	8	14,312	(34)	14,278
14,169	(4,451)	9,718	Financing & Investment Income & Expenditure	9	15,034	(566)	14,468
	(202,554)	(202,554)	Taxation & Non-specific Grant Income	10		(208,468)	(208,468)
		<b>14,374</b>	<b>(Surplus) or Deficit on Provision of Services*</b>				<b>10,328</b>

2011/12					2012/13		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Note	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
		(15,603)	(Surplus) or deficit on revaluation of Property, Plant & Equipment assets	24			123,196
		2,451	Impairment losses on non-current assets charged to the Revaluation Reserve				4,112
		24,490	Actuarial (gains)/losses on pension assets/liabilities	41			41,147
		<b>11,338</b>	<b>Other Comprehensive Income &amp; Expenditure</b>				<b>168,455</b>
		<b>25,712</b>	<b>Total Comprehensive Income &amp; Expenditure</b>				<b>178,783</b>

\* A subjective breakdown of Income and Expenditure included within the (Surplus) or Deficit on the Provision of Services can be found in Note 28 Amounts Reported for Resource Allocated Decisions.

## **Balance Sheet**

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

31 March 2012 £000		Note	31 March 2013 £000	31 March 2013 £000
286,011	<i>Council Dwellings</i>		137,732	
176,862	<i>Other Land &amp; Buildings</i>		180,672	
8,034	<i>Vehicles, Plant, Furniture &amp; Equipment</i>		7,092	
93,890	<i>Infrastructure</i>		97,515	
3,172	<i>Community Assets</i>		3,456	
3,559	<i>Assets Under Construction</i>		8,784	
1,824	<i>Surplus Assets not Held for Sale</i>		1,810	
573,352	Property, Plant & Equipment	13	437,061	
11,854	Heritage Assets	47	11,798	
12,925	Investment Property	14	12,633	
7	Long Term Investments	15	7	
1,102	Long Term Debtors	15	1,056	
599,240	<b>LONG TERM ASSETS</b>			<b>462,555</b>
16,233	Short Term Investments	15	14	
1,754	Assets Held for Sale (<1yr)	19	554	
2,001	Inventories	16	1,795	
24,121	Short Term Debtors	17	33,777	
3,875	Cash and Cash Equivalents	18	11,054	
47,984	<b>CURRENT ASSETS</b>			<b>47,194</b>
(3,013)	Short Term Borrowing	15	(3,046)	
(23,709)	Short Term Creditors	20	(24,409)	
(693)	Provisions	21	(1,258)	
(1,157)	Revenue Grants Receipts in Advance	35	(697)	
(1,664)	Capital Grants Received in Advance	35	(1,765)	
(30,236)	<b>CURRENT LIABILITIES</b>			<b>(31,175)</b>

31 March 2012 £000		Note	31 March 2013 £000	31 March 2013 £000
(9,889)	Long Term Creditors	15	(9,772)	
(5,847)	Provisions	21	(5,635)	
(132,432)	Long Term Borrowing	15	(130,762)	
(153,834)	Other Long Term Liabilities	24	(196,202)	
0	Capital Grants Receipts in Advance	35	0	
<b>(302,002)</b>	<b>LONG TERM LIABILITIES</b>			<b>(342,371)</b>
<b>314,986</b>	<b>NET ASSETS</b>			<b>136,203</b>
(9,158)	Council Fund		(9,798)	
(30,505)	Earmarked Reserves	22	(34,524)	
(871)	Housing Revenue Account		(1,046)	
(1,594)	Capital Receipts Reserve		(2,797)	
(4,935)	Capital Grants Unapplied		(3,627)	
<b>(47,063)</b>	Usable Reserves	23		<b>(51,792)</b>
(206,312)	Revaluation Reserve		(76,304)	
153,834	Pensions Reserve		196,202	
(219,008)	Capital Adjustment Account		(207,190)	
(9)	Deferred Capital Receipts		(6)	
339	Financial Instruments Adjustment Account		336	
3,233	Short Term Accumulating Compensated Absences Account		2,551	
<b>(267,923)</b>	Unusable Reserves	24		<b>(84,411)</b>
<b>(314,986)</b>	<b>TOTAL RESERVES</b>			<b>(136,203)</b>

## Cash Flow Statement

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

2011/12 £000		Note	2012/13 £000
14,374	Net (surplus) or deficit on the provision of services		10,328
(24,638)	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements		(23,692)
1,861	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities		1,580
<b>(8,403)</b>	<b>Net cash flows from Operating Activities</b>	25	<b>(11,784)</b>
11,619	Investing Activities	26	2,632
(3,474)	Financing Activities	27	1,973
<b>(258)</b>	<b>Net increase or decrease in cash and cash equivalents</b>		<b>(7,179)</b>
3,617	Cash and cash equivalents at the beginning of the reporting period		3,875
258	Increase in Cash		7,179
3,875	Cash and cash equivalents at the end of the reporting period	18	11,054

## Notes to the Accounts

### 1. Accounting Policies

#### i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2012/13 financial year and its position at the year-end of 31 March 2013. The Council is required to prepare an Annual Statement of Accounts by the Accounts and Audit (Wales) Regulations 2005, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise 'Code of Practice on Local Authority Accounting in the United Kingdom 2012/13' (the Code), supported by International Financial Reporting Standards (IFRS).

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

The Council also complies with the Service Reporting Code of Practice 2012/13 (SERCOP) 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's presentation of the accounts complies with the adoption of International Financial Reporting Standards (IFRS). The Main Statements comprise:

- The Movement in Reserves Statement
- The Comprehensive Income & Expenditure Statement
- The Balance Sheet
- The Cash Flow Statement

#### ii. Accruals of Income and Expenditure

Activity is accounted for in the year 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 of goods and services are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Interest payable on borrowings and receivable 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.

### iii . Capitalisation of Borrowing Costs

IFRS requires borrowing costs in respect of qualifying assets to be capitalised. Under the authority of the Code, the Council has selected an accounting policy of expensing these costs.

### iv. Cash and Cash Equivalents

Cash is represented by cash in hand and cash held in deposit accounts which is repayable on demand. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in the value. This means that 'Cash and Cash Equivalents' includes cash held in the bank, demand deposits and instant access call accounts.

### v. Charges to Revenue for Non-Current Assets

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

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

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

### vi. Employee Benefits

#### Benefits Payable During Employment

In addition to wages and salaries, short term employee benefits include paid annual leave for current employees. As a result an accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end, which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

## Termination Benefits

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

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

## Post Employment Benefits

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

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
- The Local Government Pensions Scheme, administered by 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 ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

## The Local Government Pension Scheme

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

- The liabilities of the Clwyd Pension Fund 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.
- Liabilities are discounted to their value at current prices, using a discount rate of 4.2% (based on the indicative rate of return on high quality corporate bond 3.9%)

- The assets of Clwyd Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value.
  
- The change in the net pensions liability is analysed into seven components:
  - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
  - past service cost – the increase in liabilities arising from current year decisions the effect of which relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs.
  - interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
  - expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement
  - gains or 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 or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve
  - 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 Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the Council Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

## 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 award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

## vii Events after the Balance Sheet Date

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

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

Events taking place after the date of the authorisation for issue are not reflected in the Statement of Accounts.

## viii. Financial Instruments

### Financial Liabilities

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

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

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

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

### **Financial Assets**

Financial assets are classified into two types:

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

### **Loans and Receivables**

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

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

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

None of the Council's financial assets have been impaired.

### **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. The Council does not have any soft loans which are above this level.

**ix. Foreign Currency Translation**

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

**x. Government Grants and Contributions**

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

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

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

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

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

**xi. Heritage Assets****Tangible & Intangible Heritage Assets (described in this summary of significant accounting policies as Heritage Assets)**

The Council's Heritage Assets are held at a number of sites. Rhyl Museum (within Rhyl Library), Ruthin Gaol & Plas Newydd have permanent collections. The latter two are site-

specific, telling the stories of the properties and their occupants, whereas the collection at Rhyl explores all aspects of the town and its environment. An annual Heritage based exhibition is mounted for a month at Denbigh Library. There is a temporary display area at Rhyl Museum, which is changed quarterly and one at Nantclwyd y Dre. A scheduled monument, Castell Dinas Bran is also located within Denbighshire.

The collections of Heritage Assets are held in support of the primary objective of the Council's museums i.e. to care for the heritage of Denbighshire, making it accessible for all through inspiration, learning and enjoyment.

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to Heritage Assets as the Council considers that obtaining valuations for the collections would involve a disproportionate cost in comparison to the benefits provided to the users of the financial statements. This is because of the diverse nature of the assets held and the lack of comparable values. The collections are relatively static and there have been no recent acquisitions or donations.

All collections care work aims to comply with the Museums and Galleries Commission standards. Asset lives of the collections are deemed to be indefinite due to the preventative work undertaken by Denbighshire's Heritage Service and because of the nature of the items concerned. It is not appropriate therefore to charge depreciation.

There is no single item within the collective insurance valuation which has been highlighted as material.

The Council adheres to the Museums Association's guidelines on disposal.

Further information can be obtained from the Heritage Service's Collections Management Policy 2008-2013.

## **xii. Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) is capitalised when it is expected that the future economic benefits or service potential will flow from the intangible asset to the Council.

The Council does not have any material intangible assets.

## **xiii. 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.

**xiv. Inventories**

The Environmental Services' stores are valued at average purchase price. It is recognised that this is not in accordance with the Code, which requires inventories 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 inventory 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 Code. 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 inventory is treated as a revenue item.

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

**xv. Investment Property**

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

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

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

**xvi. Jointly Controlled Operations and Jointly Controlled Assets**

Jointly controlled operations are activities undertaken by the Council in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Council recognises on its Comprehensive Income and Expenditure Statement the expenditure and income from the activity of any such operation.

**xvii. Leases**

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

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

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

The Council as Lessee

### Finance Leases

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

Lease payments are apportioned between:

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

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

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

### Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment.

The Council as Lessor

### Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement

of the lease, the carrying amount of the asset on the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

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

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

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

### Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

## **xviii. Non Exchange Revenue**

### Recognition of Revenue from Non-Exchange Transactions

Assets and revenue arising from non exchange transactions are recognised in accordance with the requirements of IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, except where interpreted or adapted to fit the public sector are detailed in the Code and/or IPSAS 23, "Revenue from Non- Exchange Transactions (Taxes and Transfers)."

### Taxation transactions

Assets and revenue arising from taxation transactions are recognised in the period in which the taxable event occurs, provided that the assets satisfy the definition of an asset and meet the criteria for recognition as an asset.

### Non-taxation transactions

Assets and revenue arising from transfer transactions are recognised in the period in which the transfer arrangement becomes binding. Services in-kind are not recognised.

Where a transfer is subject to conditions that, if unfulfilled, require the return of the transferred resources, the authority recognises a liability until the condition is fulfilled.

### Basis of Measurement of Major Classes of Revenue from Non-Exchange Transactions

Taxation revenue is measured at the nominal value of cash, and cash equivalents,

Assets and revenue recognised as a consequence of a transfer are measured at the fair value of the assets recognised as at the date of recognition:

- Monetary assets are measured at their nominal value unless the time value of money is material, in which case present value is used, calculated using a discount rate that reflects the risk inherent in holding the asset; and
- Non-monetary assets are measured at their fair value, which is determined by reference to observable market values or by independent appraisal by a member of the valuation profession. Receivables are recognised when a binding transfer arrangement is in place but cash or other assets have not been received.

## **xix. 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 of the CIPFA *Service Reporting Code of Practice 2012/13* (SERCOP). 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 not charged to the 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 and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SERCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

**xx. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

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

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

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

**xxi. Property, Plant and Equipment**

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

**Recognition**

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

**Measurement**

Assets are initially measured at cost, comprising:

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

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

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in

the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of acquisition is the carrying amount of the asset given up by the Council.

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

- infrastructure, community assets and assets under construction – depreciated historical cost
- dwellings – fair value, determined using the basis of EUV-SH existing use value for social housing.
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

Subsequent revaluations of non current assets are planned as part of a continuous assessment in order that all assets are revalued within five years of their previous valuation, although material changes to asset valuation will be adjusted in the interim period as they occur. 20% of the Council's assets were revalued during 2012/13. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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

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

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

#### Impairment

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

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

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

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

### Depreciation

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

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment – straight line method
- infrastructure – straight-line allocation over 40 years.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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

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

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

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

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

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

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

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

## **xxii. Private Finance Initiative (PFI)**

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

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 non-current 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.

Non current 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 Comprehensive Income and Expenditure Statement

- finance cost – an interest charge of 6.19% on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)
- lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

### **xxiii. Provisions, Contingent Liabilities and Contingent Assets**

#### **Provisions**

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

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

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

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

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

The Authority has made a provision for the costs of settling claims for back pay arising from discriminatory payments incurred before the Authority implemented its equal pay strategy.

#### **Contingent Liabilities**

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

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

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

### **Contingent Assets**

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

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

### **xxiv. Reserves**

The Council sets aside specific amounts as reserves for future policy purposes to cover contingencies. Contributions to or from reserves are shown in the Movement in Reserves Statement. Only expenditure to be financed from a reserve is charged to the appropriate service in the Comprehensive Income and Expenditure Statement.

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

### **xxv. 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 non-current 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 Movement in Reserves Statement so there is no impact on the level of council tax.

### **xxvi. VAT**

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

### **xxvii. Carbon Reduction Commitment Scheme**

The authority is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31 March 2014. The authority is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally

at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the authority is recognised and reported in the costs of the authority's services and is apportioned to services on the basis of energy consumption.

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (the Code) has introduced a number of changes in accounting policies, which will be required from 1 April 2013. The following changes are not thought to have a significant impact on the Statement of Accounts as demonstrated below:

- IAS 1 Presentation of Financial Statements – The changes require authorities to disclose separately the gains and losses reclassifiable into the Surplus or Deficit on the Provision of Services. This is a change in presentation and will not impact on any of the amounts in the Comprehensive Income & Expenditure Statement.
- IAS 12 Income Taxes – This change in accounting policy particularly affects investment properties. It is not considered that this change will affect the Statement of Accounts.
- IFRS 7 Financial Instruments: Disclosures – The change in accounting policy is in relation to the offsetting of financial assets and liabilities. Within the cash and cash equivalents line on the Balance Sheet there is a bank overdraft, Note 18 provides a breakdown of this line.

There have been several significant changes in relation to IAS 19 Employee Benefits. IAS 19 is changing for accounting years starting on or after 1 January 2013. The key change affecting LGPS employers relates to the expected return on assets.

- Under the revised standard, the Expected Return on Assets is replaced with the Interest on Plan Assets. This is the interest on assets held at the start of the period and cashflows occurring during the period, calculated using the discount rate at the start of the year.
- The pension cost under the revised standard will see the Interest Cost and Expected Return on Assets replaced with Net Interest Cost. This will be calculated as interest on pension liabilities less the interest on assets.
- The effect of these changes on the Authority's 2012-13 Accounts would be an expense increase in the CI&ES of £2m.

The new guidance requires that all actuarial gains and losses be recognised in the year of occurrence via Other Comprehensive Income and Expenditure. Therefore the alternative treatments, where recognition of actuarial gains and losses could be deferred will no longer be available.

Also actuarial gains and losses on liabilities due to changes on actuarial assumptions need to be split between the effect of changes in financial assumptions and changes on demographic assumptions.

### 3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- **PFI Scheme** - The Council is deemed to control the services provided under its Private Finance Initiative arrangements and also to control the residual value of the asset at the end of the contract. The accounting policy for the PFI scheme (County Hall offices) and similar contracts has been applied to these arrangements and the assets are recognised as Property, Plant and Equipment in the Council's Balance Sheet. Note 39 to the Accounts gives further details.
- **Classification of Leases** - The Council has previously undertaken an analysis to classify the leases it holds, both as a lessee and lessor, as either operating or finance leases. The accounting policy for leases has been applied to these arrangements and additional assets are recognised as Property, Plant and Equipment in the Council's Balance Sheet. Further detail can be found in Note 38 to the Accounts.
- **Valuation of Housing Stock** – The basis of valuation adopted for accounting purposes under International Accounting Standard 16 (Property, Plant and Equipment) is Fair Value which is deemed under the CIPFA Code of Practice to be Existing Use Value (EUV) as Social Housing. The valuation methodology applied is the Adjusted Vacant Possession Value (known as the Beacon Approach).

This approach seeks to obtain a value for the asset, based on the Fair Value (market value) assuming 'vacant possession' of the asset which is then adjusted to reflect the asset's use for social housing with a sitting tenant. The underlying principles of this approach are:

- A representative asset is normally used as the basis for valuing a set of similar assets.
- The asset's Fair Value (market value) is determined from sales evidence relating to comparable properties. This provides a 'vacant possession' value.
- The market value is discounted by a factor to reflect the difference between private sector rents / yields and social housing rents / yields. This is intended to reflect the differential cash flows that would arise between the two types of landlord given that there is a sitting tenant in the property and that any development value is to be ignored (as continuation of the existing use is assumed under EUV).

The Council is satisfied that the components used to calculate the values using the Beacon Approach are reasonable and are consistent with previous valuations. There is currently no guidance in Wales that specifically defines the components within the methodology, some of which rely on professional judgements particular to local circumstances.

In terms of the financial statements, Council Houses have a net book value of £137.732m as at 31 March 2013 (£286.011m at 31 March 2012) as per Note 13 –

*Property, Plant and Equipment.* The movement in the balance sheet value is as a result of the Valuer reassessing the discount factor applied to the housing stock based on local rent yield differentials and the outcome of a full stock condition survey completed during 2012/13.

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

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

The items in the Council's Balance Sheet at 31 March 2013 for which there is some risk of adjustment in the forthcoming financial year are as follows:

##### **Property, Plant & Equipment**

Assets are depreciated over useful lives that are dependent on assumptions about the future level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to some of the assets. If the useful life of the asset is reduced, depreciation increases and the carrying amount of the asset falls. Property, plant and equipment are re-valued on a periodic basis and tested annually for indicators of impairment. Judgements are required to make an assessment as to whether there is an indication of impairment. The impairment tests include examination of capital expenditure incurred in the financial year to ascertain whether it has resulted in an increase in value or an impairment of an asset. Advice has been provided by the council's valuers. If the actual results differ from the assumptions, the value of PPE assets will be over or understated. This would be adjusted when the assets were next re-valued.

The value of Property, Plant and Equipment disclosed on the Balance Sheet is £437.061m and further information is contained within Note 13.

##### **Equal Pay**

The Council has made a provision for the settlement of claims for back pay arising from the Equal Pay initiative, based on the number of claims received and an average settlement amount. Whilst the council believes the provision to be reasonable the settlement process has yet to be formally resolved.

The provision stands at £2.078m and is shown in Note 21.

##### **Pension Liability**

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension

fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.

The value of the pension liability and corresponding pension reserve disclosed on the Balance Sheet is £196.202m. Detailed information is contained within Notes 24, 40 and 41.

### **Employee Benefit Accrual**

The accrual for employee benefits (annual and flexi time leave) was calculated based on a sample of employees. The balance on the Accumulated Absences Account as at 31<sup>st</sup> March 2013 was £2.551m and is detailed in Note 24.

### **Arrears**

A review of outstanding debt has been made and an allowance made for doubtful debts. Any allowance made for doubtful future debts has to be based on an estimate. The allowance made is prudent but as the full programme of changes to the welfare system is not yet implemented the allowance may need to be reviewed next year.

The council makes a general provision for bad debts and specific provisions in relation to Council Tax (Note 11), National Non-Domestic Rates (Note 12) and Housing Rents (Housing Revenue Account Note 2).

## **5. Material Items of Income and Expense**

Where items are not disclosed on the face of the Comprehensive Income and Expenditure Statement and its related notes, the nature and amount of material items appear in this note to the accounts. There are no such items to report for 2012/13.

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

The Statement of Accounts was authorised for issue by the Chief Finance Officer in September 2013. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2013, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Between the Balance Sheet date and the reporting date no material events have taken place which require disclosure.

## **7. Adjustments between Accounting Basis and Funding Basis under Regulation**

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

The following sets out a description of the reserves that the adjustments are made against.

**Council Fund Balance**

The Council Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the Council Fund Balance, which is not necessarily in accordance with proper accounting practice. The Council Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment at the end of the financial year. For housing authorities, however, the balance is not available to be applied to funding HRA services.

**Housing Revenue Account Balance**

The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government & Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund expenditure in connection with the Council's landlord function.

**Capital Receipts Reserve**

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at year-end.

**Capital Grants Unapplied**

The Capital Grants Unapplied Account holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

2012/13	Usable Reserves				Unusable Reserves £000
	Council Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
<b>Adjustments primarily involving the Capital Adjustment Account</b>					
<b>Reversal of items debited or credited to the Comprehensive Income &amp; Expenditure Statement:</b>					
Charges for depreciation & impairment of non-current assets	(17,655)	(3,764)			21,419
Revaluation losses on Property, Plant & Equipment	(3,647)	(16,614)			20,261
Movements in the fair value of Investment Properties	(258)				258
Capital Grants & contributions applied	16,537	2,400			(18,937)
Revenue expenditure funded from capital under statute	(5,406)				5,406
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	(1,458)	(75)			1,533
<b>Insertion of items not debited or credited to the Comprehensive Income &amp; Expenditure Statement:</b>					
Statutory provision for the financing of capital investment	8,205	1,341			(9,546)
Capital expenditure charged against the Council Fund & HRA balances	2,082	331			(2,413)
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>					
Capital grants & contributions unapplied credited to the Comprehensive Income & Expenditure Statement	1,775			(1,775)	
Application of grants to capital financing transferred to the Capital Adjustment Account				3,083	(3,083)

2012/13	Usable Reserves				Unusable Reserves £000
	Council Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	1,505	75	(1,580)		
Use of the Capital Receipts Reserve to finance new or existing capital expenditure			380		(380)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals					
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool					
Transfer from Deferred Capital Receipts Reserve upon receipt of cash			(3)		
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>					
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement					3
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>					
Amount by which finance costs charged to the Comprehensive Income & Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(16)	19			(3)
<b>Adjustments primarily involving the Pensions Reserve:</b>					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	(15,447)	(448)			15,895
Employer's pension contributions payable in the year	14,306	368			(14,674)
<b>Adjustments primarily involving the Accumulated Absences Account:</b>					
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	695	(13)			(682)
<b>Total Adjustments</b>	<b>1,218</b>	<b>(16,380)</b>	<b>(1,203)</b>	<b>1,308</b>	<b>15,057</b>

2011/12	Usable Reserves				Unusable Reserves £000
	Council Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
<b>Adjustments primarily involving the Capital Adjustment Account</b>					
<b>Reversal of items debited or credited to the Comprehensive Income &amp; Expenditure Statement:</b>					
Charges for depreciation & impairment of non-current assets	(16,474)	(6,467)			22,941
Revaluation losses on Property, Plant & Equipment	(15,045)	(5,965)			21,010
Movements in the fair value of Investment Properties	3,617				(3,617)
Capital Grants & contributions applied	13,228	2,400			(15,628)
Revenue expenditure funded from capital under statute	(7,824)				7,824
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	(996)	(284)			1,280
<b>Insertion of items not debited or credited to the Comprehensive Income &amp; Expenditure Statement:</b>					
Statutory provision for the financing of capital investment	7,618	1,255			(8,873)
Capital expenditure charged against the Council Fund & HRA balances	875	1,341			(2,216)
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>					
Capital grants & contributions unapplied credited to the Comprehensive Income & Expenditure Statement	2,803			(2,803)	
Application of grants to capital financing transferred to the Capital Adjustment Account				3,582	(3,582)

2011/12	Usable Reserves				Unusable Reserves £000
	Council Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	1,577	284	(1,861)		
Use of the Capital Receipts Reserve to finance new or existing capital expenditure			3,750		(3,750)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals					
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool					
Transfer from Deferred Capital Receipts Reserve upon receipt of cash			(5)		
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>					
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement					5
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>					
Amount by which finance costs charged to the Comprehensive Income & Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(18)	18			0
<b>Adjustments primarily involving the Pensions Reserve:</b>					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	(14,022)	(406)			14,428
Employer's pension contributions payable in the year	14,403	361			(14,764)
<b>Adjustments primarily involving the Accumulated Absences Account:</b>					
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(906)	(14)			920
<b>Total Adjustments</b>	<b>(11,164)</b>	<b>(7,477)</b>	<b>1,884</b>	<b>779</b>	<b>15,978</b>

## 8. Other Operating Expenditure

2011/12 £000		2012/13 £000
7,927	Police Precept	8,154
4,549	Fire Authority Precept	4,569
1,378	Community Council Precepts	1,454
(283)	(Gains)/losses on Held for Sale Assets and the disposal of non-current assets	101
<b>13,571</b>	<b>Total</b>	<b>14,278</b>

## 9. Financing and Investment Income and Expenditure

2011/12 £000		2012/13 £000
9,135	Interest payable & similar charges	9,047
4,828	Pensions interest cost & expected return on pensions assets	5,639
(436)	Interest receivable & similar income	(267)
(3,798)	Income & expenditure in relation to investment properties & changes in their fair value	112
(11)	Other investment income	(63)
<b>9,718</b>	<b>Total</b>	<b>14,468</b>

## 10. Taxation and Non Specific Grant Income

2011/12 £000		2012/13 £000
(49,157)	Council tax income	(50,643)
(22,950)	Non domestic rates	(26,467)
(115,269)	Non-ringfenced government grants	(112,604)
(15,178)	Capital grants & contributions	(18,754)
<b>(202,554)</b>	<b>Total</b>	<b>(208,468)</b>

## 11. 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 38,002 in 2012/13 (37,867 in 2011/12).

This basic amount (including Community Council precept and North Wales Police precept) for a Band D property was £1,305.81 (£1,270.03 in 2011/12) 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 13	3,999	7,181	14,148	7,647	5,297	3,520	1,940	300	166

#### Analysis of the net proceeds from Council Tax:

2011/12 £000		2012/13 £000
49,157	Council Tax collectable	50,643
(7,927)	Amount payable to North Wales Police Authority	(8,154)
(593)	Provision for non-payment of Council Tax	(490)
<b>40,637</b>	<b>Net proceeds from Council Tax</b>	<b>41,999</b>
	<b>Denbighshire County Council Split:</b>	
39,136	Denbighshire County Council	40,412
1,378	Community Councils	1,454
123	Discretionary Non-domestic Rate Relief	133
<b>40,637</b>		<b>41,999</b>

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

NNDR is organised on a national basis. The Welsh Government specified the rate of 45.2p in 2012/13 (42.8p in 2011/12) 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 Government. The Welsh 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 £18.817m for 2012/13 (£18.252m for 2011/12) was based on an aggregate rateable value of £56.545m for the year.

#### Analysis of the net proceeds from non-domestic rates:

2011/12 £000		2012/13 £000
<b>18,252</b>	<b>Non Domestic Rates collectable</b>	<b>18,817</b>
(205)	Cost of Collection allowance	(206)
(252)	Provision for Bad Debts	(284)
(9)	Refunds of interest	0
<b>17,786</b>	<b>Payment into National Pool</b>	<b>18,327</b>
<b>22,950</b>	<b>Redistribution from National Pool</b>	<b>26,467</b>

## 13. Property , Plant and Equipment

2012/13	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant & Equipment £000	PFI Assets Included in Property, Plant & Equipment £000
<b>Cost or Valuation</b>									
At 1 April 2012	310,098	214,507	27,231	119,007	3,206	1,798	4,766	680,613	4,299
Additions	6,445	10,113	1,998	7,863	331	15	6,151	32,916	22
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(136,218)	759	0	0	0	0	0	(135,459)	
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(16,614)	(3,650)	0	0	0	0	0	(20,264)	
Derecognition – disposals	(75)	0	0	0	0	0	0	(75)	
Derecognition – other Assets reclassified (to)/from Held for Sale	0	0	(9,739)	0	0	0	0	(9,739)	
Other movements in cost or valuation	0	(299)	0	0	0	0	0	(299)	
	0	0	0	0	0	43	0	43	
<b>At 31 March 2013</b>	<b>163,636</b>	<b>221,430</b>	<b>19,490</b>	<b>126,870</b>	<b>3,537</b>	<b>1,856</b>	<b>10,917</b>	<b>547,736</b>	<b>4,321</b>

2012/13	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant & Equipment £000	PFI Assets Included in Property, Plant & Equipment £000
<b>Accumulated Depreciation &amp; Impairment</b>									
At 1 April 2012	(24,087)	(37,645)	(19,197)	(25,117)	(34)	26	(1,207)	(107,261)	(175)
Depreciation charge	(3,681)	(5,466)	(2,808)	(2,821)	0	(15)	0	(14,791)	(58)
Depreciation written out to Revaluation Reserve	5,230	7,104	0	0	0	0	0	12,334	
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0	
Impairment losses/(reversals) recognised in the Revaluation Reserve	(3,373)	(701)	0	0	0	(14)	0	(4,088)	
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	(4,050)	(132)	(1,417)	(47)	0	(926)	(6,572)	(22)
Derecognition - disposals	7	0	0	0	0	0	0	7	
Derecognition – other	0	0	9,739	0	0	0	0	9,739	
Other movements in depreciation & impairment	0	0	0	0	0	(43)	0	(43)	
<b>At 31 March 2013</b>	<b>(25,904)</b>	<b>(40,758)</b>	<b>(12,398)</b>	<b>(29,355)</b>	<b>(81)</b>	<b>(46)</b>	<b>(2,133)</b>	<b>(110,675)</b>	<b>(255)</b>

Net Book Value									
At 31 March 2013	137,732	180,672	7,092	97,515	3,456	1,810	8,784	437,061	4,066
At 31 March 2012	286,011	176,862	8,034	93,890	3,172	1,824	3,559	573,352	4,124

2011/12	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant & Equipment £000	PFI Assets Included in Property, Plant & Equipment £000
<b>Cost or Valuation</b>									
At 1 April 2011	308,673	215,486	26,012	102,935	3,069	2,661	8,527	667,363	4,299
Additions	5,839	7,423	1,219	16,072	137	0	1,557	32,247	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	3,276	5,447	0	0	0	6	0	8,729	0
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(7,361)	(13,106)	0	0	0	(719)	(4,362)	(25,548)	0
Derecognition – disposals	(284)	(380)	0	0	0	0	0	(664)	0
Derecognition – other	0	0	0	0	0	0	0	0	0
Assets reclassified (to)/from Held for Sale	(45)	(575)	0	0	0	(150)	0	(770)	0
Other movements in cost or valuation	0	212	0	0	0	0	(956)	(744)	0
<b>At 31 March 2012</b>	<b>310,098</b>	<b>214,507</b>	<b>27,231</b>	<b>119,007</b>	<b>3,206</b>	<b>1,798</b>	<b>4,766</b>	<b>680,613</b>	<b>4,299</b>

2011/12	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant & Equipment £000	PFI Assets Included in Property, Plant & Equipment £000
<b>Accumulated Depreciation &amp; Impairment</b>									
At 1 April 2011	(19,326)	(34,398)	(15,960)	(21,413)	(34)	(28)	(629)	(91,788)	(117)
Depreciation charge	(6,384)	(5,972)	(3,237)	(2,451)	0	(14)	0	(18,058)	(58)
Depreciation written out to Revaluation Reserve	2,244	2,567	0	0	0	33	0	4,844	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	1,397	3,383	0	0	0	35	0	4,815	0
Impairment losses/(reversals) recognised in the Revaluation Reserve	(2,028)	(423)	0	0	0	0	0	(2,451)	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	(2,995)	0	(1,253)	0	0	(578)	(4,826)	0
Derecognition - disposals	10	34	0	0	0	0	0	44	0
Derecognition – other	0	115	0	0	0	0	0	115	0
Other movements in depreciation & impairment	0	44	0	0	0	0	0	44	0
<b>At 31 March 2012</b>	<b>(24,087)</b>	<b>(37,645)</b>	<b>(19,197)</b>	<b>(25,117)</b>	<b>(34)</b>	<b>26</b>	<b>(1,207)</b>	<b>(107,261)</b>	<b>(175)</b>

Net Book Value									
At 31 March 2012	286,011	176,862	8,034	93,890	3,172	1,824	3,559	<b>573,352</b>	4,124
At 31 March 2011	289,347	181,088	10,052	81,522	3,035	2,633	7,898	<b>575,575</b>	4,182

**Depreciation**

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Council Dwellings – 15-75 years
- Other Land and Buildings – 1-147 years
- Vehicles, Plant, Furniture & Equipment – 3-10 years
- Infrastructure – 40 years

**Voluntary Aided and Voluntary Controlled Schools**

Other Land and Buildings includes land only for various voluntary aided and voluntary controlled schools.

**Asset Register Review**

During 2012/13 an exercise was carried out to review the vehicles, plant, furniture and equipment part of the asset register, and remove the zero net book values. This has resulted in the removal of the gross book values and depreciation. An in year adjustment has been made to the asset register.

**Capital Commitments**

At 31 March 2013, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2013/14 and future years budgeted to cost £14.871m. Similar commitments at 31 March 2012 were £3.056m. The *major* commitments are:

<b>Project</b>	<b>Total Future Contract Payments 2013/14 £000</b>
Ysgol y Lllys – Refurbishment, Remodelling and Extension	1,995
Denbigh High School, Gymnasium Activity Studio	52
Ysgol Dyffryn Ial – Llandegla Extension	522
Prestatyn Library - Relocation	415
Bee and Station, Rhyl – Renovation	144
Jubilee Tower, Moel Fammau	62
Housing Refurbishment Programme	5,288
Rhyl Harbour Development	2,239
West Rhyl Coastal Defence Scheme	95
Glan Morfa Mountain Bike Track and Rhyl Cut Fisheries	52
Ruthin Leisure Centre Development	1,298
<b>Total</b>	<b>12,162</b>

**Revaluations**

As part of the 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 by Mrs C Jones Black 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 November 2012 and June 2013.

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.

	<b>Council Dwellings</b>	<b>Other Land &amp; Buildings</b>	<b>Vehicles, Plant, Furniture &amp; Equipment</b>	<b>Surplus Assets</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Carried at historical cost			7,092		7,092
Valued at fair value as at:					
31 March 2013	30,510	36,067			66,577
31 March 2012	13,593	41,807		1,810	57,210
31 March 2011	30,577	22,480			53,057
31 March 2010	28,890	54,216			83,106
31 March 2009	34,162	26,102			60,264
<b>Total Cost or Valuation</b>	<b>137,732</b>	<b>180,672</b>	<b>7,092</b>	<b>1,810</b>	<b>327,306</b>

As part of the rolling programme in 2012/13 the following assets were reviewed:

Allotments  
Land  
Car Parks  
Special Schools  
Office Buildings  
Countryside Services  
Community Centres  
Libraries  
Other Buildings  
Youth Clubs  
Residential Homes and Day Centres

Council Houses – Denbigh Area  
Council Houses – Denbigh Rural Area

The discount factor applied to the Housing Stock was also reviewed during the year and the revised discount factor of 40.3% was applied to the whole of the stock.

During the year an impairment review was carried out by property Management Services and it identified the following areas :

Thomas Ave Car Park  
London Road Car Park

Llangollen Pavillion  
6 Accar Y Forwyn, Denbigh

No further adjustments were made to the accounts as the areas were also covered by the rolling programme.

#### 14. Investment Properties

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

	2012/13 £000	2011/12 £000
Rental income from Investment Property	(236)	(372)
Direct operating expenses arising from Investment Property	86	206
<b>Net (gain)/loss</b>	<b>(150)</b>	<b>(166)</b>

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement. The following table summarises the movement in the fair value of investment properties over the year:

	2012/13 £000	2011/12 £000
Balance at start of the year	12,925	10,011
Additions:		
• Subsequent expenditure	1	2
Disposals	(35)	(304)
Net gains/(losses) from fair value adjustments	(258)	3,617
Transfers:		
• to/from Inventories	0	0
• to/from Property, Plant and Equipment	0	(401)
Other changes	0	0
<b>Balance at end of the year</b>	<b>12,633</b>	<b>12,925</b>

## 15. Financial Instruments

Categories of Financial Instruments

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

Long Term 31-Mar-12 £000	Current 31-Mar-12 £000		Long Term 31-Mar-13 £000	Current 31-Mar-13 £000
		<b><u>Investments</u></b>		
7	16,233	Loans and receivables	7	14
<b>7</b>	<b>16,233</b>	<b>Total Investments</b>	<b>7</b>	<b>14</b>
		<b><u>Debtors</u></b>		
1,102	24,121	Loans and receivables	1,056	33,777
<b>1,102</b>	<b>24,121</b>	<b>Total Debtors</b>	<b>1,056</b>	<b>33,777</b>
		<b><u>Borrowings</u></b>		
132,432	3,013	Financial liabilities at amortised cost	130,762	3,046
<b>132,432</b>	<b>3,013</b>	<b>Total Borrowings</b>	<b>130,762</b>	<b>3,046</b>
		<b><u>Other Long Term Liabilities</u></b>		
9,889	321	PFI and finance lease liabilities	9,772	116
<b>9,889</b>	<b>321</b>	<b>Total Other Long Term Liabilities</b>	<b>9,772</b>	<b>116</b>
		<b><u>Creditors</u></b>		
	23,709	Financial liabilities at amortised cost		24,409
<b>0</b>	<b>23,709</b>	<b>Total Creditors</b>		<b>24,409</b>

The outstanding borrowing in the table above includes a loan received from the Salix Energy Efficiency Scheme, which is a programme being delivered by the Welsh Government in partnership with Salix Finance and The Carbon Trust to provide interest free loans. The Council received a loan of £181k during 2011/12 and the balance on this loan at 31 March 2013 is £136k.

The Council is also a member of the Cyclescheme, which is a UK Government tax exemption initiative introduced to promote employees to cycle to work and therefore reduce environmental pollution. The Council gives loans to employees for this purpose and the balance outstanding at 31 March 2013 is £20k.

The Council does not account for these loans as soft loans as they lie below the de-minimis level.

**Income Expense, Gains and Losses**

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

Financial Liabilities 2011/12 £000	Financial Assets 2011/12 £000		Financial Liabilities 2012/13 £000	Financial Assets 2012/13 £000	Total 2012/13 £000
9,135		Interest Expense Losses on de-recognition	9,047		9,047
<b>9,135</b>	<b>0</b>	<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>9,047</b>		<b>9,047</b>
	(436)	Interest Income Gains on de-recognition		(267)	(267)
<b>0</b>	<b>(436)</b>	<b>Total income in Surplus or Deficit on the Provision of Services</b>		<b>(267)</b>	<b>(267)</b>

**Fair Values of Assets and Liabilities**

The Council's financial assets and financial liabilities are carried in the Balance Sheet at amortised cost. IFRS requires the Fair Values of these assets and liabilities to be disclosed for comparison purposes. Fair Value is defined 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 2012 and 31 March 2013 consisted entirely of loans from the Public Works Loan Board (PWLB) and the Salix Energy Efficiency Scheme. 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.

The fair values calculated are as follows:

Carrying Amount 31 March 2012 £000	Fair Values 31 March 2012 £000		Carrying Amount 31 March 2013 £000	Fair Values 31 March 2013 £000
135,445	193,739	Financial Liabilities	133,807	194,528
9,889	9,889	Long Term Creditors	9,772	9,772
<b>145,334</b>	<b>203,628</b>	<b>Total Financial Liabilities</b>	<b>143,579</b>	<b>204,300</b>
16,240	16,240	Loans and Receivables	21	21
1,102	1,102	Long Term Debtors	1,056	1,056
<b>17,342</b>	<b>17,342</b>	<b>Total Financial Assets</b>	<b>1,077</b>	<b>1,077</b>

## 16. Inventories

At 31 March 2013 the Council held inventories to the value of £1.795m (£2.001m at 31 March 2012)

The more significant inventories held by Environmental Services and Cefndy Enterprises are analysed as follows:

	Consumable Stores		Maintenance Materials		Finished Goods		Work in Progress		Total	
	2012/13 £000	2011/12 £000	2012/13 £000	2011/12 £000	2012/13 £000	2011/12 £000	2012/13 £000	2011/12 £000	2012/13 £000	2011/12 £000
<b>Balance outstanding at start of year</b>	517	403	378	338	408	141	221	127	1,524	1,009
Purchases	3,004	2,857	759	722	35	267	6	99	3,804	3,945
Recognised as an expense in the year	(3,145)	(2,743)	(764)	(682)	0	0	0	(5)	(3,909)	(3,430)
Written off balances	0	0	0	0	0	0	0	0	0	0
Reversals of write offs in previous years	0	0	0	0	0	0	0	0	0	0
<b>Balance outstanding at year-end</b>	<b>376</b>	<b>517</b>	<b>373</b>	<b>378</b>	<b>443</b>	<b>408</b>	<b>227</b>	<b>221</b>	<b>1,419</b>	<b>1,524</b>

The following table shows the remainder of the inventories balances:

31 Mar 2012 £000		31 Mar 2013 £000
	<b>Inventories</b>	
1	Business Planning & Performance	1
40	ICT and Business Transformation	45
48	Adult & Business Services	36
95	Environment	94
211	Highways & Infrastructure	124
82	Communication, Marketing & Leisure	76
<b>477</b>	<b>Total Inventories</b>	<b>376</b>

#### 17. Debtors

	31 March 2013 £000	31 March 2012 £000
Central government bodies	18,845	11,442
Other local authorities	5,254	3,989
NHS bodies	926	1,068
Public corporations and trading funds	5	3
Other entities and individuals	8,747	7,619
<b>Total</b>	<b>33,777</b>	<b>24,121</b>

#### 18. Cash and Cash Equivalents

The balance of cash and equivalent is made up of the following elements:

31 March 2012 £000		31 March 2013 £000
314	Cash held by the Council	289
(1,439)	Bank current accounts	(235)
5,000	Cash held instant access call account	11,000
<b>3,875</b>	<b>Total Cash and Cash Equivalents</b>	<b>11,054</b>

## 19. Assets Held for Sale

	Current	
	2012/13 £000	2011/12 £000
<b>Balance Outstanding at start of year</b>	1,754	410
Assets newly classified as Held for Sale:		
• Property, Plant and Equipment	299	1,561
• Other	0	195
Revaluation losses	(135)	(276)
Revaluation gains	59	198
Assets sold	(1,423)	(334)
<b>Balance outstanding at year end</b>	<b>554</b>	<b>1,754</b>

## 20. Creditors

	31 March 2013 £000	31 March 2012 £000
Central government bodies	(2,398)	(1,618)
Other local authorities	(2,772)	(2,260)
NHS bodies	(311)	(387)
Public corporations & trading funds	(63)	(2)
Other entities & individuals	(18,865)	(19,442)
<b>Total</b>	<b>(24,409)</b>	<b>(23,709)</b>

## 21. Provisions

	Insurance Fund £000	Equal/Back Pay Claims £000	Other Provisions £000	Total £000
<b>Balance as at 1 April 2012</b>	<b>889</b>	<b>1,623</b>	<b>795</b>	<b>3,307</b>
Additional provision made in 2012/13	852	596	405	1,853
Amounts used in 2012/13	(366)	(141)	(234)	(741)
Unused amounts reversed in 2012/13	(77)	0	0	(77)
<b>Balance as at 31 March 2013</b>	<b>1,298</b>	<b>2,078</b>	<b>966</b>	<b>4,342</b>

Also included within the Provisions figures on the Balance Sheet is the Provision for Accumulated Absences of £2,551k. This relates to the provision required for the benefits which employees have accumulated but which remain untaken at the Balance Sheet date. As this is a notional provision and the movement must not be recognised in the revenue account, the balances have been excluded from the table above.

**Insurance Fund**

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

As at 31 March 2013 a £1.298m provision has been set aside for the full estimated cost of meeting insurance liabilities.

All of the compensation claims are individually insignificant and relate to personal injuries or damage to property sustained where the Authority is alleged to be at fault (eg failure to repair, breach of duty). Provision is made for those claims where it is deemed probable that the Authority will have to make a settlement based on past experience of claim settlements.

We expect £820k to be settled within the next twelve months with the remainder of £478k to be settled within the next one to five years. The Authority may be reimbursed by its insurers but until claims are actually settled no income is recognised as the insurers will only reimburse amounts above a £10k excess.

**Equal / Back Pay Claims**

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

**Other Provisions**

All other provisions are individually insignificant. They include the following:

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 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.

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.

Product Liability

This is a fund set up to meet costs associated with a product recall.

Welfare Reform Provision

This is a fund set up to cover additional costs as a result of the impact of the Welfare Reforms, resulting in changes in Housing and Council Tax Benefits.

Carbon Reduction Tax

This relates to the CRC energy efficiency scheme and is a mandatory carbon trading scheme aimed at improving energy efficiency and cutting emissions in large public and private sector organisations. This fund is required to meet any payment for the Council to purchase carbon allowances.

**22. Transfers to/from Earmarked Reserves**

This note sets out the amounts set aside from the Council Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet Council Fund and HRA expenditure in 2012/13.

	Balance at 1 <sup>st</sup> April 2011 £000	Transfers Out 2011/12 £000	Transfers In 2011/12 £000	Balance at 31 <sup>st</sup> March 2012 £000	Transfers Out 2012/13 £000	Transfers In 2012/13 £000	Balance at 31 <sup>st</sup> March 2013 £000
<b>Council Fund:</b>							
Balances held by schools under a scheme of delegation (i)	(1,578)	0	(223)	(1,801)	592	(1,661)	(2,870)
Capital Schemes	(865)	900	(1,291)	(1,256)	2,485	(1,525)	(296)
PFI Grant (ii)	(3,263)	0	(469)	(3,732)	0	(169)	(3,901)
Environmental Services	(70)	70	(129)	(129)	129	(108)	(108)
Early Retirement Fund – Schools	(716)	0	0	(716)	0	0	(716)
Modernising Education	(153)	0	(200)	(353)	415	(62)	0
Youth Service	(61)	0	0	(61)	0	0	(61)
Integrated Children’s Centre	(72)	19	(30)	(83)	3	0	(80)
Leisure Strategy	(50)	0	(59)	(109)	0	0	(109)
Insurance Fund	(572)	190	0	(382)	355	(540)	(567)
Major Events Reserve	(200)	31	(19)	(188)	0	(21)	(209)
Town & Country Planning Act (s. 106) Requirements	(1,846)	718	(605)	(1,733)	442	(349)	(1,640)
Capital Financing (VAT refund interest)	(860)	0	0	(860)	500	0	(360)
Elections	(55)	0	(25)	(80)	83	(25)	(22)
Risk Management Fund	(129)	42	0	(87)	0	(55)	(142)
IT Networks Development	(189)	45	(18)	(162)	0	0	(162)
Single Status (iii)	(4,022)	67	(770)	(4,725)	3,722	0	(1,003)

	Balance at 1 <sup>st</sup> April 2011 £000	Transfers Out 2011/12 £000	Transfers In 2011/12 £000	Balance at 31 <sup>st</sup> March 2012 £000	Transfers Out 2012/13 £000	Transfers In 2012/13 £000	Balance at 31 <sup>st</sup> March 2013 £000
IT Systems Development (EDRMS)	(24)	24	0	0	0	(40)	(40)
LABGI reserve	(149)	0	0	(149)	149	0	0
Delivering Change (iv)	(2,986)	903	(480)	(2,563)	2,088	(200)	(675)
Regeneration Project (VAT refund)	(166)	2	0	(164)	122	(30)	(72)
Winter Maintenance	(402)	0	0	(402)	176	0	(226)
Major Highways Projects	(160)	0	0	(160)	81	0	(79)
Llys Marchan Reserve	(10)	0	0	(10)	10	0	0
Supporting People Reserve (v)	(2,940)	0	(714)	(3,654)	1,040	(378)	(2,992)
S.117 Mental Health Act	(52)	0	0	(52)	0	0	(52)
Specialist PSS Placements	(890)	0	0	(890)	0	0	(890)
Environment Directorate – Reserves	(166)	94	(114)	(186)	45	(5)	(146)
Sustainable Waste Management (vi)	(1,749)	0	(1,700)	(3,449)	994	(850)	(3,305)
LDP Future Costs	(305)	92	(50)	(263)	202	0	(61)
Design & Development	(25)	0	(95)	(120)	0	0	(120)
External Funding Administration	(165)	77	(46)	(134)	175	(151)	(110)
Revenue Grants Unapplied	(467)	467	(537)	(537)	491	(734)	(780)
Area Member Reserve	(300)	101	0	(199)	152	0	(47)
CESI Pooled Budget	(90)	66	(2)	(26)	9	0	(17)
Planning Delivery for Wales	(230)	6	(4)	(228)	24	0	(204)
Energy Efficiency Loan Scheme	0	30	(44)	(14)	0	(18)	(32)
Superannuation Recovery	0	0	(89)	(89)	0	(213)	(302)
N Wales Regional Transformation Fund	0	0	(63)	(63)	63	0	0
Training Collaboration	0	0	(47)	(47)	9	0	(38)
Finance & Legal Reserves	0	0	(92)	(92)	9	(40)	(123)

	Balance at 1st April 2011 £000	Transfers Out 2011/12 £000	Transfers In 2011/12 £000	Balance at 31st March 2012 £000	Transfers Out 2012/13 £000	Transfers In 2012/13 £000	Balance at 31st March 2013 £000
Yellow Bus Reserve	0	0	(101)	(101)	0	0	(101)
Signing Schemes	0	0	(75)	(75)	0	(21)	(96)
Care Home fees	0	0	(358)	(358)	0	0	(358)
Social Care Amenity fund	0	2	(25)	(23)	0	(2)	(25)
21 <sup>st</sup> Century Schools (vii)	0	0	0	0	0	(9,798)	(9,798)
Extra Care Housing	0	0	0	0	0	(500)	(500)
Schools Transitional Protection	0	0	0	0	22	(584)	(562)
Resident Survey	0	0	0	0	0	(12)	(12)
Town Plans/Economic Development	0	0	0	0	0	(515)	(515)
<b>Total</b>	<b>(25,977)</b>	<b>3,946</b>	<b>(8,474)</b>	<b>(30,505)</b>	<b>14,587</b>	<b>(18,606)</b>	<b>(34,524)</b>

Details are given below of the Council's main specific reserves:

- (i) Balances held by schools under a scheme of delegation: in accordance with section 48 of the Schools Standards and Framework Act 1998, the Denbighshire scheme for the financing of schools provides for the carry forward of individual school balances.
- (ii) PFI Grant: the Council currently receives government Private Finance Initiative (PFI) special grant and makes contractual payments under one PFI scheme (Note 39). The weighting of the PFI grant is heavier in the earlier years so where the annual grant received is in excess of the contract payments made for the year, the additional income is transferred to a PFI reserve to meet future years' expenditure.
- (iii) Single Status: this is a reserve that has been built up to cover additional salary costs, both current and future, that have arisen as a result of the Single Status Agreement.
- (iv) Delivering Change: this is to support schemes that could deliver efficiency savings and strengthen capacity to support change and improvement.
- (v) Supporting People Reserve: this reserve has been established to mitigate the impact of proposed reductions in grant funding.

- (vi) Sustainable Waste Management: this is grant funding that must be used on specific waste projects that will be delivered in future years. It has been set up to mitigate the impact of future grant funding reductions.
- (vii) 21<sup>st</sup> Century Schools: as part of the Corporate Plan, the Council decided it wanted to embark on an ambitious scheme of capital investment in schools, highways, extra care and regeneration. This reserve has been established to set aside the cash needed to fund the various projects.

### 23. Usable Reserves

31 March 2012 £000		31 March 2013 £000
(9,158)	Council Fund	(9,798)
(30,505)	Earmarked Reserves (Note 22)	(34,524)
(871)	Housing Revenue Account	(1,046)
(1,594)	Capital Receipts Reserve	(2,797)
(4,935)	Capital Grants Unapplied	(3,627)
<b>(47,063)</b>	<b>Total Usable Reserves</b>	<b>(51,792)</b>

### 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.

31 March 2012 £000		Transfers (In)/Out £000	31 March 2013 £000
	<u>Council Fund Revenue Balances</u>		
(7,575)	General Balances	(793)	(8,368)
(1,350)	Earmarked Balances	210	(1,140)
(233)	Environmental Services Balances	(57)	(290)
<b>(9,158)</b>	<b>Total Council Fund Balances</b>	<b>(640)</b>	<b>(9,798)</b>
<b>(871)</b>	<b>Housing Revenue Account Balances</b>	<b>(175)</b>	<b>(1,046)</b>

**Capital Receipts Reserve**

Income from the disposal of non-current assets is credited to the Capital Receipts Reserve, from which it can be applied to the financing of new capital expenditure.

2011/12 £000			2012/13		
			Council Fund £000	Housing Revenue Account £000	Total 2012/13 £000
<b>(3,478)</b>		<b>Balance at 1 April</b>	<b>(1,437)</b>	<b>(157)</b>	<b>(1,594)</b>
(1,856)	Plus	Receipts – Asset Sales	(1,488)	(75)	(1,563)
(5)		Receipts – Grants Repaid	(17)	0	(17)
(5)		Deferred Capital Receipts	0	(3)	(3)
<b>(5,344)</b>			<b>(2,942)</b>	<b>(235)</b>	<b>(3,177)</b>
3,533	Less	Applied During year:			
217		Finance Capital Expenditure - Other	303	19	322
		Debt Redemption	0	58	58
<b>(1,594)</b>		<b>Balance at 31 March</b>	<b>(2,639)</b>	<b>(158)</b>	<b>(2,797)</b>

## Capital Grants Unapplied

2011/12 £000		2012/13	
		£000	£000
(5,714)	<b>Balance at 1 April</b>		<b>(4,935)</b>
	Plus Grants and Contributions received in year		
(12,778)	- Council Fund	(16,354)	
(2,400)	- HRA	(2,400)	
(3,253)	- Revenue Expenditure funded by Capital Under Statute	(1,958)	(20,712)
	Less Grant and Contributions applied in the year		
13,250	- Grants received in year	10,942	
3,582	- Grants received previous years	3,083	
2,378	- Other grants and contributions received	7,995	22,020
<b>(4,935)</b>	<b>Balance at 31 March</b>		<b>(3,627)</b>

## 24. Unusable Reserves

31 March 2012 £000		31 March 2013 £000
(206,312)	Revaluation Reserve	(76,304)
(219,008)	Capital Adjustment Account	(207,190)
339	Financial Instruments Adjustment Account	336
(9)	Deferred Capital Receipts Reserve	(6)
153,834	Pensions Reserve	196,202
3,233	Accumulated Absences Account	2,551
<b>(267,923)</b>	<b>Total Unusable Reserves</b>	<b>(84,411)</b>

**Revaluation Reserve**

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

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

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

2011/12 £000		2012/13	
		£000	£000
(199,801)	<b>Balance at 1 April</b>		(206,312)
(15,664)	Upward revaluation of assets	(9,958)	
2,512	Downward revaluation of assets & impairment losses not charged to the Surplus/Deficit on the Provision of Services	137,266	
(13,152)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services		127,308
5,920	Difference between fair value depreciation & historical cost depreciation	2,301	
0	Adjustment	(38)	
721	Accumulated gains on assets sold or scrapped	437	
6,641	Amount written off to the Capital Adjustment Account		2,700
<b>(206,312)</b>	<b>Balance at 31 March</b>		<b>(76,304)</b>

#### Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. The Account also contains valuation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2011/12 £000		2012/13 £000	2012/13 £000
<b>(227,756)</b>	<b>Balance at 1 April</b>		<b>(219,008)</b>
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement:		
22,941	• Charges for depreciation & impairment of non-current assets	21,419	
20,734	• Revaluation losses on Property, Plant & Equipment	20,126	
276	• Revaluation losses on Held for Sale	135	
7,824	• Revenue expenditure funded from capital under statute	5,406	
1,280	• Amounts of non-current assets written off on disposal or sale as part of the gain/loss on the disposal to the Comprehensive Income & Expenditure Statement	1,533	
53,055 (6,641)	Adjusting amounts written out of the Revaluation Reserve		48,619 (2,700)
46,414	Net written out amount of the cost of non-current assets consumed in the year		45,919
	Capital Financing applied in the year:		
(3,750)	• Use of the Capital Receipts Reserve to finance new capital expenditure	(380)	
(15,628)	• Capital grants & contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	(18,937)	
(3,582)	• Application of grants to capital financing from the Capital Grants Unapplied Account	(3,083)	
(8,873)	• Statutory provision for the financing of capital investment charged against the Council Fund & HRA balances	(9,546)	
(2,216)	• Capital expenditure charged against the Council Fund & HRA balances	(2,413)	
(34,049)			(34,359)
(3,617)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement		258
<b>(219,008)</b>	<b>Balance at 31 March</b>		<b>(207,190)</b>

**Financial Instruments Adjustment Account**

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

The Authority uses the Account to manage premiums paid and discounts received on the early redemption of loans. Premiums and discounts are debited or credited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the Council Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense or income is posted back to the Council Fund Balance in accordance with statutory arrangements for spreading the burden on council tax.

2011/12 £000		2012/13	
		£000	£000
<b>339</b>	<b>Balance at 1 April</b>		<b>339</b>
0	Premiums/Discounts incurred/received in the year & charged/credited to the Comprehensive Income & Expenditure Statement	0	
0	Proportion of premiums/discounts incurred/received in previous financial years to be charged/credited to the Council Fund Balance in accordance with statutory requirements	(3)	
0	Amount by which finance costs charged to the Comprehensive Income & Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		(3)
<b>339</b>	<b>Balance at 31 March</b>		<b>336</b>

**Pensions Reserve**

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

2011/12 £000		2012/13 £000
<b>129,680</b>	<b>Balance at 1 April</b>	<b>153,834</b>
24,490	Actuarial gains or losses on pensions assets & liabilities	41,147
	Items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income & Expenditure Statement	15,895
14,428		
(14,764)	Employer's pension contributions payable in the year	(14,674)
<b>153,834</b>	<b>Balance at 31 March</b>	<b>196,202</b>

#### Deferred Capital Receipts Reserve

Deferred capital receipts relate to future income to be received from long term debtors, where the original advance was not financed by borrowing. These have arisen where the Council granted former tenants of Council Houses mortgages to enable them to purchase their homes under the 'Right to Buy' scheme.

2011/12 £000		2012/13 £000
<b>(14)</b>	<b>Balance at 1 April</b>	<b>(9)</b>
	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & expenditure Statement	
5	Transfer to the Capital Receipts Reserve upon receipt of cash	3
<b>(9)</b>	<b>Balance at 31 March</b>	<b>(6)</b>

#### Accumulated Absences Account

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

2011/12 £000		2012/13 £000	2012/13 £000
<b>2,313</b>	<b>Balance at 1 April</b>		<b>3,233</b>
(2,313)	Settlement or cancellation of accrual made at the end of the preceding year	(3,233)	
3,233	Amounts accrued at the end of the current year	2,551	
	Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(682)
920			
<b>3,233</b>	<b>Balance at 31 March</b>		<b>2,551</b>

## 25. Cash Flow Statement – Operating Activities

2011/12 £000		2012/13 £000
14,374	<b>Net (surplus) or deficit on the provision of services</b>	10,328
	<b>Adjustments to net surplus or deficit on the provision of services for non-cash movements</b>	
597	Increase/(Decrease) in Inventories	(206)
(18)	Increase/(Decrease) in Long Term Debtors	(46)
1,200	Increase/(Decrease) in Debtors/Payments in Advance	4,442
14	Increase/(Decrease) in Investment interest accrual	(219)
5,992	(Increase)/Decrease in Creditors/Receipts in Advance	2,527
(23)	(Increase)/Decrease in Loan Interest accrual	(3)
(1,206)	Transfers (to)/from Provisions	(353)
(527)	Bad Debt Provision	(443)
(22,941)	Depreciation	(21,419)
(21,010)	Revaluations Losses on Property, Plant and Equipment & Impairment	(20,261)
3,617	Movements in Market Value of Investment Properties	(258)
336	Pension Fund Adjustments	(1,221)
9,331	Other	13,768
	<b>Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities.</b>	
1,861	Sale of Property, Plant and Equipment	1,580
<b>(8,403)</b>	<b>Net cash flows from Operating Activities</b>	<b>(11,784)</b>

## 26. Cash Flow Statement – Investing Activities

2011/12 £000		2012/13 £000
35,854	Purchase of property, plant and equipment, investment property and intangible assets	35,373
114,900	Purchase of short-term and long-term investments.	45,400
65	Other payments for investing activities	172
(1,861)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets.	(1,580)
(117,900)	Proceeds from short-term and long-term investments	(61,400)
(19,439)	Other receipts from investing activities	(15,333)
<b>11,619</b>	<b>Net cash flows from investing activities</b>	<b>2,632</b>

## 27. Cash Flow Statement – Financing Activities

2011/12 £000		2012/13 £000
(15,681)	Cash receipts of short-term and long-term borrowing.	0
0	Other receipts from financing activities	0
302	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	321
11,905	Repayments of short-term and long-term borrowing	1,652
0	Other payments for financing activities	0
<b>(3,474)</b>	<b>Net cash flows from financing activities</b>	<b>1,973</b>

## 28. Amounts Reported for Resource Allocation Decisions

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

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

The income and expenditure of the Council's principal service blocks recorded in the budget reports for the year is as follows:

Service Block Income and Expenditure	Schools	Adult & Business Services	Corporate	Highways & Environmental Services	Children's & Family Services and Housing & Community Development	Customers & Education Support and School Improvement & Inclusion	Communication, Marketing & Leisure and Planning & Public Protection	All Other Service Blocks	Total
2012/13	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(2,094)	(12,586)	(43,613)	(13,363)	(2,531)	(4,532)	(7,573)	(8,390)	(94,682)
Government grants	(7,618)	(2,452)	(165)	(2,185)	(702)	(4,227)	(394)	(2,937)	(20,680)
<b>Total Income</b>	<b>(9,712)</b>	<b>(15,038)</b>	<b>(43,778)</b>	<b>(15,548)</b>	<b>(3,233)</b>	<b>(8,759)</b>	<b>(7,967)</b>	<b>(11,327)</b>	<b>(115,362)</b>
Employee expenses	55,247	14,788	2,161	9,398	6,128	8,189	9,391	13,707	119,009
Other service expenses	15,358	32,330	47,590	26,711	7,926	6,410	6,851	9,213	152,389
Support service recharges	0	0	33	59	37	0	0	10	139
<b>Total Expenditure</b>	<b>70,605</b>	<b>47,118</b>	<b>49,784</b>	<b>36,168</b>	<b>14,091</b>	<b>14,599</b>	<b>16,242</b>	<b>22,930</b>	<b>271,537</b>
<b>Net Expenditure</b>	<b>60,893</b>	<b>32,080</b>	<b>6,006</b>	<b>20,620</b>	<b>10,858</b>	<b>5,840</b>	<b>8,275</b>	<b>11,603</b>	<b>156,175</b>

Service Block Income and Expenditure	Schools	Adult & Business Services	Corporate	Environment and Planning, Regeneration & Public Protection	Highways & Infrastructure	Children's & Family Services and Housing	Modernising Education and School Improvement & Inclusion	Leisure, Libraries & Community Development	All Other Service Blocks	Total
2011/12	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(1,671)	(10,469)	(39,940)	(7,092)	(8,293)	(1,636)	(3,130)	(5,796)	(9,118)	(87,145)
Government grants	(7,338)	(5,849)	(121)	(389)	(1,972)	(1,127)	(3,983)	(374)	(2,828)	(23,981)
<b>Total Income</b>	<b>(9,009)</b>	<b>(16,318)</b>	<b>(40,061)</b>	<b>(7,481)</b>	<b>(10,265)</b>	<b>(2,763)</b>	<b>(7,113)</b>	<b>(6,170)</b>	<b>(11,946)</b>	<b>(111,126)</b>
Employee expenses	57,542	15,144	2,275	7,977	5,856	4,947	6,865	6,125	14,909	121,640
Other service expenses	11,613	32,976	43,421	14,542	14,816	6,968	5,772	6,031	9,485	145,624
Support service recharges	0	1	31	48	11	37	0	0	10	138
<b>Total Expenditure</b>	<b>69,155</b>	<b>48,121</b>	<b>45,727</b>	<b>22,567</b>	<b>20,683</b>	<b>11,952</b>	<b>12,637</b>	<b>12,156</b>	<b>24,404</b>	<b>267,402</b>
<b>Net Expenditure</b>	<b>60,146</b>	<b>31,803</b>	<b>5,666</b>	<b>15,086</b>	<b>10,418</b>	<b>9,189</b>	<b>5,524</b>	<b>5,986</b>	<b>12,458</b>	<b>156,276</b>

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

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

	2011/12 £000	2012/13 £000
Net expenditure in the Service Block Analysis	156,276	156,175
Net expenditure of services & support services not included in the Analysis	31,919	19,579
HRA	9,592	17,158
Amounts in the Comprehensive Income & Expenditure Statement not reported to management in the Analysis	(791)	(1,579)
Amounts included in the Analysis not included in the Comprehensive Income & Expenditure Statement	(3,357)	(1,283)
<b>Cost of Services in the Comprehensive Income &amp; Expenditure Statement</b>	<b>193,639</b>	<b>190,050</b>

### Reconciliation to Subjective Analysis

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

2012/13	Service Block Analysis £000	Services & Support Services not in Analysis £000	HRA £000	Amounts in the CI&ES But not reported to management in the Analysis £000	Amounts not included in CI&ES £000	Allocation of Recharges £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(94,682)	(196)	(11,956)	(199)	2,833	(15,788)	(119,988)		(119,988)
Interest & investment income								(221)	(221)
Income from council tax				490			490	(50,643)	(50,153)
Government grants & contributions	(20,680)			(162)	1,630		(19,212)	(157,826)	(177,038)
<b>Total Income</b>	<b>(115,362)</b>	<b>(196)</b>	<b>(11,956)</b>	<b>129</b>	<b>4,463</b>	<b>(15,788)</b>	<b>(138,710)</b>	<b>(208,690)</b>	<b>(347,400)</b>
Employee expenses	119,009	(5,032)	2,143			11,953	128,073		128,073
Other service expenses	152,389	3,640	5,908	(1,746)	(4,445)	(154)	155,592	135	155,727
Support Service recharges	139	0	685			2,635	3,459		3,459
Depreciation, amortisation & impairment		21,167	20,378			1,354	42,899		42,899
Interest payments				38	(1,301)		(1,263)	14,686	13,423
Precepts & Levies							0	14,177	14,177
Gain or Loss on Disposal of Non Current Assets							0	(30)	(30)
<b>Total Expenditure</b>	<b>271,537</b>	<b>19,775</b>	<b>29,114</b>	<b>(1,708)</b>	<b>(5,746)</b>	<b>15,788</b>	<b>328,760</b>	<b>28,968</b>	<b>357,728</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>156,175</b>	<b>19,579</b>	<b>17,158</b>	<b>(1,579)</b>	<b>(1,283)</b>	<b>0</b>	<b>190,050</b>	<b>(179,722)</b>	<b>10,328</b>

2011/12	Service Block Analysis £000	Services & Support Services not in Analysis £000	HRA £000	Amounts in the CI&ES But not reported to management in the Analysis £000	Amounts not included in CI&ES £000	Allocation of Recharges £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(87,145)	(189)	(11,302)	227	1,964	(16,636)	(113,081)	0	(113,081)
Interest & investment income							0	(4,229)	(4,229)
Income from council tax				893			893	(49,157)	(48,264)
Government grants & contributions	(23,981)				1,681		(22,300)	(153,397)	(175,697)
<b>Total Income</b>	<b>(111,126)</b>	<b>(189)</b>	<b>(11,302)</b>	<b>1,120</b>	<b>3,645</b>	<b>(16,636)</b>	<b>(134,488)</b>	<b>(206,783)</b>	<b>(341,271)</b>
Employee expenses	121,640	(4,163)	2,422			11,226	131,125	0	131,125
Other service expenses	145,624	5,028	5,366	(1,929)	(5,675)	266	148,680	277	148,957
Support Service recharges	138	0	674			2,926	3,738	0	3,738
Depreciation, amortisation & impairment		31,243	12,432			2,218	45,893	0	45,893
Interest payments				18	(1,327)		(1,309)	13,963	12,654
Precepts & Levies							0	13,854	13,854
Gain or Loss on disposal of Non Current Assets							0	(576)	(576)
<b>Total Expenditure</b>	<b>267,402</b>	<b>32,108</b>	<b>20,894</b>	<b>(1,911)</b>	<b>(7,002)</b>	<b>16,636</b>	<b>328,127</b>	<b>27,518</b>	<b>355,645</b>
<b>Surplus or Deficit on the Provision of the Services</b>	<b>156,276</b>	<b>31,919</b>	<b>9,592</b>	<b>(791)</b>	<b>(3,357)</b>	<b>0</b>	<b>193,639</b>	<b>(179,265)</b>	<b>14,374</b>

## 29. Trading Operations

Trading operations are incorporated into the Comprehensive Income and Expenditure Statement. Some are an integral part of one of the Authority's services to the public (eg refuse collection), whilst others are support services to the Authority's services to the public (eg schools catering). The expenditure of these operations is allocated or recharged to headings in the Net Operating Expenditure of Continuing Operations. Only a residual amount of the net surplus on trading operations is charged as Financing and Investment Income and Expenditure (see Note 9):

2011/12			ACTIVITY	2012/13		
Turnover £000	Expenditure £000	(Surplus)/ Deficit £000		Turnover £000	Expenditure £000	(Surplus) /Deficit £000
			<u>Environmental Services</u>			
(629)	627	(2)	Sign Shop	(426)	523	97
(1,023)	1,014	(9)	Building Cleaning	(1,108)	948	(160)
(2,721)	2,721	0	Catering	(2,734)	2,734	0
<b>(4,373)</b>	<b>4,362</b>	<b>(11)</b>	<b>Total Environmental Services</b>	<b>(4,268)</b>	<b>4,205</b>	<b>(63)</b>

2011/12	Activity	2012/13				
(Underspend) /Overspend £000		Turnover £000	Expenditure £000	(Surplus) / Deficit £000	Budget £000	(Underspend) /Overspend £000
	<u>Other Trading Activities</u>					
(7)	Industrial Estates	(770)	429	(341)	(311)	(30)
50	Cefndy Enterprises	(4,151)	4,289	138	140	(2)
<b>43</b>	<b>Total Other Trading Activities</b>	<b>(4,921)</b>	<b>4,718</b>	<b>(203)</b>	<b>(171)</b>	<b>(32)</b>

The Schools Standards 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 gives value for money for schools as those choosing not to buy in are likely to commission the service from an alternative provider. In 2012/13 income of £2,258k was achieved against a budget of (£1,907k) resulting in an underspend of £351k (an underspend of £96k was incurred in 2011/12).

### 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, Wrexham, Pembroke, Powys and Ceredigion (from June 2012).

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 2012/13 the Council charged £242k to operate the WPPP Unit. This sum was recharged as follows: Denbighshire £41k, Gwynedd £62k, Anglesey £8k, Wrexham £24k, Pembroke £56k, Powys £28k and Ceredigion £23k.

**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. As this is a joint committee arrangement, separate financial statements are prepared by Flintshire County Council. In accordance with the Code of Practice on Local Authority Accounting, each authority should account for their share of assets, liabilities, income and expenditure within their Statement of Accounts, however Denbighshire County Council has chosen not to account for their share of assets and liabilities on the basis of materiality. Gross expenditure incurred by the joint committee in 12/13 was £843k (£998k in 11/12). This was matched by equal contributions from all the participating authorities of £100.6k and a grant from Welsh Government of £339.7k.

**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 and the Welsh Government are providing funding. In 12/13 a total amount of £230k associated costs have been incurred and the Welsh Government have contributed £258k towards the project with £28k being carried forward as an unapplied revenue grant. A final payment is due from the Welsh Government as and when the final business case is approved.

**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 2013 was £136k.

**North Wales Emergency Duty Team** – the Emergency Duty Team aims to provide a high quality emergency social work response to emergencies that occur outside normal office opening hours. The Team provide a service to people (both children and adults) who are in crisis and are living in the counties of Wrexham, Flintshire or Denbighshire. In 12/13 Denbighshire's contribution was £218k.

**Conwy & Denbighshire Youth Justice Service** – The Conwy & Denbighshire Youth Justice Service is a statutory multi-agency partnership hosted within Conwy County Borough Council. Its purpose is to prevent children and young people from offending whilst safeguarding their welfare, protecting the public and helping

restore the damage caused to victims of their crimes. In 12/13 a total of £223k associated costs were incurred.

### **30. Agency Services**

The agency work the Authority undertakes is detailed below: this expenditure is not included in the Comprehensive Income and Expenditure Statement.

Highways and Infrastructure undertakes North Wales Trunk Road Agency (NWTRA) work on behalf of the Welsh Government. Gwynedd County Council is the lead authority for the NWTRA. Denbighshire County Council is responsible for maintaining the trunk road network within the County and Gwynedd County Council reimburses the Authority for this work. The Council will receive £3.237m in respect of NWTRA work undertaken in 2012/13 (£3.260m in 2011/12): of this £0.263m related to the site supervision and administration services provided (£0.314m in 2011/12).

The six North Wales councils act as agents of Welsh Government in providing recyclable loans under the Houses into Homes Scheme, for the repair of properties which have been long term vacant, with the aim of bringing them back into use. Flintshire County Council is the lead/banker authority for the North Wales region and responsible for administering the fund. Total income of £2,333k was received from Welsh Government during 2012/13 with payments against this sum amounting to £1,847k, of which Denbighshire County Council received £122k.

### **31. Pooled Budgets**

The Council has entered into a pooled budget arrangement with Betsi Cadwaladr University Health Board for the provision of a Community Equipment store. The Council and the Health Board have an agreement in place for the funding of the store that runs for three years from 2012/13. The funding contributed by the partners is subject to annual review and agreement. Proportions are equal to the partners' contributions, so annually or at the conclusion of the arrangement, the surplus or deficit would be determined on that basis.

The Council is the Lead Provider and responsible for the delivery of the Service, it also owns the building.

	2012/13		2011/12	
	£000	£000	£000	£000
Funding provided to the pooled budget:				
• Denbighshire County Council	(211)		(211)	
• Betsi Cadwaladr University Health Board	(130)		(130)	
• Other Grants	(95)		(55)	
		(436)		(396)
Expenditure met from the pooled budget				
• Equipment Purchases	177		190	
• Operating Expenditure	268		248	
		445		438
Net (surplus)/deficit arising on the pooled budget during the year.		9		42

The Council also has one other formal Section 33 Agreement: the Adult Mental Health Partnership with Conwy County Borough Council, which is a joint management and commissioning arrangement.

The Council's financial contribution to both partnerships is included in the Adult Social Care Cost of Services in the Comprehensive Income and Expenditure Statement. The gross expenditure on the Mental Health Partnership was £949k in 2012/13 (£770k net).

### 32. Members' Allowances

All Members are paid a basic salary per annum. Some Members also undertake senior roles and therefore receive a senior salary. All salary levels are set by a national body called the Independent Remuneration Panel. Prior to 2012/13, the additional payments for senior roles were treated as an allowance. In 2012/13, these payments have now been included under the sub-heading 'Salaries'.

	2012/13 £000	2011/12 £000
Salaries	783	612
Allowances	21	205
Expenses	35	29
<b>Total</b>	<b>839</b>	<b>846</b>

**33. Officers' Remuneration**

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

2011/12 Total Employees	Remuneration Band	2012/13			
		School Based Staff	Non- School Staff	Total Employees	Left During Year
12	£60,000 - £64,999	5	6	11	2
6	£65,000 - £69,999	3	4	7	0
1	£70,000 - £74,999	4	0	4	0
5	£75,000 - £79,999	2	2	4	0
1	£80,000 - £84,999	3	0	3	1
1	£85,000 - £89,999	0	0	0	0
3	£90,000 - £94,999	1	0	1	0
2	£95,000 - £99,999	0	3	3	1
0	£100,000 - £104,999	0	0	0	0
0	£105,000 - £109,999	0	1	1	1
0	£110,000 - £114,999	0	0	0	0
0	£115,000 - £119,999	0	0	0	0
0	£120,000 - £124,999	0	0	0	0
0	£125,000 - £129,999	0	0	0	0
0	£130,000 - £134,999	0	0	0	0
1	£135,000 - £139,999	0	0	0	0
0	£140,000 - £144,999	0	1	1	0
<b>32</b>	<b>Total</b>	<b>18</b>	<b>17</b>	<b>35</b>	<b>5</b>

It should be noted that this table includes the Senior Officers detailed in the tables 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. There are no Senior Officers whose salary is £150,000 or more.

During 2010, a Senior Leadership restructuring exercise was undertaken. The post of Corporate Director – Environment was deleted and the responsibilities of the remaining Corporate Directors were changed. At the same time the number of Heads of Service was reduced and these changes saved around £350k per year. The new structure reflected the Council's corporate priorities and brought with it a new way of working. This revised structure meant that Heads of Service then fell under the definition of 'Senior Officers' in accordance with accounting regulations and their salaries have therefore been disclosed.

The "Expense allowances" column contains any relocation paid and car allowances, including the element of car allowances as declared to HM Revenue and Customs on form P11D.

Any remuneration paid to the Chief Executive for his role as Returning Officer, which has been reimbursed in full to the Council except in the case of County Council elections, is also included in this column.

2012/13 Post Title	Salary, fees & allowances £	Compensation for Loss of office £	Expense allowances (inc. Returning Officer Allowance) £	Total excluding pension contributions £	Current service rate pension conts at 11.8% Note 1 £	Total inc. current service rate pension conts £	Deficit recovery pension conts Note 2 £	Total Renumeration inc. total pension conts £	Repaid to Denbighshire C.C. Note 3 £	Total Cost to Denbighshire C.C. £
Chief Executive	125,000		15,239	140,239	16,080	156,319	14,718	171,037	(11,704)	159,333
Corporate Directors:										
Business Transformation & Regeneration to 01/07/12	24,219		243	24,462	2,858	27,320	2,616	29,936		29,936
Customers	94,931		778	95,709	11,202	106,911	10,253	117,164		117,164
Modernisation & Wellbeing	94,931		238	95,169	11,202	106,371	10,253	116,624		116,624
Economic & Community Ambition from 10/09/12	53,003		(102)	52,901	6,254	59,155	5,724	64,879		64,879
Heads of Services:										
Children & Family Services	78,306		754	79,060	9,240	88,300	8,457	96,757		96,757
Education	74,771		379	75,150	8,823	83,973	8,075	92,048		92,048
Highways & Infrastructure to 20/01/13	57,435	54,442	(2,458)	109,419	6,778	116,197	6,203	122,400	(62,816)	59,584
Environment & Highways	67,567		(542)	67,025	7,973	74,998	7,297	82,295		82,295
Finance & Assets	64,771		375	65,146	7,643	72,789	6,995	79,784		79,784
Planning & Public Protection	63,295		260	63,555	7,643	71,198	6,995	78,193		78,193
Business Planning & Performance	64,771		(2)	64,769	7,643	72,412	6,995	79,407		79,407
Customers & Education Support	60,992			60,992	7,197	68,189	6,587	74,776		74,776
Strategic HR	61,458		819	62,277	7,252	69,529	6,638	76,167		76,167
Housing & Community Development	63,391		698	64,089	7,480	71,569	6,846	78,415		78,415
Adult & Business Services	67,269		(2,176)	65,093	7,938	73,031	7,265	80,296		80,296
Legal & Democratic Services	64,771		391	65,162	7,643	72,805	6,995	79,800		79,800
Communication, Marketing & Leisure	58,076		827	58,903	7,197	66,100	6,587	72,687		72,687
	<b>1,238,957</b>	<b>54,442</b>	<b>15,721</b>	<b>1,309,120</b>	<b>148,046</b>	<b>1,457,166</b>	<b>135,499</b>	<b>1,592,665</b>	<b>(74,520)</b>	<b>1,518,145</b>

Note 1 This column relates to the cost to the authority of pension benefits earned by the individuals during that financial year

Note 2 This column relates to the cost to the authority of the recovery of the pensions deficit lump sum. The authority is required to charge an amount each year to the Council Fund in order to reduce the pensions deficit. This charge is allocated across services based on the pension costs of the posts within each of those services

Note 3 This column includes reimbursements in respect of the Chief Executive's role as Returning Officer and regarding Conwy County Borough Council's contribution towards the joint Head of Highways and Infrastructure post.

2011/12 Post Title	Salary, fees & allowances £	Compensation for Loss of office £	Expense allowances (inc. Returning Officer Allowance) £	Total excluding pension contributions £	Current service rate pension conts at 11.8% Note 1 £	Total inc. current service rate pension conts £	Deficit recovery pension conts Note 2 £	Total Remuneration inc. total pension conts £	Repaid to Denbighshire C.C. Note 3 £	Total Cost to Denbighshire C.C. £
Chief Executive	124,859		11,024	135,883	16,050	151,933	14,786	166,719	(13,548)	153,171
Corporate Directors:										
Business Transformation & Regeneration	95,845		601	96,446	11,310	107,756	10,399	118,155		118,155
Learning & Communities	94,931		786	95,717	11,202	106,919	10,300	117,219		117,219
Demographics, Wellbeing & Planning	91,161		656	91,817	10,757	102,574	9,888	112,462		112,462
Heads of Services:										
Children & Family Services	76,451		5,790	82,241	9,022	91,263	8,294	99,557		99,557
School Improvement & Inclusion	74,771		929	75,700	8,823	84,523	8,113	92,636		92,636
Highways & Infrastructure	71,458		(1,241)	70,217	8,432	78,649	7,753	86,402	(44,303)	42,099
Environment	64,771		732	65,503	7,643	73,146	7,028	80,174		80,174
Finance & Assets	63,450		751	64,201	7,487	71,688	6,883	78,571		78,571
Planning, Regeneration & Regulatory Services	63,183		(281)	62,902	7,470	70,372	6,869	77,241		77,241
Business Planning & Performance	63,306		955	64,261	7,470	71,731	6,869	78,600		78,600
Customer Services	61,458		805	62,263	7,252	69,515	6,668	76,183		76,183
Strategic HR	61,337		690	62,027	7,252	69,279	6,668	75,947		75,947
Housing Services	60,248		873	61,121	7,110	68,231	6,535	74,766		74,766
Adult & Business Services from 01/10/2011	32,935		(1,118)	31,817	3,886	35,703	3,557	39,260		39,260
Legal & Democratic Services from 01/10/2011	31,653		101	31,754	3,735	35,489	3,419	38,908		38,908
Corporate Governance to 10/04/2011 Note 4	7,197	54,996	27	62,220	212	62,432	200	62,632		62,632
Acting Head of Corporate Governance from 11/04/2011 to 30/09/2011 Note 4	35,824	52,092	603	88,519	4,118	92,637	3,798	96,435		96,435
	<b>1,174,838</b>	<b>107,088</b>	<b>22,683</b>	<b>1,304,609</b>	<b>139,231</b>	<b>1,443,840</b>	<b>128,027</b>	<b>1,571,867</b>	<b>(57,851)</b>	<b>1,514,016</b>

Note 4 These two posts were deleted as part of the management restructure and replaced with one post of Head of Legal & Democratic Services.

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

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13
£0 - £20,000	21	19	42	51	63	70	£402,115	£522,065
£20,001 - £40,000	1	4	15	8	16	12	£429,222	£326,811
£40,001 - £60,000	0	0	14	0	14	0	£682,251	£0
£60,001 - £80,000	1	0	2	0	3	0	£204,942	£0
£80,001 - £120,000	0	0	2	3	2	3	£160,972	£291,312
<b>Total</b>	<b>23</b>	<b>23</b>	<b>75</b>	<b>62</b>	<b>98</b>	<b>85</b>	<b>£1,879,502</b>	<b>£1,140,188</b>

The costs shown in the table above include relevant redundancy costs and all other departure costs. These include the cost of pension strain. Pension strain arises when an employee retires early without actuarial reduction of pension. Pension strain is payable over three years but the Council elects to pay these costs in the first year of retirement.

**34. External Audit Costs**

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

	<b>2012/13 £000</b>	<b>2011/12 £000</b>
Fees payable to Wales Audit Office with regard to external audit services carried out by the appointed auditor for the year	287	290
Fees payable to Wales Audit Office in respect of statutory inspections	0	0
<b>Total Regulatory Fee</b>	<b>287</b>	<b>290</b>
Fees payable to Wales Audit Office for the certification of grant claims & returns for the year	94	95
Fees payable in respect of other services provided by Wales Audit Office during the year	4	0
<b>Total External Audit Costs</b>	<b>385</b>	<b>385</b>

**35. Grant Income**

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

	2012/13 £000	2011/12 £000
<b>Credited to Taxation &amp; Non Specific Grant Income</b>		
Taith	0	(254)
Other Grants and Contributions	(1,142)	(447)
Welsh Government - Flood Alleviation Grant	(322)	(1,536)
Welsh Government - General Capital Grant	(1,934)	(1,936)
Welsh Government - Local Road Maintenance	0	(15)
Welsh Government - School Building Improvements	0	(185)
Welsh Government - Strategic Regeneration Area Grants	(5,685)	(414)
Welsh Government - Regional Transport Grant	(458)	(1,274)
Welsh Government - Major Repairs Allowance	(2,400)	(2,400)
Welsh Government - Convergence	0	(18)
Welsh Government - Coastal Defence Scheme	0	(5,404)
Welsh Government – Rhyl Harbour Development	(4,573)	0
Other Welsh Government Grants	(2,240)	(1,295)
<b>Total</b>	<b>(18,754)</b>	<b>(15,178)</b>
<b>Credited to Services</b>		
Welsh Government DCELLS Post – 16 Grant	(4,749)	(4,730)
Welsh Government Foundation Phase Grant	(3,041)	(2,875)
Welsh Government Flying Start Grant	(1,096)	(1,067)
Welsh Government Families First Grant	(1,152)	0
Other Education Grants from Welsh Government	(2,590)	(2,344)
Welsh Government Supporting People Grant	(6,053)	(5,091)
Welsh Government Mental Health Services Grant	(1,099)	(1,089)
Other Social Services Grants from Welsh Government	(432)	(423)
Welsh Government Sustainable Waste Management Grant	(2,475)	(2,508)
Welsh Government Concessionary Fares Grant	(1,788)	(1,770)
Welsh Government Convergence Grant	(1,020)	0
Welsh Government Cymorth Grant	0	(1,007)
Welsh Government Outcome Agreement Grant	(1,054)	(1,054)
DWP Housing Benefit/Council Tax Benefit Admin Grant	(797)	(819)
Other Grants	(8,669)	(6,499)
<b>Total</b>	<b>(36,015)</b>	<b>(31,276)</b>

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that would require the monies or property to be returned to the giver should any such stipulations not be satisfied. The balances at the year-end are as follows:

	31 March 2013 £000	31 March 2012 £000
<b>Capital Grants Receipts in Advance</b>		
Commuted Sums	(1,765)	(1,664)
<b>Total</b>	<b>(1,765)</b>	<b>(1,664)</b>
<b>Revenue Grants Receipts in Advance</b>		
National Heritage Memorial Fund Grant	(2)	0
Welsh Government Flying Start Grant	(55)	(55)
Welsh Government Foundation Phase Grant	(40)	0
Other Education Grants from Welsh Government	(107)	(107)
Welsh Government Minority Ethnic Language Grant	(20)	0
ESF Potential Grant	(20)	0
Llwyddo'n Lleol Grant	(2)	0
School Effectiveness Grant from Welsh Government	(11)	(31)
Welsh Government Families First Grant	(106)	0
Welsh Government Cymorth	0	(52)
Welsh Government Exchange Wales Grant	0	(3)
DWP Housing Benefits Subsidy	(6)	(6)
Welsh Government Bryn y Neuadd Learning Disability Resettlement Grant	(2)	(2)
Other Social Services Grants from Welsh Government	(18)	(19)
Welsh Government Supporting People Grant	(202)	(152)
Welsh Government Additionality Funding	(79)	(70)
Welsh Government Concessionary Fares Grant	(18)	0
Tourism Partnership North Wales Grant	0	(12)
EU Funding re Rural Development Plan	0	(39)
BRAND European Grant	0	(36)
Welsh Government New Work Connections Grant	0	(541)
Welsh Government MELAP Grant	0	(14)
Welsh Government High Quality Business Premises Grant	0	(2)
Welsh Government Cycling Centre of Excellence Grant	(6)	(14)
Other Welsh Government Grants	(3)	(2)
<b>Total</b>	<b>(697)</b>	<b>(1,157)</b>

### 36. Related Parties

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.

#### Central Government

Central Government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Authority 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 (e.g. council tax bills, housing benefits). Grants received from government departments are set out in more detail in Note 35.

**Elected Members**

All current Elected Members were asked to complete a declaration and to disclose any related party transactions with the authority.

The following material declarations have been made for 2012/13:

- An elected member's spouse is Chief Executive of Denbighshire Enterprise Agency (see related companies below)
- An interest was declared in Theatr Twm O'r Nant, Denbigh which received grants and other payments totalling £850 and in Denbigh Museum Group which received funding of £4,133
- An interest was declared in a company to which the council made payments of £6,738 for electrical works undertaken during the year
- An elected member declared an interest in a company paid £32,295 for translation services

A list of all elected members interests is maintained by the Head of Legal and Democratic Services 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 Companies section below.

**Officers**

The Chief Executive, Corporate Directors and Heads of Service were all asked to complete a declaration to disclose any related party transactions they have with the authority. No disclosures were made.

**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 related companies either do not meet the criteria for being a subsidiary or associate company as set out in the Code or where they do meet the criteria, they are not deemed material in relation to the overall scale of the Council's operations and consequently Group Accounts have not been prepared. Details of the related companies are as follows:

**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

financial statements for 2011/12 show the net assets of the company as at 31 March 2012 were £205,371 and the net loss for the year was £37,273.

The Board of Directors as at 31 March 2012 consists of nine members in total, of which seven were Denbighshire County Councillors.

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

The company is deemed a subsidiary company on the basis that Denbighshire holds more than 20% of the voting rights however on the grounds of materiality the exposure to risk is minimal and not likely to impact on the decisions made by the users of the financial statements and the activity is not significant to the overall strategic objectives of the authority.

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

### **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 2012/13 ECTARC received £35,291. 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 audited financial statements for the year ended 31 March 2013 are not available. However, the net assets of the company as at 31 March 2012 were £1,107,929 and the net surplus achieved was £154,490.

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

The company is not deemed a subsidiary or associate company of the Authority on the basis that despite being an investor in the company Denbighshire holds less than 20% of the voting rights thus having minority membership. Therefore no group accounts are to be prepared.

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

### **Bodelwyddan Castle Trust and Bodelwyddan Castle Enterprises Ltd.**

Bodelwyddan Castle Trust Group 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 2012/13 the Trust received £172,681. The Council provides its payroll services. The Board of Directors consists of twelve members in total, of which two were Denbighshire County Councillors.

The audited financial statements for the financial year 2012/13 are not yet available. However, the net assets of the Group as at 31 March 2012 were £730,606 and the net surplus achieved by the company was £8,037.

The company is not deemed a subsidiary or associate company of the Authority on the basis that despite being an investor in the company Denbighshire holds less than 20% of the voting rights thus having minority membership. Therefore no group accounts are to be prepared.

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 Trust Ltd, Bodelwyddan, LL18 5YA.

#### **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 2012/13 Clwyd Leisure Ltd. received £295,059.

The company's audited financial statements for the 2012/13 year are not yet available. However, the net assets of the company as at 31 March 2012 were £331,784 and the company had made a net surplus of £62,918 in 2011/12. The Board of Directors consists of eleven members in total. As at 31 March 2012 there were no Denbighshire County Councillors on the Board.

There is no legal liability for the council to contribute to losses or deficits of the company. The council acts as a guarantor in respect of the company's pension commitments.

The company is not deemed a subsidiary or associate company of the Authority on the basis that despite being an investor in the company Denbighshire holds less than 20% of the voting rights thus having minority membership. Therefore no group accounts are to be prepared.

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

**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 2012/13 the Scala Prestatyn Company Ltd received a grant allocation of £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. In 2009/10 the Council agreed to give a loan of £80,000 to the Company and the terms of the loan state that it can be for up to ten years. The commencement of the repayments has been deferred until 2014/15. The audited Financial Statements for 2011/12 show the net liabilities of the company as at 31 March 2012 were (£103,835) and the net outgoing resources for the year were (£31,538).

The Board of Directors consists of ten members in total, including one Denbighshire County Councillor.

The company is not deemed a subsidiary or associate company of the Authority on the basis that despite being an investor in the company Denbighshire holds less than 20% of the voting rights thus having minority membership.

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

**Other Public Bodies**

The Council has formal agreements under Section 33 of the Health Act (2006), one of which includes a pooled budget arrangement, with the Betsi Cadwalader University Health Board. Details are shown in Note 31.

**37. Capital Expenditure and Capital Financing**

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

	2012/13 £000	2011/12 £000
<b>Opening Capital Financing Requirement</b>	175,525	169,502
<b>Capital Investment</b>		
Property, Plant & Equipment	32,939	32,247
Investment Properties	1	2
Revenue Expenditure Funded from Capital Under Statute	5,406	7,824
<b>Sources of Finance</b>		
Capital receipts	(380)	(3,751)
Government grants & other contributions	(23,932)	(20,085)
Sums set aside from revenue:		
Direct revenue contributions	(501)	(1,341)
MRP & Long Term Debtors	(9,595)	(8,873)
<b>Closing Capital Financing Requirement</b>	<b>179,463</b>	<b>175,525</b>

	2012/13 £000	2011/12 £000
<b>Explanation of movements in year</b>		
Increase in underlying need to borrow (supported by government financial assistance)	4,469	4,132
Increase in underlying need to borrow (unsupported by government financial assistance)	9,121	10,981
MRP & Long Term Debtors	(9,273)	(8,571)
Set aside Capital Receipts	(58)	(217)
Assets acquired under finance leases	(4)	(31)
Assets acquired under PFI contracts	(317)	(271)
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>3,938</b>	<b>6,023</b>

### 38. Leases

#### Introduction

The Council leases in some properties, vehicles and items of equipment as well as leasing out some of the properties which it owns. The lease arrangements have been reviewed and classified as operating or finance leases as described in more detail below.

#### Authority as Lessee

##### Finance Leases

The Council has acquired some properties, vehicles and items of equipment under finance leases.

The assets acquired under these leases are carried in the Balance Sheet at the following net amounts:

	31 Mar 12 £000	31 Mar 13 £000
Other Land and Buildings	3,510	3,349
Vehicles, Plant, Furniture and Equipment	8	4
	<b>3,518</b>	<b>3,353</b>

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

	31 Mar 12 £000	31 Mar 13 £000
Finance lease liabilities (net present value of minimum lease payments):		
Current	4	5
Non-Current	5	0
Finance costs payable in future years	1	0
<b>Minimum lease payments</b>	<b>10</b>	<b>5</b>

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 Mar 12 £000	31 Mar 13 £000	31 Mar 12 £000	31 Mar 13 £000
Not later than 1 year	5	5	4	5
Later than 1 year and not later than 5 years	5	0	5	0
Later than 5 years				
	<b>10</b>	<b>5</b>	<b>9</b>	<b>5</b>

### Operating Leases

The Council has acquired other properties, vehicles and items of equipment by entering into operating leases. The future minimum lease payments due under non-cancellable leases in future years are:

	31 Mar 12 £000	31 Mar 13 £000
Not later than 1 year	147	35
Later than 1 year and not later than 5 years	74	42
Later than 5 years	19	17
	<b>240</b>	<b>94</b>

The minimum lease payment charged to services in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £147k in 2012/13 and £267k in 2011/12.

### Authority as Lessor

#### Operating Leases

The Council leases out properties under operating leases for various purposes such as economic development to provide units for local businesses. The future minimum lease payments receivable under non-cancellable leases in future years are:

	31 Mar 12 £000	31 Mar 13 £000
Not later than 1 year	839	815
Later than 1 year and not later than 5 years	2,399	2,414
Later than 5 years	11,226	11,249
	<b>14,464</b>	<b>14,478</b>

### 39. Private Finance Initiatives and Similar Contracts

The Council entered into a twenty-five year PFI scheme with Neptune PFI Ruthin Ltd, commencing from the start of the services' commencement date, May 2004. The contractor was to design, build, finance, operate and maintain public facilities to provide civic and office accommodation for the Council's own meetings, operations and functions and for other public meetings and assemblies. The facilities are located on a number of separate sites in Ruthin and include County Hall, Town Hall and the County store. Neptune PFI Ruthin Ltd is required to hand over the buildings at the end of the contract, in a specified condition, for nil consideration.

#### *Property, Plant and Equipment*

The assets used to provide the services are recognised on the Authority's Balance Sheet. Movements in their value over the years are detailed in the analysis of the movement on the Property, Plant and Equipment in Note 13.

*Finance Lease Liability*

At the inception of the lease the fair value of the fixed assets were 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 in 2011/12 and 2012/13.

2011/12 £000		2012/13 £000
(10,472)	Balance at start of year	(10,201)
271	Repayment of Lease Creditor	317
(10,201)	Closing Finance Lease Liability	(9,884)

*Unitary Payments*

The amount payable to the PFI operators 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 2012/13 this was £0.534m (£0.519m in 2011/12) plus payments for utilities and insurance.
- Finance cost - £1.276m in 2012/13 (£1.309m in 2011/12)
- Contingent rent – increases in the amount to be paid for the property arising during the contract £0.025m in 2012/13 (£0.018m in 2011/12)
- 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 prepayment. There was a balance at the start of the year on the prepayments of £0.186m. In 2012/13 £0.049m of lifecycle costs were incurred. The balance of £0.026m was set up as a prepayment. At the end of 2012/13 the total balance on the prepayment in the balance sheet is £0.212m.

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

Payments due to be made under the PFI contract

	Fair Value of Service Charge (including Lifecycle costs) £000	Interest and Contingent Rents £000	Repayment of Liability £000	Total £000
Within one year	966	1,341	112	2,419
Within two to five years	3,163	4,695	1,342	9,200
Within six to ten years	5,023	5,028	2,373	12,424
Within eleven to fifteen years	5,783	3,043	4,460	13,286
Within sixteen to nineteen years	1,132	95	1,597	2,824
	<b>16,067</b>	<b>14,202</b>	<b>9,884</b>	<b>40,153</b>

*Grants and Reserves*

The Welsh Government awarded the Council a PFI revenue grant of £19m over 25 years with a pool rate of 6.7% so that £35.549m will be paid to Denbighshire over the 25 years. In 2012/13 a grant of £1.630m was paid (£1.681m in 2011/12).

The weighting of the PFI grant is heavier in earlier years so any surplus in funds have been allocated to a reserve to be used to offset payments in later years. The balance on the reserve at the end of 2012/13 is £3.689m (£3.546m in 2011/12).

**40. Pensions Schemes Accounted for as Defined Contribution Schemes**

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. In 2012/13, the county council paid £4.802m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2011/12 were £4.849m and 14.1%. In addition, payments in respect of premature retirements were made of £0.868m (£0.840m in 2011/12). £202 remained payable at the year-end. The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 41.

**41. Defined Benefit Pension Schemes****Participation in Pension Schemes**

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post employment benefits. Although these

benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in two post employment schemes:

- The Local Government Pension Scheme, administered locally by Flintshire County Council – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- Arrangements for the award of discretionary post retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

#### **Transactions Relating to Post-employment Benefits**

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2012/13 £000	2011/12 £000	2012/13 £000	2011/12 £000
Comprehensive Income & Expenditure Statement				
Cost of Services:				
• Current Service Cost	10,045	9,056		
• Past Service Costs/(Gains)	151	183		
• Settlements and Curtailments	60	361		
Financing and Investment Income and Expenditure:				
• Interest Cost	19,119	19,668	409	483
• Expected Return on Scheme Assets	(13,889)	(15,323)		
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	15,486	13,945	409	483
Other Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement				
• Actuarial Gains and Losses	39,956	24,179	1,191	312
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	55,442	38,124	1,600	795
Movement in Reserves Statement				
• Reversal of net charges made to the Surplus or Deficit for the Provision of Services for Post Employment Benefits in accordance with the Code	(15,486)	(13,945)	(409)	(483)
Actual amount charged against the Council Fund Balance for pensions in the year:				
• Employer's contributions payable to the scheme	13,819	13,935		
• Retirement benefits payable to pensioners			855	829

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2013 is a loss of £41,147k.

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

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

	<b>Funded liabilities: Local Government Pension Scheme</b>		<b>Unfunded liabilities: Discretionary Benefits</b>	
	<b>2012/13 £000</b>	<b>2011/12 £000</b>	<b>2012/13 £000</b>	<b>2011/12 £000</b>
<b>Opening balance at 1 April</b>	<b>390,067</b>	<b>358,432</b>	<b>9,322</b>	<b>9,356</b>
Current Service Cost	10,045	9,056		
Interest Cost	19,119	19,668	409	483
Contributions by scheme participants	3,574	3,464		
Actuarial gains & losses	49,261	13,099	1,191	312
Benefits paid	(13,422)	(14,196)	(855)	(829)
Past Service Costs/(Gains)	151	183		0
Curtailements	60	361		
<b>Closing balance at 31 March</b>	<b>458,855</b>	<b>390,067</b>	<b>10,067</b>	<b>9,322</b>

Reconciliation of fair value of the scheme assets:

	<b>Local Government Pension Scheme</b>	
	<b>2012/13 £000</b>	<b>2011/12 £000</b>
<b>Opening balance at 1 April</b>	<b>245,555</b>	<b>238,109</b>
Expected rate of return	13,889	15,323
Actuarial gains & losses	9,305	(11,080)
Employer contributions	13,819	13,935
Contributions by scheme participants	3,574	3,464
Benefits paid	(13,422)	(14,196)
<b>Closing balance at 31 March</b>	<b>272,720</b>	<b>245,555</b>

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

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The actual return on scheme assets in the year was £23,195k (2011/12: £4,243k).

	2008/09 £000	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000
<b>Present value of liabilities:</b>					
Local Government Pension Scheme Benefit Obligation at end of Period	(269,562)	(369,756)	(358,433)	(390,067)	(458,855)
Teachers' Additional Unfunded Pensions Benefit Obligation at end of Period	(9,581)	(11,131)	(9,356)	(9,322)	(10,067)
<b>Fair value of assets in the Local Government Pension Scheme</b>	161,628	218,707	238,109	245,555	272,720
	<b>(117,515)</b>	<b>(162,180)</b>	<b>(129,680)</b>	<b>(153,834)</b>	<b>(196,202)</b>
<b>Surplus/(Deficit) in the scheme:</b>					
Local Government Pension Scheme Balance Sheet Item	(107,934)	(151,049)	(120,324)	(144,512)	(186,135)
Teachers' Additional Unfunded Pensions Balance Sheet Item	(9,581)	(11,131)	(9,356)	(9,322)	(10,067)
<b>Total Surplus/(Deficit) in the scheme</b>	<b>(117,515)</b>	<b>(162,180)</b>	<b>(129,680)</b>	<b>(153,834)</b>	<b>(196,202)</b>

### Scheme History

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £196.202m 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 (i.e. before payments fall due), as assessed by the scheme actuary.
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2014 is £13.572m.

### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Mercer Human Resource Consulting, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2010.

The assets of the pension fund include unquoted investments carried at their fair value. Because of the inherent uncertainty associated with the valuation of such investments arising from the absence of a liquid market, the fair value of those investments may differ from their realisable values. The difference could be material.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Discretionary Benefits	
	2012/13	2011/12	2012/13	2011/12
Long-term expected rate of return on assets in the scheme:				
Equity investments	7.00%	7.00%		
Bonds	3.90%	4.10%		
Other	6.50%	6.30%		
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	22.2 years	21.8 years	22.2 years	21.8 years
Women	24.8 years	24.4 years	24.8 years	24.4 years
Longevity at 65 for future pensioners:				
Men	24.1 years	23.2 years		
Women	26.8 years	26.0 years		
Rate of CPI inflation	2.40%	2.50%	2.40%	2.30%
Rate of increase in salaries	3.90%	4.00%		
Rate of increase in pensions	2.40%	2.50%	2.40%	2.30%
Rate for discounting scheme liabilities	4.20%	4.90%	3.70%	4.60%
Take-up of option to convert annual pension into retirement lump sum	50.00%	50.00%		

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

	31 March 2013	31 March 2012
	%	%
Equity investments	43.6	41.0
Debt instruments	14.8	16.0
Other assets	41.6	43.0

### History of Experience Gains and Losses

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

	2008/09 %	2009/10 %	2010/11 %	2011/12 %	2012/13 %
Difference between the expected and actual return on assets	(38.93)	19.76	(1.26)	(4.51)	3.41
Experience gains and losses on liabilities	0.00	0.00	3.68	0.00	0.00

## 42. Contingent Liabilities

A contingent liability is defined as either:

- A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the organisation's control;

or

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

(i) It is not probable that a transfer of economic benefits will be required to settle the obligation;

or

(ii) The amount of the obligation cannot be measured with sufficient reliability.

In common with other Local Authorities, the Council is aware of the potential liability in respect of equal pay claims. At the balance sheet date a number of claims have been received. The authority has identified resources to meet any sums that may be payable in its Single Status implementation.

A further emerging pressure is in relation to liabilities arising from arrangements made following the winding up of the Mutual Municipal Insurance company (MMI) in 1992. MMI was the principal insurer of around 95% of local councils in the UK, including Denbighshire's predecessor authorities. A legal agreement (Scheme of Arrangement) was signed by members in 1994 with the aim of trying to protect the interests of local authorities and to achieve a successful run off of the company's assets.

As MMI was a company under the mutual ownership of its local authority members its members are responsible for liabilities (claims) still arising relating to events prior to 1992. The most prevalent cases are abuse claims, asbestosis, deafness and mesothelioma (a fatal lung condition caused through inhalation of asbestos dust). The impact of the claims still arising, along with a downturn in the returns on investments means that those administering MMI's affairs are projecting that the company may not have sufficient resources to fund all future claims, meaning former members will be obliged to contribute to the shortfall.

The directors of MMI triggered the Scheme of Arrangement in November 2012. The Scheme provides that following the occurrence of a Trigger Event a Levy may be imposed on all Scheme Creditors. The Levy has been set at 15%, which

effectively means that the value of claims paid previously in excess of £50,000 will be reduced by 15%.

Denbighshire has, for several years, been aware of the risk of potential liabilities in respect of the former Rhuddlan Borough Council and made provision in the accounts. The maximum exposure to former Rhuddlan claims is £0.394m. Additional liabilities are now arising however in respect of the former Clwyd County Council. There is no liability in respect of Glyndwr claims as these were below the threshold for claw back. The council's maximum exposure to existing Clwyd claims is £2.2m. Based on the 15% Levy, a provision of £0.392m which has been added to the provision in the council's accounts in respect of both Rhuddlan and Clwyd liabilities.

A contingent liability should be noted in respect of the remaining exposure which amounts to £1.890m in respect of former Clwyd claims and £0.335m in respect of Rhuddlan claims.

#### **43. Contingent Assets**

A contingent asset is an asset that may be received but only if a future event occurs that is not under the control of the Council. The Council has identified the following Contingent Asset as at 31 March 2013.

Further to the severe weather events which affected the county in November 2012 and March 2013, an application for funding to offset the expenditure incurred has been submitted to the Welsh Government under the Emergency Financial Assistance Scheme (EFAS). The total amount of eligible expenditure included on the claim in relation to the heavy snow in March is £0.248m. The total amount claimed under EFAS is £0.518m. No confirmation has yet been received from Welsh Government to indicate the application has been successful.

#### **44. Nature and Extent of Risks Arising from Financial Instruments**

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 approved the Treasury Management Strategy for 2012/13 on 28 February 2012. 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 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 £8m 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. 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.

#### 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 31/03/2013	Balance Invested at 31/03/2013 £000	Maturity Date			
					0-3 Months £000	4-6 Months £000	7-9 Months £000	10-12 Months £000
UK Banks	Bank of Scotland	A	A	5,000	5,000			
	Lloyds	A	A	2,000	2,000			
	RBS	A	A	4,000	4,000			
	<b>Total</b>			<b>11,000</b>	<b>11,000</b>			

<b>Definition</b>			
		A	<b>High Credit Quality</b>
			Expectation of low credit risk.
			Strong capacity for payment of financial commitments, which may be more vulnerable to changes in circumstances or in economic conditions.

### 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 PWLB debt at 31<sup>st</sup> March 2013 was as follows:

	Years	31-Mar-12 £000	31-Mar-13 £000	%
<b>Short Term Borrowing</b>	<b>Less than 1 year</b>	1,621	1,621	1.22
<b>Long Term Borrowing</b>	Over 1 under 6	16,347	17,119	12.85
	Over 6 under 10	10,166	8,839	6.63
	Over 10 under 15	5,791	5,818	4.37
	Over 15 under 20	5,468	5,922	4.44
	Over 20 under 25	1,547	0	0.00
	Over 25 under 30	0	6,000	4.50
	Over 30 under 35	6,000	0	0.00
	Over 35 under 40	4,000	11,053	8.29
	Over 40 under 45	69,630	71,897	53.95
Over 45 under 50	14,320	5,000	3.75	
<b>Total Long Term Borrowing</b>		<b>133,269</b>	<b>131,648</b>	<b>98.78</b>
<b>Total Borrowing at Nominal Amount</b>		<b>134,890</b>	<b>133,269</b>	<b>100</b>
Accrued Interest		1,391	1,394	
Deferred Premium		(1,003)	(991)	
<b>Total Borrowing at Amortised Cost</b>		<b>135,278</b>	<b>133,672</b>	

## 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 2012 and 31 March 2013, 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.

## 45. Education Trust Funds

During 2011/12 the County Council administered 54 Education Trust Funds. Each Education Trust Fund consisted of a relatively small sum of money received largely from individuals in order to provide an annual income for prizes etc.

At the end of 2011/12 Fund income amounted to £2,553.32, with no awards having been made during that year.

There were no outstanding liabilities in respect of the Trust Funds administered by the authority at 31 March 2012.

The Fund balances as at 31 March 2012 amounted to £282,935, which was not reflected in the Balance Sheet.

The market value of all investments held at 31 March 2012 was £59,428.

During 2012/13 it was agreed by the Charity Commission and the Council that the Education trust Funds and their attaching assets were to be transferred to the Denbighshire Community Endowment Fund, which is managed and administered by the Community Foundation in Wales. The Foundation is a respected national charity which operates and is effective across Wales, whose board members include senior representatives from the business, law and charitable sectors.

As at 31 March 2013 all but one investment with a value of £3,150 has been transferred. Arrangements were being made for the transfer of this final sum.

Further details in respect of the Community Foundation in Wales can be found at [www.cfiw.org.uk](http://www.cfiw.org.uk), or write to them at  
 The Community Foundation in Wales  
 9 Coopers Yard  
 Curran Road  
 Cardiff  
 CF10 5NB

#### 46. 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 2012/13.

The County Council's proportion of the Fund is administered by Denbighshire Voluntary Services Council (DVSC). During 2012/13 the DVSC awarded £5,035 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 £599,782 (£577,424 in 2011/12). Denbighshire County Council keeps a separate balance sheet for the Welsh Church Acts Fund. The balance in the Fund as 31 March 2013 was £63 (£28 as at 31 March 2012).

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 2013:

	Income £000	Expenditure £000	Investments £000
31 March 2013	(25)	23	599
31 March 2012	(24)	23	577

The March 2013 Income figure of £25k includes £11k for sale proceeds of Liquidity 1<sup>st</sup> Stock. (£10k was included in the March 2012 figure).

## 47. Heritage Assets

Reconciliation of the Carrying Value of Heritage Assets Held by the Authority

	Scheduled Ancient Monument	Plas Newydd	Ruthin Gaol	Nant Clwyd Y Dre	Total Heritage Assets
	£000	£000	£000	£000	£000
Cost or Valuation 1 April 2011	361	3,021	3,092	3,629	10,103
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
Revaluations	0	0	1,808	0	1,808
Impairment Losses/ (reversals) recognised in the Revaluation Reserve	0	0	0	0	0
Impairment Losses/ (reversals) recognised in Surplus or Deficit on the Provision of Service	0	0	0	0	0
Depreciations	0	(6)	(33)	(18)	(57)
<b>31 March 2012</b>	<b>361</b>	<b>3,015</b>	<b>4,867</b>	<b>3,611</b>	<b>11,854</b>

	Scheduled Ancient Monument	Plas Newydd	Ruthin Gaol	Nant Clwyd Y Dre	Total Heritage Assets
	£000	£000	£000	£000	£000
Cost or Valuation 1 April 2012	361	3,015	4,867	3,611	11,854
Additions	0	5	18	0	23
Disposals	0	0	0	0	0
Revaluations	0	0	0	0	0
Impairment Losses/(reservals) recognised in the Revaluation Reserve	0	0	0	0	0
Impairment Losses/ (reversals) recognised in Surplus or Deficit on the Provision of Service	0	(5)	(18)	0	(23)
Depreciations	0	(6)	(33)	(17)	(56)
31 March 2013	361	3,009	4,834	3,594	11,798

### Scheduled Ancient Monuments

Castell Dinas Bran is a medieval castle standing high on a hill above the town of Llangollen . It is also the site of an Iron Age Hill fort. It has been valued at cost. The County Archaeologist has classified other scheduled monuments and listed buildings as heritage assets but these have no valuations attached. They include Jubilee Tower, Moel Fenlli, Moel Y Gaer Llanbedr, Caer Drewyn, Prestatyn Roman Bath House. Further information is available from the County Archaeologist.

### Civic Regalia

Civic Regalia has not been included on the balance sheet yet as further information is required. It is believed that most of the Civic Regalia is still in the ownership of each Town Council.

### Heritage Buildings

Denbighshire has the following heritage buildings. The buildings have been re-classified as Heritage assets. The buildings also house artefacts for which no valuation is known at present.

#### *Plas Newydd – Grade 2\* Building and Listed Landscape*

Plas Newydd is a detached two storey property constructed from timber frame with brick and stone elevations rendered and painted. The museum has approximately 400 artefacts including furniture, social and domestic items (books, medals, ceramics and costume), ephemera and miscellaneous collections.

*Ruthin Gaol – Grade 2\* Victorian Prison*

Ruthin Gaol ceased to be a prison in 1916. The county council purchased the buildings in 1926 and used part of them for offices, the county archives, and the town library. During the Second World War the prison buildings were used as a munitions factory, before being handed back to the County Council, when it was the headquarters of the Denbighshire Library Service. In 2002 the Gaol was extensively renovated and reopened as a museum. Some of the items in the collection are integral parts of the building, such as the stone baths, whereas others are 2D and 3D items relating to the history of the Gaol. There are also items on loan from the Galleries of Justice in Nottingham.

*Nant Clwyd Y Dre – Grade 1\* Building and Listed Gardens*

The premises were purchased by Clwyd CC in 1984, it was derelict but had a programme to renew and safeguard the external parts which was completed in the mid 1990's. The premises were fully restored and opened to the public in June 2007 as a museum due to its historic merit.

The property comprises a circa 14<sup>th</sup> Century House extended substantially. The property is a grade 1 listed structure with a registered historical garden, a grade 1 listed gazebo and listed garden walls. The majority of items on display are either replica or purchased from an unknown source outside Denbighshire.

**Denbighshire Heritage Service Collections**

The collection dates from the 1960's when, before the existence of a museum or heritage service, material was collected by various departments of the former local authorities. There are approximately 10,000 objects within the collection including social and industrial history, archive and archaeological material.

**Museums**

There are approximately 1,000 items associated with the former museum at Denbigh and approximately 3,000 individual items associated with the Rhyl Museum.

**Intangible Heritage Assets**

Historical recordings are housed in the Denbighshire Record Office, however the ownership of some of the recordings need further research.

**Valuations**

The Heritage Service has identified the need for a major project to review the collection. Until this review is completed exact information is not available on the value of the collection.

**48. Heritage Assets: Five-Year Summary of Transactions**

At the present time it is not practical to provide a five year summary of transactions.

**49. Heritage Assets: Further Information on the Museums Collections****Heritage Service**

The Heritage Service is responsible for the management and continuing development of the County's heritage provision. In 2012/13 the Museums Development Officer left the Authority. The Service has recently received funding for a full strategic and operational review of the service. Further information regarding the Heritage Services can be found in its "Collections Management Policy 2008 – 2013". Also "Denbighshire Heritage Service Development Plan 2011 – 2014". These documents are available from the Heritage Service, Yr Hen Garchar, 46 Clwyd Street, Ruthin, LL15 1HP.

**Collections Management**

The management of collections is guided by the Accreditation Scheme and A Museum Strategy for Wales. The County's portable heritage collections are housed at the County Store in Ruthin. These include archaeological collections (such as Roman finds from Prestatyn Bath House and medieval collections from Rhuddlan Castle), collections associated with Ladies of Llangollen, several Eisteddfod chairs and social history collections relating to the whole county. Currently there is no member of staff whose sole responsibility is the care of the collections in Denbighshire; the curatorial manager has overall responsibility. In the future it is hoped to allow public access to collections through terminals in each museum and to incorporate collections on collaborative web-sites, such as the People's Collection.

**Loans**

A number of objects are loaned to and from the Heritage Service. Plas Newydd has furniture on loan from the National Museum of Wales and this is covered by Denbighshire's insurance policy. A loans register is kept in the main museum office.

**Acquisitions and Disposals**

The Heritage Service has a "Museum Documentation and Procedural Manual", as well as the other policies mentioned above, and this documents the procedures for acquisition and disposal of all items. Each deposit should have a unique number and details of ownership and type of deposit. Once an item is accessed the object is formally accepted into the museum collection. The disposal procedure is well documented and recorded. All collections are listed on the Accessions Register and on the Museum Object Data Entry System (MODES).



**SECTION 4:  
SUPPLEMENTARY  
STATEMENTS**

**AND**

**NOTES TO THE  
SUPPLEMENTARY  
STATEMENTS**

## Housing Revenue Account Income and Expenditure Statement

2011/12 £000		Note	2012/13 £000
	<b>EXPENDITURE</b>		
2,946	Repairs & maintenance		2,962
2,323	Supervision & management		2,525
18	Rents, rates, taxes & other charges		13
3,085	Negative Housing Revenue Account subsidy payable		3,081
12,432	Depreciation and impairment of non-current assets	5	20,378
16	Debt management costs		17
28	Increase in bad debt provision		92
<b>20,848</b>	<b>Total Expenditure</b>		<b>29,068</b>
	<b>INCOME</b>		
(11,147)	Dwelling Rents (Gross)		(11,800)
(155)	Non-Dwelling Rents (Gross)		(156)
<b>(11,302)</b>	<b>Total Income</b>		<b>(11,956)</b>
<b>9,546</b>	<b>Net Expenditure of HRA Services as included in the Comprehensive Income and Expenditure Statement</b>		<b>17,112</b>
46	HRA Share of Corporate & Democratic Core		46
<b>9,592</b>	<b>Net Expenditure of HRA Services</b>		<b>17,158</b>
	<b>HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement</b>		
1,302	Interest payable and similar charges		1,327
(5)	Interest and investment income		(4)
140	Pensions interest cost & expected return on pensions assets	6	161
(2,400)	Capital grants and contributions receivable		(2,400)
<b>8,629</b>	<b>(Surplus) or deficit for the year on HRA services</b>		<b>16,242</b>

Movement on the HRA Statement

2011/12 £000		2012/13 £000	
(2,009)	<b>Balance on the HRA at 1 April</b>		<b>(871)</b>
8,629	(Surplus) or deficit for the year on the HRA Income & Expenditure Statement	16,242	
(7,477)	Adjustments between accounting basis and funding basis under statute (see below)	(16,380)	
1,152	Net (increase) or decrease before transfers to or from reserves		(138)
(14)	Transfers to or (from) reserves		(37)
1,138	(Increase) or decrease in year on the HRA		(175)
<b>(871)</b>	<b>Balance on the HRA at 31 March</b>		<b>(1,046)</b>

	<b><u>Adjustments between accounting basis and funding basis under statute:</u></b>		
	<b>Adjustments primarily involving the Capital Adjustment Account</b>		
	<u>Reversal of items debited or credited to the Comprehensive Income &amp; Expenditure Statement</u>		
(12,432)	Charges for depreciation and impairment of non-current assets		(20,378)
2,400	Capital grants and contributions applied		2,400
0	Revenue Expenditure Funded from Capital Under Statute		0
(284)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement		(75)
	<u>Insertion of items not debited or credited to the Comprehensive Income &amp; Expenditure Statement</u>		
1,255	Statutory provision for the financing of capital investment		1,341
1,341	Capital Expenditure charged against HRA balances		331
	<b>Adjustments primarily involving the Capital Receipts Reserve</b>		
284	Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the HRA Income & Expenditure Statement		75
	<b>Adjustments primarily involving the Financial Instruments Adjustment Account</b>		
18	Amount by which finance costs charged to the HRA Income & Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		19
	<b>Adjustments primarily involving the Pensions Reserve</b>		
(406)	Reversal of items relating to retirement benefits debited or credited to the HRA Income & Expenditure Statement		(448)
361	Employer's pension contributions payable in the year		368
	<b>Adjustments involving the Accumulated Absence Account</b>		
(14)	Amount by which officer remuneration charged to the HRA Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(13)
<b>(7,477)</b>	<b>Total Adjustments</b>		<b>(16,380)</b>

## 1. Housing Stock

The Council's total housing stock was as follows:

2011/12 No. of Properties		2012/13 No. of Properties
1,867	Houses	1,865
975	Flats	975
616	Bungalows	617
<b>3,458</b>	<b>Total</b>	<b>3,457</b>

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

## 2. Rent Arrears

At the 31st March 2013, tenants' net rent arrears were £0.223m, (£0.200m as at 31st March 2012) which represented 1.83% of the net rent income due in the year. Arrears totalling £0.009m were written off during the year. A contribution to the provision for Bad and Doubtful Debts of £0.083m was made during the year and the balance at year end is £0.242m.

## 3. Capital Receipts

HRA capital receipts for 2012/13 are summarised below:

2011/12 £000	Housing Receipts	2012/13 £000
284	Sales	72
0	Repaid Discounts	2
5	Mortgages	3
<b>289</b>	<b>Total Receipts</b>	<b>77</b>

#### 4. Analysis of Housing Revenue Account Capital Expenditure

During 2012/13, capital expenditure of £6.462m was incurred on improvements to the Council's housing stock. 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 prudential borrowing as detailed in the table below.

2011/12 £000	Housing Capital Expenditure	2012/13 £000
5,835	Improvement Works	6,462
<b>5,835</b>	<b>In-year Expenditure</b>	<b>6,462</b>
	<i>Financed by:</i>	
2,400	Major Repairs Allowance (Grant)	2,400
221	Usable Capital Receipts	19
1,341	Direct HRA Revenue Contributions	331
1,873	Prudential Borrowing	3,712
<b>5,835</b>	<b>Total</b>	<b>6,462</b>

#### 5. Depreciation & Impairment of Non-current Assets

In line with the Resource Accounting framework, depreciation charges, impairment and revaluation 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 and revaluation losses arise as a result of the revaluation process. Elements of the methodology used to value the housing stock have been revised in 2012/13 resulting in a significant reduction in the balance sheet value. The Valuer has reassessed the value based on local housing rent data and the impact of a full stock valuation completed in 2012/13. This is purely an accounting adjustment as actual disposals occur via the Right to Buy scheme, under which approach average sale values reflect more realistic values. The depreciation charge, impairment and revaluation losses are reversed out of the Net Cost of Services via the Movement on the HRA Statement. 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 2012/13. The depreciation charge and impairment losses have no effect on HRA balances.

The total depreciation charges and impairment and revaluation losses for 2012/13 are shown below:

2011/12 £000	HRA Depreciation Charges & Impairment Losses	2012/13 £000
6,339	Operational Assets – Dwellings	3,639
45	Operational Assets - Garages	42
83	Operational Assets – Communication Systems	83
<b>6,467</b>	<b>Total Depreciation</b>	<b>3,764</b>
<b>5,965</b>	<b>Impairment and Revaluation Losses</b>	<b>16,614</b>
<b>12,432</b>	<b>Total HRA Depreciation &amp; Impairment Losses</b>	<b>20,378</b>

## 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 Movement on the HRA Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and Movement on the HRA Statement during the year:

2011/12 £000	Comprehensive Income and Expenditure Statement	2012/13 £000
	<u>Net cost of services:</u>	
263	Current Service Cost	287
3	Past Service Cost	
	<u>Net Operating Expenditure</u>	
585	Interest cost on gross pension liability	558
(445)	Expected return on gross pension assets	(397)
<b>406</b>	<b>Net charge to the Comprehensive Income &amp; Expenditure Statement</b>	<b>448</b>
	<b>Movements on the HRA statement</b>	
(406)	Reversal of net charges made for retirement benefits in accordance with the Code	(448)
<b>361</b>	<b>Employer's contribution payable to the Clwyd Pension Fund Scheme</b>	<b>368</b>

**SECTION 5: THE INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
DENBIGHSHIRE COUNTY COUNCIL**

I have audited the accounting statements and related notes of Denbighshire County Council for the year ended 31 March 2013 under the Public Audit (Wales) Act 2004. Denbighshire County Council's accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Movement on the Housing Revenue Account Statement and the Housing Revenue Account Income and Expenditure Statement.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2012-13 based on International Financial Reporting Standards (IFRSs).

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

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on pages 10 - 11, the responsible financial officer is responsible for the preparation of the statement of accounts, which gives a true and fair view.

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

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

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

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

**Opinion on the accounting statements of Denbighshire County Council**

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of Denbighshire County Council as at 31 March 2013 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012-13.

### **Opinion on other matters**

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

### **Matters on which I report by exception**

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

### **Certificate of completion of audit**

On 27<sup>th</sup> September 2013, I issued an audit opinion on the 2012-13 accounts and I explained that the audit could not be formally concluded on that date until enquiries arising from matters raised by members of the public have been formally completed. These matters have now been concluded.

I certify that I have completed the audit of the financial statements and related notes of Denbighshire County Council for the year ended 31 March 2013 in accordance with the Public Audit (Wales) Act 2004 and the Code of Audit Practice issued by the Auditor General for Wales.



Anthony Barrett  
Appointed Auditor  
Date: 5<sup>th</sup> February 2014

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

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

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**SECTION 6:  
ANNUAL  
GOVERNANCE  
STATEMENT  
2012-13**

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**Why do we need an Annual Governance Statement?**

Denbighshire County Council is responsible for ensuring that it conducts its business in accordance with the law and proper standards, and that it safeguards and properly accounts for public money, using it economically, efficiently and effectively.

In discharging this overall responsibility, we are responsible for putting in place proper arrangements for the governance of our affairs, operating effectively and managing risk. Good governance is essential to both the Council and the public. It supports the Council in making the right decisions, reduces the likelihood of things going wrong and protects it when problems do occur. It inspires confidence in the public that we are taking decisions for the right reasons, protecting service quality and spending public money wisely.

We have a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. This Annual Governance Statement explains how we have complied with the Code during 2012-13 and how we meet the requirements of the Accounts and Audit (Wales) Regulations 2005 in relation to the publication of a statement on internal control.

**What is good governance?**

Good governance is about how the Council ensures that it is doing the right things, in the right way, for the right people, at the right time, in an inclusive, open, honest and accountable way. It comprises our systems, processes, cultures and values, through which we account to, engage with and, where appropriate, lead our communities. It enables us to monitor whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework, designed to manage risk to a reasonable level. It is an on-going process to identify and prioritise the risks to achieving our priorities, policies, aims and objectives, to evaluate their likelihood and to manage them should they occur. However, the system of internal control cannot eliminate all risk and can only provide reasonable and not absolute assurance of effectiveness.

Our governance framework has been in place and has been improved for the year ended 31 March 2013 and up to the date of the approval of the Statement of Accounts.

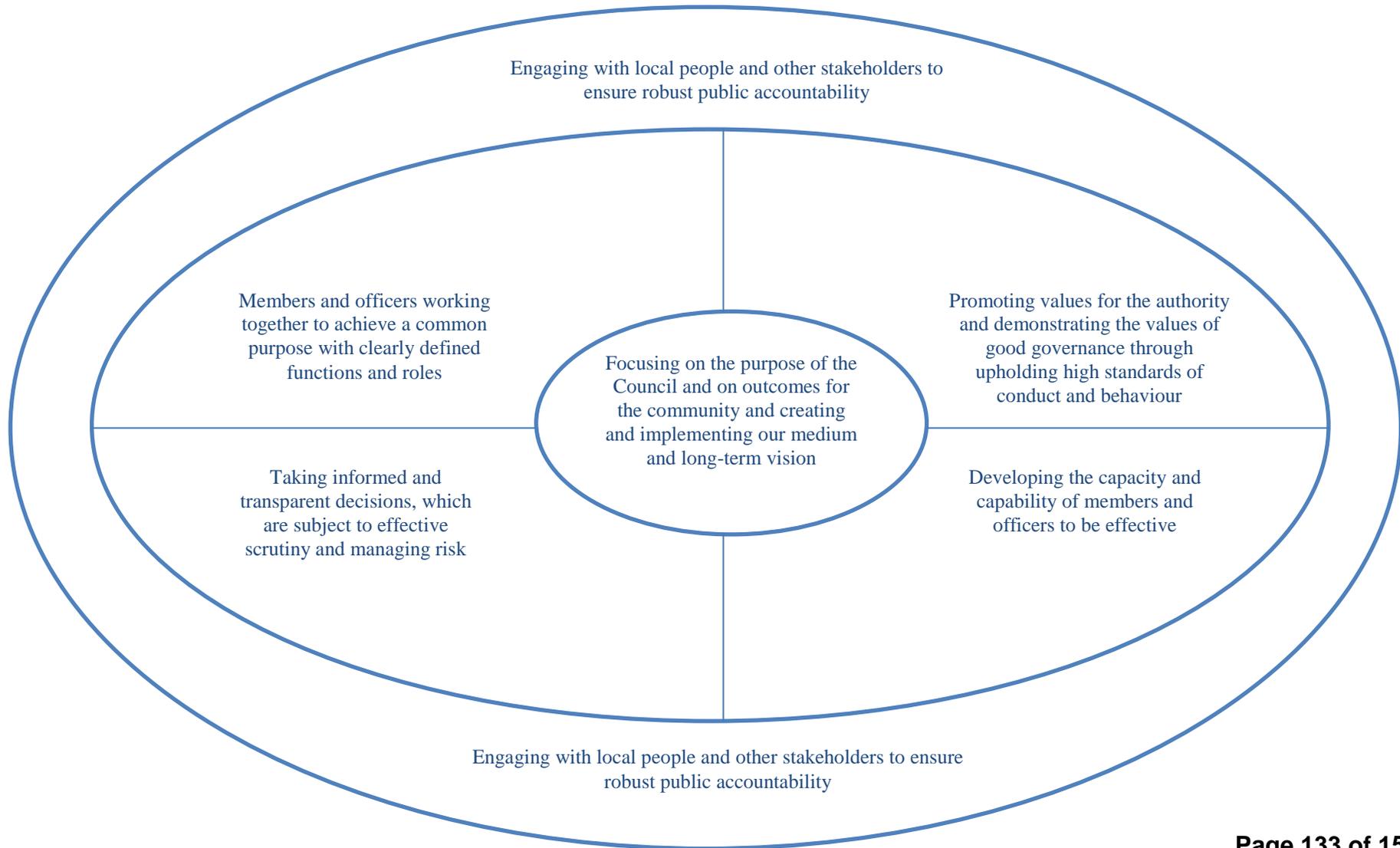
Section 3 of this Annual Governance Statement provides an overview of our governance arrangements. We provide a detailed review in Appendix 1.

## Summary of our governance assurance arrangements

Where do we need assurance?	What do we have in place?	Where do we get assurance?
<ul style="list-style-type: none"> <li>• Delivery of corporate priorities</li> <li>• Service performance and quality</li> <li>• Financial planning and performance</li> <li>• Partnership governance and effectiveness</li> <li>• Project management and delivery</li> <li>• Procurement processes</li> <li>• Management and engagement of our staff</li> <li>• Clarity of roles and responsibilities</li> <li>• Decision making protocols</li> <li>• Leadership effectiveness</li> <li>• Standards of conduct and ethics</li> <li>• Compliance with laws, regulations etc.</li> <li>• Effectiveness of the scrutiny function</li> <li>• Effectiveness of internal control</li> <li>• Management of risks</li> <li>• Training and development of elected members and staff</li> <li>• Community engagement</li> <li>• Openness and transparency</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate Plan</li> <li>• Frameworks for measuring service and employee performance</li> <li>• Effective financial management e.g. Annual Statement of Accounts, Medium-term Financial Plan, regular reporting of performance</li> <li>• Customer feedback and complaints processes</li> <li>• Partnership governance framework</li> <li>• Project management methodology</li> <li>• Corporate procurement strategy</li> <li>• HR strategy, policies and procedures</li> <li>• Council Constitution and democratic arrangements e.g. Corporate Governance Committee, Standards Committee, scrutiny function</li> <li>• Scheme of delegation for decision making</li> <li>• Specific job roles for CEO, S151 Officer and Monitoring Officer</li> <li>• Member/officer protocols</li> <li>• Terms and conditions for remuneration</li> <li>• Officer and member codes of conduct</li> <li>• Registers of interest/hospitality</li> <li>• Anti-fraud and corruption policy and whistleblowing arrangements</li> <li>• Financial Regulations</li> <li>• Staff and member training</li> <li>• Risk management framework</li> <li>• Equalities framework</li> <li>• Core Values</li> <li>• Effective systems, processes and controls</li> <li>• Methods for engaging employees, customers, stakeholders etc.</li> </ul>	<ul style="list-style-type: none"> <li>• External auditor reviews and reports</li> <li>• Internal Audit reviews and reports</li> <li>• Internal audit planning linked to governance framework and risk</li> <li>• Estyn reviews and reports</li> <li>• CSSIW reviews and reports</li> <li>• External consultant reports</li> <li>• Self-assessments</li> <li>• Peer reviews</li> <li>• On-going review of governance</li> <li>• Partnership boards</li> <li>• Council's democratic arrangements e.g. scrutiny and 'audit' committees</li> <li>• Staff surveys</li> </ul>

**Key principles of our governance framework**

**The 6 Key Governance Principles**



**Review of effectiveness of our governance framework**

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. We review our effectiveness on an on-going basis through our Governance Group and the outcomes of this are contained within Appendix 1, informed by the work of those managers with responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's Annual Report 2012/13, and by comments made by the external auditors and other review agencies and inspectorates.

We also carry out an annual Corporate Self-assessment to support compliance with our statutory obligation to make arrangements to secure continuous improvement (as required under the Local Government (Wales) Measure 2009). This helps us to understand our strengths and weaknesses in relation to our key processes, such as strategic planning, performance management, workforce planning and financial management. In future, we are considering combining our governance and corporate self-assessments to provide a more efficient self-assessment process.

**How have we maintained, reviewed and improved our framework this year?**

Our Internal Audit service has a comprehensive assurance plan that works alongside the governance framework and ensures that the Head of Internal Audit can provide an opinion on governance, risk and internal control as part of his annual report. Audit assurance can be High, Medium, Low or None. The overall audit assurance for 2012/13 is Medium.

We regularly review our financial systems and have implemented a restructuring of our Management Accounting function to support services in the most efficient manner and bring a greater focus on value for money, compliance and efficiency within services. We have also commenced work on new Financial Regulations for the Council. Internal Audit reviews financial systems annually and has provided High and Medium assurance opinions.

We regularly update our Corporate Risk Register with the Corporate Executive Team (CET). Internal Audit reviews how we manage the high inherent risks in the risk register and has provided High or Medium assurance opinions in all cases.

We have implemented a separation of duties within risk management so that Internal Audit can now carry out an independent and objective review. We have also provided training for elected members to ensure that they understand risk management. Internal Audit's recent review of corporate risk management provided assurance that, overall, risk management is effective, giving a Medium assurance rating.

We have improved our performance reporting against our Corporate Plan to elected members including our Annual Performance Review. Internal Audit reviewed corporate performance management, giving a Medium assurance rating and all improvements have since been implemented.

We regularly review and update of our Constitution to take account of changing circumstances.

Scrutiny committees are organised around key themes to enable a more corporate approach, and have shown their strength through the successful delivery of working group objectives. We have welcomed a peer review of our scrutiny function and await the outcome but we identified some improvements in our self-assessment while preparing for this review, which we will implement.

We have developed a Governance Group of senior officers and the Chair and Vice-Chair of Corporate Governance Committee to oversee the Corporate Governance Framework, its action plan and the development of our Annual Governance Statement. We have also widened consultation on the Statement to include our Senior Leadership Team and earlier and better informed consultation with the Corporate Governance Committee.

Corporate Governance Committee receives regular reports on progress with implementing actions to improve our governance framework. The action plan shows good progress and will be continued into 2013/14 with additional actions from this year's Annual Governance Statement.

We have developed a new tool to show where the Council gets its assurance in all key governance areas and have used it to develop the Annual Governance Statement, linking it with the Internal Audit assurance plan and annual corporate self-assessment.

We act on Internal Audit, external audit and other review agencies reports, developing action plans for Scrutiny Committee monitoring. Corporate Governance Committee maintains an overview of these action plans and holds services to account if they do not act on these.

### **Significant governance issues**

Last year's Annual Governance Statement included one significant governance issue relating to information governance. We have taken steps to improve this area during the year, including reorganising and realigning the service, but a recent Internal Audit report on Data Protection and Freedom of Information showed that there is still a significant amount of work to do. We have therefore carried it forward as a significant issue this year.

The significant governance issues in the table below, together with any less significant issues that we have identified in our review in Appendix 1 will be added to our Governance Assurance Framework Action Plan managed by the Council's Governance Group and monitored by the Corporate Governance Committee.

Significant Governance Issue	Proposed Action	Timescale & Responsibility
Strategic HR needs to implement improvements following an adverse Internal Audit report.	<p>Action plan included with Internal Audit report to be implemented.</p> <p>Project plan developed and managed through project management framework.</p> <p>Further Internal Audit follow up work to be carried out during 2013/14.</p> <p>Corporate Governance Committee will receive a progress update from Strategic HR in July 2013.</p>	<p>Various - included in Action Plan and within project plan.</p> <p>Head of Internal Audit – July 2013.</p> <p>Head of Strategic HR - July 2013.</p>
We need to improve our information governance, management of information assets and the way we train employees and elected members in Data Protection and Freedom of Information requirements.	<p>Review Data Protection training.</p> <p>Publish Information Risk Policy.</p> <p>Progress roll out of EDRMS Corporate Filing programme.</p>	<p>Corporate Information Team Manager – October 2013.</p> <p>Head of Business Planning &amp; Performance – October 2013.</p> <p>Head of Business Planning &amp; Performance/ Corporate Information Team Manager – Phase 1 – April 2014.</p>

We propose over the coming year to take steps to address the above matters to enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed: *Michael H Evans* (Leader) *3/7/*.....2013

Signed: *M McL* (Chief Executive) *2/7/*.....2013

## Appendix 1 – Review of governance assurance arrangements

Key Principle 1	Focusing on the purpose of the Council and on outcomes for the community and creating and implementing our medium and long term vision
Our governance arrangements	<ul style="list-style-type: none"> <li>• Our process for developing our new corporate priorities for 2012-17 was robust and inclusive, and we have systems in place to support their delivery and to ensure that we review them annually.</li> <li>• Our performance management framework helps us to translate our corporate priorities into the contribution expected from services and shows how we will monitor this.</li> <li>• We have a Medium Term Financial Plan and monitor and report regularly on our financial performance, producing an Annual Statement of Accounts. Our financial management arrangements support priorities and ensure financial health.</li> <li>• We monitor and report regularly on operational performance, producing an Annual Performance Review.</li> <li>• All services undergo performance challenges during the year.</li> <li>• Our customer feedback and complaints framework is designed to feed into service improvement.</li> <li>• We are involved in, and lead on, a number of regional and sub-regional collaboration projects, and have developed proper governance arrangements for our collaboration activity. We are recognised as a leader in terms of developing the partnership agenda, with a joint Local Service Board and an integrated strategic partnership plan (The BIG Plan).</li> <li>• We have improved our management of programmes and projects following a full review of the project management methodology, training, and the procurement of a project management system.</li> <li>• Our human resources strategy and policies show how we manage our human resources and plan our future workforce.</li> </ul>
Assurances received	<ul style="list-style-type: none"> <li>• Wales Audit Office Improvement Assessment Letters</li> <li>• Internal Audit reports on services, including corporate performance management, partnerships, strategic HR and financial systems</li> <li>• Partnerships Scrutiny Committee and Senior Leadership Team review of partnership framework</li> <li>• The BIG Plan</li> <li>• Various major partnerships, e.g. North Wales Procurement, Regional Food Waste, Regional School Improvement</li> <li>• Regular and year-end financial and performance reports to elected members</li> <li>• Wales Audit Office report on the Council's accounts and financial systems</li> <li>• Service Performance Challenge reports</li> </ul>

	<ul style="list-style-type: none"> <li>• Regular reports on complaints and other feedback to Performance Scrutiny and Corporate Governance Committees</li> <li>• Partnership Scrutiny Committee and some joint scrutiny committees receive regular reports on partnership work</li> <li>• Medium Term Financial Plan updates to Cabinet</li> <li>• Various self-assessment reports, including, Corporate Self-Assessment, Social Services self-assessment, Estyn inspection self-assessment, service self-assessments</li> <li>• Corporate register of all partnership arrangements</li> <li>• Corporate project register reported to CET regularly</li> </ul>
Improvement Areas	<ul style="list-style-type: none"> <li>• We still have work to do to develop how we will deliver some of our corporate priorities.</li> <li>• We need to improve co-ordination of the various self-assessments that we carry out.</li> <li>• Within our financial planning, we need to develop a more strategic approach to the efficiency programme for the difficult years ahead.</li> <li>• We are developing new service standards to improve customer service further.</li> <li>• We still have work to do to improve how we manage customer complaints.</li> <li>• The configuration of Denbighshire's strategic partnerships is not yet right and requires further work.</li> <li>• We need to re-launch our partnership framework to make sure that everyone is aware of it and uses it.</li> <li>• We are improving our procurement strategy, systems and processes to achieve more financial savings.</li> <li>• We are strengthening the Service Performance Challenge process for 2013.</li> <li>• We will continue our work to fully embed programme and project management into our culture.</li> <li>• Strategic HR needs to implement improvements following an adverse Internal Audit report.</li> </ul>

<b>Key Principle 2</b>	<b>Members and officers working together to achieve a common purpose with clearly defined functions and roles</b>
Our governance arrangements	<ul style="list-style-type: none"> <li>• Our Constitution clearly sets out respective roles and responsibilities of the Cabinet and its individual members, particularly relating to governance. It includes our scheme of delegation for decision making.</li> <li>• We ensure separation within key roles, such as CEO, S151 Officer and Monitoring Officer.</li> <li>• The role of the S151 Officer ensures that appropriate advice is given on all financial matters, that the Council keeps proper financial records and accounts, and maintains an effective system of internal financial control.</li> <li>• The Monitoring Officer is responsible for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with.</li> <li>• We have a member/officer protocol to ensure constructive working relationships.</li> <li>• We have agreed terms and conditions for remuneration of elected members and officers and an effective structure for managing the process.</li> <li>• We have a performance management and appraisal process for officers.</li> <li>• Our partnership framework requires partnerships to have clear objectives, clarity of roles and responsibilities, governance arrangements, funding arrangements, accountabilities and protocols for dispute resolution.</li> </ul>
Assurances received	<ul style="list-style-type: none"> <li>• Constitution approved by County Council includes roles &amp; responsibilities, key officer roles, member/officer protocol, remuneration scheme, scheme of delegation etc.</li> <li>• Cabinet reports on budget setting and monitoring of financial performance</li> <li>• Job descriptions outline the roles of key officers</li> <li>• Partnerships Scrutiny Committee and Senior Leadership Team review of partnership framework</li> <li>• Improvements made following the Internal Audit report on partnerships</li> </ul>
Improvement Areas	<ul style="list-style-type: none"> <li>• We are developing a performance management framework for elected members.</li> <li>• While we now have a partnership framework, we need to make sure that all current partnerships meet its requirements.</li> <li>• We need to review the role of the S151 Officer to ensure that it meets recommended standards and good practice.</li> </ul>

<b>Key Principle 3</b>	<b>Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour</b>
Our governance arrangements	<ul style="list-style-type: none"> <li>• We have codes of conduct for officers and elected members.</li> <li>• Our member/office protocol ensures high standards of behaviour.</li> <li>• We operate a register of interests and hospitality and elected members have the opportunity to declare interests at meetings.</li> <li>• Customers can use our feedback and complaints framework if they are not happy about conduct and behaviour.</li> <li>• We have a policy on anti-fraud and corruption.</li> <li>• Our Corporate Governance Committee acts as an 'audit committee', complying with the Local Government (Wales) Measure.</li> <li>• We operate an independent and objective Standards Committee.</li> <li>• Financial Regulations outline key responsibilities in respect of conflicts of interest, prejudice, bias etc.</li> <li>• We have a set of core values for elected members and officers.</li> <li>• Our performance appraisal process includes an assessment of conduct and application of core values.</li> <li>• Our partnership framework includes a set of values against which decision making and actions can be judged.</li> <li>• Our systems and processes are designed to comply with laws, regulations, internal policies and procedures and conform to appropriate ethical standards.</li> </ul>
Assurances received	<ul style="list-style-type: none"> <li>• Constitution approved by County Council includes codes of conduct, member/officer protocol, requirements for declarations of interest, Standards Committee role, Corporate Governance Committee terms of reference</li> <li>• Committee meeting agendas and minutes showing declarations of interest from elected members</li> <li>• Regular reports on complaints and other feedback to Performance Scrutiny and Corporate Governance Committees</li> <li>• Head of Internal Audit review of Corporate Governance Committee terms of reference</li> <li>• Partnerships Scrutiny Committee and Senior Leadership Team review of partnership framework</li> <li>• Improvements made following the Internal Audit report on partnerships</li> <li>• Internal Audit Annual Report 2012/3 giving assurance on the system of internal control</li> </ul>
Improvement Areas	<ul style="list-style-type: none"> <li>• We need to update our anti-fraud and corruption policy.</li> <li>• We are updating our Financial Regulations.</li> <li>• We are planning a self-assessment to ensure that the Corporate Governance Committee operates effectively as an audit committee.</li> </ul>

Key Principle 4	Taking informed and transparent decisions, which are subject to effective scrutiny and managing risk
Our governance arrangements	<ul style="list-style-type: none"> <li>• We have a robust scrutiny function to challenge decision-makers constructively, including those who work in partnership with us.</li> <li>• Our Council, Cabinet and committee meetings are open and transparent. We advertise meetings in advance, have transparent decision-making processes, publish decisions and have robust criteria for considering confidential reports.</li> <li>• Elected members have the opportunity to declare interests at meetings.</li> <li>• We have codes of conduct for officers and elected members.</li> <li>• We operate a register of interests and hospitality.</li> <li>• Our 'audit committee' is independent of the Cabinet to allow it to act objectively.</li> <li>• Customers can use our feedback and complaints framework if they are not happy about the way we make decisions.</li> <li>• We present external and internal regulator reports to the relevant committee and act on issues raised in those reports.</li> <li>• We provided a comprehensive training programme for elected members following the last local elections.</li> <li>• We have reviewed our committee reporting to provide more concise and clearer reports to our elected members to help decision making.</li> <li>• We have processes in place to manage risk effectively and regularly update our Corporate Risk Register. We have provided separation of duties between co-ordination of risk management and the audit of risk management.</li> <li>• We have an independent and effective internal audit service operating within professional auditing standards, providing a wide range of governance, risk, operational and financial assurance, including on partnerships.</li> <li>• We have whistleblowing arrangements for elected members, officers and contractors.</li> <li>• We have a robust system of internal control, both financially and operationally.</li> <li>• Our partnership framework requires each partnership to assess risks and outline how it will manage them.</li> <li>• Our Monitoring Officer makes sure that the Council follows agreed procedures and complies with all applicable statutes and regulations.</li> <li>• The Constitution and scheme of delegation clearly outline statutory obligations of elected members and officers who make decisions.</li> </ul>
Assurances received	<ul style="list-style-type: none"> <li>• Agendas, reports and minutes of Council, Cabinet, scrutiny and other committees</li> <li>• Council meetings, papers and decisions published on the Council's website and in libraries</li> <li>• Formal protocol for Part II (confidential) reports</li> </ul>

	<ul style="list-style-type: none"> <li>• Council's Constitution includes statutory obligations, codes of conduct, member/officer protocol, committee terms of reference etc.</li> <li>• Regular reports on complaints and other feedback to Performance Scrutiny and Corporate Governance Committees</li> <li>• Corporate Governance Committee and Performance Scrutiny minutes show consideration of internal and external regulator reports</li> <li>• Updated corporate risk register presented to Performance Scrutiny Committee in February 2013</li> <li>• Internal Audit Strategy 2012/13 and regular progress reports to Corporate Governance Committee</li> <li>• Internal Audit Annual report 2012/13 giving a positive opinion on the system of governance, risk management and internal control</li> <li>• Internal Audit's Charter outlining its status and independence</li> <li>• Improvements made following the Internal Audit report on partnerships</li> <li>• Internal Audit report on corporate risk management</li> </ul>
Improvement Areas	<ul style="list-style-type: none"> <li>• We need to promote our scrutiny function among our stakeholders and provide further training for elected members. We will also implement any improvements arising from a recent peer review.</li> <li>• We need to improve our information governance management of information assets and awareness of Data Protection and Freedom of Information requirements following an adverse Internal Audit Report.</li> <li>• Our Corporate Self-assessment recognised some improvements needed in risk management and we will implement these and any additional issues arising from the recent Internal Audit review.</li> <li>• We will update the Internal Audit's Charter and carry out a self-assessment of the service to ensure that it complies with the new Public Service Internal Audit Standards.</li> <li>• We are strengthening our research and intelligence functions to be more proactive in the way that we consider the external environment to support decision-making and strategic planning.</li> <li>• We are updating our Whistleblowing policy.</li> </ul>

Key Principle 5	Developing the capacity and capability of members and officers to be effective
Our governance arrangements	<ul style="list-style-type: none"> <li>• We are developing our elected members to have the skills, knowledge and experience to carry out their roles effectively.</li> <li>• New elected members received a comprehensive programme of training in the months following their election.</li> <li>• We have made some improvements to workforce planning and the way we make use of our employees to achieve improvement.</li> <li>• We have improved the rate of officer performance appraisals completed.</li> <li>• We have a programme of corporate training in a variety of subjects.</li> <li>• We encourage new ideas from inside and outside of the Council to improve our services and performance through community engagement, employee suggestion schemes, manager conferences, officer groups etc.</li> </ul>
Assurances received	<ul style="list-style-type: none"> <li>• Strategic HR reports to CET on officer appraisal completion rates</li> <li>• Cabinet Lead Member leading on elected member development project</li> <li>• Training programme and attendance records for elected member training following election</li> <li>• Community Engagement Plan</li> <li>• Regular conferences for our middle management tier</li> <li>• Bright Ideas staff suggestion scheme</li> <li>• Corporate training programme</li> <li>• The Hwb</li> <li>• Learning Hub on Intranet</li> </ul>
Improvement Areas	<ul style="list-style-type: none"> <li>• We need to do more to improve the flexibility of our workforce to enable us to use them in the areas of greatest need.</li> <li>• We are developing a new training programme for elected members based on a needs assessment.</li> <li>• There is still work to do to ensure that officer performance appraisals are completed at least once a year.</li> </ul>

<b>Key Principle 6</b>	<b>Engaging with local people and other stakeholders to ensure robust public accountability</b>
Our governance arrangements	<ul style="list-style-type: none"> <li>• We have a scrutiny function that includes scrutiny of performance and of partnership arrangements.</li> <li>• We have a Community Engagement Plan to ensure we take an active and planned approach to dialogue with the public.</li> <li>• Our customer feedback and complaints framework allows the opportunity for views to be shared on service delivery.</li> <li>• We have a co-ordinated approach to internal and external communications and media activities to publicise our priorities and the action we will be taking to improve services for those who live in, work in or visit the county.</li> <li>• Our Council, Cabinet and committee meetings are open and transparent. We advertise meetings in advance, have transparent decision-making processes, publish decisions and have robust criteria for considering confidential reports.</li> <li>• We maintain strong working relationships with our external partners, including the joint Conwy &amp; Denbighshire Local Service Board, and actively engage with stakeholders and local communities.</li> <li>• We have a Strategic Equalities Plan.</li> <li>• We report regularly our financial performance. Our Annual Statement of Accounts is open to the public for inspection as required by legislation and the final version is accessible on our website.</li> <li>• We report regularly on operational performance, producing an Annual Performance Review.</li> <li>• We engage our employees through staff road shows, Excellence Denbighshire, staff surveys, CEO breakfast meetings, Staff Council etc.</li> </ul>
Assurances received	<ul style="list-style-type: none"> <li>• Scrutiny committee agenda, reports, minutes etc.</li> <li>• Partnership framework includes requirement for governance arrangements</li> <li>• Member Area Groups</li> <li>• Residents Survey 2011</li> <li>• Town Plans</li> <li>• Town &amp; Community Council cluster groups</li> <li>• Improvements made following the Internal Audit report on partnerships</li> <li>• Regular reports on complaints and other feedback to Performance Scrutiny and Corporate Governance Committees</li> <li>• Communication Strategy</li> <li>• Community Engagement Plan</li> <li>• Agendas, reports and minutes of Council, Cabinet, Scrutiny and other committees</li> </ul>

	<ul style="list-style-type: none"><li>• Council meetings, papers and decisions published on the Council's website and in libraries</li><li>• Formal protocol for Part II (confidential) reports</li><li>• Strategic Equalities Plan.</li><li>• Positive Wales Audit Office report on the Council's accounts and financial systems</li><li>• Regular financial and performance reports to Scrutiny committees and Cabinet</li><li>• 'You Said, We Did' action plan following 2011 staff survey</li><li>• Agendas and minutes of Staff Council</li><li>• Denbighshire Volunteering Strategy</li><li>• Excellence Denbighshire awards</li></ul>
Improvement Areas	<ul style="list-style-type: none"><li>• We need to make sure that our employees are fully aware of the requirements of equalities legislation.</li><li>• The Consultation &amp; Engagement Strategy needs to become embedded in our service delivery.</li><li>• We will roll out the Denbighshire Volunteering Strategy.</li><li>• We need to further improve the way we engage with business groups.</li></ul>

## Glossary

Annual Performance Review	An evaluation of our success in delivering against our Corporate Plan during the previous financial year. Indicates whether we have successfully fulfilled our obligation to make arrangements to secure continuous improvement.
Big Plan	Integrates four plans (Community Strategy; Health, Social Care & Well-being; Children & Young People's; and Community safety) into one Plan.
Cabinet	Body responsible for most of our day-to-day decisions. Made up of the Leader (elected by the Council) and seven Councillors appointed by the Leader.
Code of Corporate Governance	A document that outlines our approach to ensuring that we demonstrate and comply with the underlying principles of good governance.
Community Engagement Strategy	A strategy to ensure that residents, visitors, workers and other key stakeholders in the county have a voice to influence the development of policies and strategies that will affect their lives, and to inform the way in which services in the county are planned and delivered.
Corporate Executive Team (CET)	The most senior officer management team of the organisation, comprising the CEO, Corporate Directors, S151 Officer and Monitoring Officer.
Corporate Governance Committee	A committee that reviews the Council's overall governance arrangements, including risk management, internal control, compliance and complaints. It approves the Statement of Accounts, monitors financial performance and acts as our audit committee.
Corporate Plan	Explains the Council's priorities for the life of the Plan following extensive engagement and consultation, including a financial strategy to deliver the Plan.
Council Constitution	Sets out how the Council operates, how it makes decisions and the procedures followed to ensure that these are efficient, transparent and accountable to local people.
County Council	Composed of 47 councillors (elected members) elected every four years. Decides the Council's overall policies and sets the budget each year.
CSSIW	Care & Social Services Inspectorate Wales. Part of the Welsh Government, providing regulation, inspection, reviews and professional advice.
Estyn	Her Majesty's Inspectorate for Education & Training in Wales. A Crown body that inspects quality and standards in education and training in Wales.
Excellence Denbighshire	Annual awards in the Council that recognise the importance of valuing the contribution made by our members of staff.

Financial Regulations Hwb	Provide the framework for managing the Council's financial affairs. They apply to every elected member and officer of the Council and anyone acting on its behalf. Volunteer group of our employees working together to bring a range of talents and experience together to help craft and deliver projects and initiatives prioritised in the Corporate Plan.
Internal Audit	Provides assurance and advice to all levels of management and elected members on the quality of operations within the Council. It particularly focuses on governance, risk management, performance, efficiency and operational and financial control.
Local Government (Wales) Measure 2009	Legislation relating to various areas connected to membership of local authorities, democratic arrangements, governance arrangements, scrutiny functions, audit committees etc.
Local Service Board	A body that brings together the leaders of both Conwy's & Denbighshire's services so that they can work together and make services more effective. It includes the two local authorities, further and higher education, Betsi Cadwaladr, University Health Board, North Wales Fire and Rescue Service, North Wales Police, voluntary/third sector, Local Safeguarding Children Board and Local Strategic Partnership Boards.
Medium-term Financial Plan	Plan looking at the coming three years and estimating what might happen to the Council during that time and what might that mean for its finances.
Member Area Groups	Six advisory groups covering the county area to provide consultation and feedback mechanisms for the Council and its partners, help plan service delivery, develop local regeneration strategies etc.
Part II reports	Reports where confidential or exempt information as outlined in the Constitution is likely to be disclosed. The meeting or part of the meeting is therefore held in private. There are strict criteria for designating reports as Part II.
Scrutiny Committees	Three committees that scrutinise and support the work of the Cabinet and the Council, holding inquiries into matters of local concern. They also monitor Cabinet decisions to consider whether they are appropriate and may be consulted by Cabinet or Council on forthcoming decisions and the development of policy.
Senior Leadership Team (SLT)	Senior officer management team comprising the CEO, Corporate Director and all Heads of Service.
Staff Council	Group comprising the CEO, Head of Strategic HR and employee representatives from all services to provide effective communication and dialogue between staff and the Senior Leadership Team.
Standards Committee	An independent committee that promotes and maintains high standards of conduct by councillors, co-opted members and other representatives.
Statement of Accounts	The Council's annual financial accounts, audited by its external auditor.

Strategic Equalities Plan	Document designed to enable us to fulfil our duties under the Equality Act 2010 and the Equality Act 2010 (Statutory Duties) (Wales) 2011.
Town Plans	Plans for the development of economically viable and sustainable towns that will boost the local economy and improve outcomes for local businesses and residents and attract visitors to the area.
Wales Audit Office (WAO)	The Council's independent external auditors. The public service watchdog for Wales ensuring that the people of Wales know whether public money is being managed wisely, and public bodies in Wales understand how to improve outcomes.
WAO Improvement Assessment Letters	Published reports on how well we are planning for improvement and delivering our services.

## **SECTION 7: GLOSSARY**

### **ACCOUNTING PERIOD**

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

### **ACCOUNTING POLICIES**

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

### **ACCRUALS**

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

### **ACTUARIAL GAINS AND LOSSES**

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

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

### **AGENCY ARRANGEMENTS**

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

### **AMORTISATION**

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

### **ASSET**

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

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

### **AUDIT OF ACCOUNTS**

An independent review of the Authority's financial affairs.

### **BALANCE SHEET**

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

### **BUDGET**

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

### **CAPITAL EXPENDITURE**

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

**CAPITAL FINANCING**

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

**CAPITAL PROGRAMME**

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

**CAPITAL RECEIPT**

The income from the disposal of land or other non current assets. Proportions of Housing capital receipts can be used to finance new capital expenditure, within rules set down by the Government, but they cannot be used to finance revenue expenditure except for Revenue Expenditure Funded from Capital Under Statute.

**CASH**

Comprises cash on hand & demand deposits

**CASH EQUIVALENTS**

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

**CASH FLOWS**

Inflows & outflows of cash & cash equivalents.

**CIPFA**

The Chartered Institute of Public Finance and Accountancy.

**COMMUNITY ASSETS**

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

**CONTINGENT ASSET**

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

**CONTINGENT LIABILITY**

A contingent liability is either:

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

**CORPORATE AND DEMOCRATIC CORE**

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

**CREDITOR**

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

**CURRENT SERVICE COST (PENSIONS)**

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

**DEBTOR**

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

**DEFINED BENEFIT PENSION SCHEME**

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

**DEPRECIATED REPLACEMENT COST (DRC)**

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

**DEPRECIATION**

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

**DISCRETIONARY BENEFITS (PENSIONS)**

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

**EFFECTIVE INTEREST RATE**

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

**EMPLOYEE BENEFITS**

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

**EVENTS AFTER THE BALANCE SHEET DATE**

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

**EXCEPTIONAL ITEMS**

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

**EXISTING USE VALUE (EUV)**

The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion. It assumes that the buyer is granted vacant possession of all parts of the property required by the business and disregarding potential alternative uses and any other characteristics of the property that would

cause its market value to differ from that needed to replace the remaining service potential at least cost.

**EXPECTED RETURN ON PENSION ASSETS**

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

**EXTRAORDINARY ITEMS**

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

**FAIR VALUE**

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

**FINANCE LEASE**

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

**FINANCIAL INSTRUMENT**

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

**FINANCING ACTIVITIES**

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

**GOING CONCERN**

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

**GOVERNMENT GRANTS**

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

**HOUSING BENEFITS**

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

**HOUSING REVENUE ACCOUNT (HRA)**

A separate account to the Council Fund that includes the expenditure and income arising from the provision of housing accommodation by the Authority.

**IMPAIRMENT**

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

**INCOME**

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

**INCOME AND EXPENDITURE ACCOUNT**

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

**INFRASTRUCTURE ASSETS**

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

**INTANGIBLE ASSETS**

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

**INTEREST COST (PENSIONS)**

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

**INVENTORIES**

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

**INVESTING ACTIVITIES**

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

**INVESTMENT PROPERTY**

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

**INVESTMENTS (PENSION FUND)**

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

**LEASE**

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

**LIABILITY**

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

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

**MATERIALITY**

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

**MINIMUM REVENUE PROVISION (MRP)**

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

**NEGATIVE SUBSIDY**

If the Subsidy Housing Revenue Account produces a result, which assumes that the Council's income is higher than its expenditure, a 'Negative Subsidy' situation arises. In this case the authority must pay an amount equivalent to the notional surplus, from its Housing Revenue Account to the government.

**NET BOOK VALUE**

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

**NON-DISTRIBUTED COSTS**

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

**NON-DOMESTIC RATES (NDR)**

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

**OPERATING ACTIVITIES**

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

**OPERATING LEASE**

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

**PAST SERVICE COST (PENSIONS)**

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

**PENSION SCHEME LIABILITIES**

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

**PRECEPT**

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

**PRIOR YEAR ADJUSTMENT**

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

**PRIVATE FINANCE INITIATIVE (PFI)**

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

**PROJECTED UNIT METHOD**

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

**PROVISION**

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

**PUBLIC PRIVATE PARTNERSHIPS (PPP)**

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

**PUBLIC WORKS LOAN BOARD (PWLB)**

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

**RATEABLE VALUE**

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

**RELATED PARTIES**

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

**RELATED PARTY TRANSACTIONS**

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

**REMUNERATION**

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

**RESERVES**

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

**RESIDUAL VALUE**

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

**RETIREMENT BENEFITS**

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

**REVENUE EXPENDITURE**

The day-to-day expenses of providing services.

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

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

**REVENUE SUPPORT GRANT**

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

**SERVICE CONCESSION ARRANGEMENT**

A service concession agreement generally involves the grantor (usually a public sector body) conveying to the operator (usually a private sector entity), for the

period of the concession, the right to provide services that give the public access to major economic & social facilities.

**SOFT LOAN**

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

**TEMPORARY BORROWING**

Money borrowed for a period of less than one year.

**TRUST FUNDS**

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

**USEFUL ECONOMIC LIFE (UEL)**

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

**WORK IN PROGRESS**

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