

**STATEMENT  
OF  
ACCOUNTS  
2015/16**

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**DENBIGHSHIRE COUNTY COUNCIL**  
**STATEMENT OF ACCOUNTS**  
**2015/16**

<b>Introduction</b> .....	<b>1</b>
<b>Section 1: Narrative Report</b> .....	<b>3</b>
<b>Section 2: Statement of Responsibilities</b> .....	<b>8</b>
<b>Section 3: Financial Statements and Notes to the Accounts</b> .....	<b>9</b>
Movement in Reserves Statement .....	12
Comprehensive Income and Expenditure Statement .....	14
Balance Sheet.....	16
Cash Flow Statement.....	18
Notes to the Accounts .....	19
<b>Section 4: Supplementary Statements</b> .....	<b>101</b>
Housing Revenue Account Income and Expenditure Statement .....	102
Movement on the HRA Statement.....	103
Notes to Supplementary Statements.....	104
<b>Section 5: Audit report of the Auditor General for Wales</b> .....	<b>107</b>
<b>Section 6: Annual Governance Statement</b> .....	<b>109</b>
<b>Section 7: Glossary</b> .....	<b>137</b>

## **Introduction**

Denbighshire County Council is a Welsh unitary authority with a population of around 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- Narrative Report**

This Narrative Report 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 and Notes to the Accounts**

The 2015 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 31 March 2016. 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.

**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 in 2014/15 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: Narrative Report**

### **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 2015/16, this gross budget was £282.6m. After use of Balances, savings of £7.3m were required and successfully identified to achieve a balanced budget. The council has made budget savings of £17.3m in the last three years and is likely to have to make savings of over £15m in the next three years.

By the end of the year, the Council had spent £25k more than it budgeted for on services and corporate budgets.

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

The final revenue position this year has meant that it has been possible to make a net contribution from reserves within the accounts of £15.9m.

The Council's general balances now stand at £7.6m. 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 2016.

	<b>Final Revenue Outturn Report £000</b>
<b>Service and Corporate Budgets</b>	
Business Improvement & Modernisation	3,710
Legal, HR & Democratic Services	2,411
Finance & Assets	5,364
Highways & Environmental Services	18,193
Planning & Public Protection	2,240
Community Support Services	31,755
Children's Services	8,289
Economic & Business Development	634
Communication, Marketing and Leisure	4,175
Customers & Education Support	5,259
School Improvement & Inclusion	3,886
Schools	65,701
Corporate	16,220
<b>Total Service and Corporate Budgets</b>	<b>167,837</b>
<b>Other</b>	
Capital Finance / Investment Interest	12,945
Levies	4,361
<b>Total Expenditure (excludes HRA)</b>	<b>185,143</b>
Less Funding	(185,118)
<b>Final Outturn</b>	<b>25</b>
<b>Contribution (to)/from Reserves and General Balances Reported to Members:</b>	
<b>Allocated as follows:</b>	
Earmarked Balances – Services	(1,117)
Transfers to Budget Mitigation Reserve	(834)
School Balances	1,976
<b>Total</b>	<b>25</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.

The table below shows how much the Council spent on its assets per service block in 2015/16 and how the expenditure was funded:

<b>Expenditure</b>	<b>£000</b>
Finance & Assets	927
Highways & Environmental Services	10,453
Planning & Public Protection	3,353
Community Support Services	1,040
Economic & Business Development	1,205
Communication, Marketing & Leisure	4,478
Business Improvement & Modernisation	628
Customers & Education Support	22,400
School Improvement & Inclusion	70
Housing Revenue Account	3,962
<b>Total</b>	<b>48,516</b>
<b>Funding</b>	
Grants	17,388
Supported Borrowing	3,192
Prudential Borrowing	11,449
Capital Receipts	1,431
Capital Expenditure charged against the Council Fund	15,056
<b>Total</b>	<b>48,516</b>

Expenditure on major Projects undertaken during the year includes:

Project	Description	2015/16 £000
Rhyl	West Rhyl Coastal Defence Works – Phase 3	2,612
St Asaph	Elwy Bridge Works	344
Rhyl	A548 Foryd Bridge Repairs	244
Rhyl, Westbourne Avenue	Improvements to Pedestrian and Cycling Facilities	217
Rhyl	High Street Improvement Works	734
Rhyl Library	Improvements to Accommodate One Stop Shop and Cash Office	238
Ruthin Leisure Centre	Improvements to Activity Studio and Gymnasium	232
Denbigh Leisure Centre	Fitness Suite Extension	308
Prestatyn, Nova Centre	Re-development Works	3,588
Bodnant Community School, Prestatyn	21 <sup>st</sup> Century Schools – Extension and Refurbishment Works	2,071
Ysgol Glan Clwyd, St Asaph	21 <sup>st</sup> Century Schools – Extension, Remodel and Refurbishment Works	2,090
Rhyl	21 <sup>st</sup> Century Schools – New School	16,085
Ysgol Dewi Sant, Rhyl	Traffic Management Works	377
Rhyl	Property Acquisitions/Demolition	814
Council Housing	Major Improvements	2,705
Council Housing	Disabled Adaptations	439
Denbigh, Middle Lane	Extra Care Facility	792

### 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 Stock Business Plan**

The council owns 3,415 council houses – known as the housing stock. Since 2005, the council has invested over £64m in improving its housing stock and has achieved the Welsh Housing Quality Standard in 2014. Part of this investment has been through borrowing and the council has a detailed 30-year Housing Stock Business Plan which helps to ensure that the investment in the council's houses remains affordable and sustainable in the long term. The Housing Stock Business Plan is regularly reviewed and formally approved by the council's cabinet every year and it remains financially strong.

The council has to account for income and expenditure on its housing stock separately from other activities and this is called the Housing Revenue Account (HRA). All Housing Revenue Accounts in Wales were subject to a national subsidy system which meant that surplus rent income had to be paid back to the UK Government. The subsidy system ended in Wales on 2 April 2015 with all councils 'buying themselves' out of the system. This entailed a capital payment of £40m, funded through borrowing. The ending of the subsidy systems means that

the council retains more rental income locally which will allow additional investment in the housing stock and offers the possibility to increase the size of the stock in the coming years. The latest Housing Stock Business Plan allows for investment of £15m in new stock over the coming four years.

### **Borrowing & Investments**

The Council's strategy in 2015/16 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 undertook new borrowing of £79.7m during the year to support its capital spending plans and to take account of favourable borrowing rates. The council's treasury position is reported to the Corporate Governance Committee throughout the year. The Council's outstanding debt at 31 March 2016 was £190.2m and investment balances were £12m.

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

The Accounting Policies are detailed fully in Note 1 to the accounts. This is the sixth year that the Council's accounts have been produced to comply with international standards and the Code of Practice on Local Authority Accounting.

### **Statutory Functions**

There were no significant changes to the Council's statutory functions during 2015/16.

### **The Corporate Plan**

During 2015/16 the Council continued its commitment to delivering an ambitious Corporate Plan which aims to deliver investment of over £92m in schools, social care facilities and roads in the coming four 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.

In 2015/16, individual projects within the Corporate Plan developed, including investment in highways and schools. Expenditure on Corporate Plan projects was £24.3m in 2015/16 and is projected to be over £30m in 2016/17.

### **Looking Ahead**

It is likely that local government funding settlements will reduce further in the coming three to five years at the same time as demand for services and costs are rising so the amount the Council spends each year will have to reduce accordingly. Whilst there is uncertainty about the precise levels of reduction each year, it is inevitable that some very tough decisions will have to be taken to ensure the Council lives within its means and continues to deliver its priorities.

However, the council's record of delivery in identifying and achieving savings while managing reserves effectively results in a high degree of confidence that the council will continue to deliver effective services while delivering investment in the Corporate Plan during this difficult funding climate.

**Richard Weigh**  
**Chief Financial Officer (Section 151 Officer)**

**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 25/1/17

**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 proper practices 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:

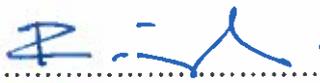
- (i) selected suitable accounting policies and then applied them consistently;
- (ii) made judgements and estimates that were reasonable and prudent;
- (iii) complied with the local authority Code.

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 2016.

Signed .....  ..... Date 25/1/17

**Richard Weigh**  
**Chief Financial Officer (Section 151 Officer)**

**Section 3:**  
**Financial Statements**  
**And**  
**Notes To The**  
**Accounts**  
**2015/16**

### Section 3 Contents

Movement in Reserves Statement .....	12
Comprehensive Income and Expenditure Statement.....	14
Balance Sheet.....	16
Cash Flow Statement.....	18
<b>Notes to the Accounts .....</b>	<b>19</b>
1. Accounting Policies .....	19
2. Accounting Standards That Have Been Issued but Not Yet Adopted.....	35
3. Critical Judgements in Applying Accounting Policies .....	36
4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty .....	36
5. Material Items of Income and Expense.....	37
6. Events after the Balance Sheet Date.....	38
7. Adjustments between Accounting Basis and Funding Basis under Regulation .....	38
8. Other Operating Expenditure.....	41
9. Financing and Investment Income and Expenditure .....	41
10. Taxation and Non Specific Grant Income .....	41
11. Council Tax .....	41
12. National Non-Domestic Rates (NNDR).....	42
13. Property, Plant and Equipment.....	43
14. Investment Properties .....	49
15. Financial Instruments .....	50
16. Debtors .....	52
17. Cash and Cash Equivalents .....	52
18. Assets Held for Sale.....	53
19. Creditors .....	53
20. Provisions .....	53
21. Transfers to/from Earmarked Reserves.....	55
22. Usable Reserves.....	58
23. Unusable Reserves .....	61
24. Cash Flow Statement – Operating Activities.....	66
25. Cash Flow Statement – Investing Activities .....	66
26. Cash Flow Statement – Financing Activities.....	67
27. Amounts Reported for Resource Allocation Decisions.....	67
28. Trading Operations.....	73
29. Agency Services .....	74
30. Members’ Allowances .....	75
31. Officers’ Remuneration.....	75
32. External Audit Costs.....	79
33. Grant Income .....	80
34. Related Parties.....	81

35. Capital Expenditure and Capital Financing .....	84
36. Leases .....	85
37. Private Finance Initiatives and Similar Contracts .....	86
38. Pensions Schemes Accounted for as Defined Contribution Schemes .....	87
39. Defined Benefit Pension Schemes .....	88
40. Contingent Liabilities .....	94
41. Nature and Extent of Risks Arising from Financial Instruments.....	95
42. Heritage Assets.....	98

### 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			
Balance at 31 March 2014		(9,916)	(41,635)	(1,287)	(2,456)	(2,984)	(58,278)	(93,892)	(152,170)
<b>Movement in reserves during 2014/15</b>									
(Surplus) or deficit on the provision of services	CI & ES	7,104		4,438			11,542		11,542
Other Comprehensive Income & Expenditure	CI & ES							30,203	30,203
<b>Total Comprehensive Income &amp; Expenditure</b>		<b>7,104</b>		<b>4,438</b>			<b>11,542</b>	<b>30,203</b>	<b>41,745</b>
Adjustments between accounting basis & funding basis under regulations	7	(12,296)		(5,083)	(559)	1,349	(16,589)	16,589	0
Net Increase/Decrease before Transfers to Earmarked Reserves		(5,192)		(645)	(559)	1,349	(5,047)	46,792	41,745
Transfers to/from Earmarked Reserves	21	5,954	(6,034)	80			0		
Increase/Decrease in 2014/15		<b>762</b>	<b>(6,034)</b>	<b>(565)</b>	<b>(559)</b>	<b>1,349</b>	<b>(5,047)</b>	<b>46,792</b>	<b>41,745</b>
Balance at 31 March 2015		<b>(9,154)</b>	<b>(47,669)</b>	<b>(1,852)</b>	<b>(3,015)</b>	<b>(1,635)</b>	<b>(63,325)</b>	<b>(47,100)</b>	<b>(110,425)</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			
Balance at 31 March 2015		(9,154)	(47,669)	(1,852)	(3,015)	(1,635)	(63,325)	(47,100)	(110,425)
<b>Movement in reserves during 2015/16</b>									
(Surplus) or deficit on the provision of services	CI & ES	22,498		47,464			69,962		69,962
Other Comprehensive Income & Expenditure	CI & ES							(43,219)	(43,219)
<b>Total Comprehensive Income &amp; Expenditure</b>		<b>22,498</b>	<b>0</b>	<b>47,464</b>	<b>0</b>	<b>0</b>	<b>69,962</b>	<b>(43,219)</b>	<b>26,743</b>
Adjustments between accounting basis & funding basis under regulations	7	(6,150)		(48,312)	787	59	(53,616)	53,616	
Net Increase/Decrease before Transfers to Earmarked Reserves		<b>16,348</b>	<b>0</b>	<b>(848)</b>	<b>787</b>	<b>59</b>	<b>16,346</b>	<b>10,397</b>	<b>26,743</b>
Transfers to/from Earmarked Reserves	21	(15,946)	15,850	96			0		0
Increase/Decrease in 2015/16		<b>402</b>	<b>15,850</b>	<b>(752)</b>	<b>787</b>	<b>59</b>	<b>16,346</b>	<b>10,397</b>	<b>26,743</b>
Balance at 31 March 2016		<b>(8,752)</b>	<b>(31,819)</b>	<b>(2,604)</b>	<b>(2,228)</b>	<b>(1,576)</b>	<b>(46,979)</b>	<b>(36,703)</b>	<b>(83,682)</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.

2014/15				2015/16			
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Note	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
13,179	(1,970)	11,209	Central Services to the Public		14,512	(2,623)	11,889
18,060	(6,194)	11,866	Cultural & Related Services		22,372	(6,901)	15,471
122,148	(24,526)	97,622	Children's & Education Services		118,021	(23,123)	94,898
17,238	(7,273)	9,965	Environmental & Regulatory Services		16,705	(7,772)	8,933
16,971	(6,821)	10,150	Highways & Transport Services		16,838	(5,815)	11,023
18,349	(13,092)	5,257	Local Authority Housing (HRA)		19,631	(13,392)	6,239
40,012	(38,893)	1,119	Housing Services		40,030	(39,955)	75
52,917	(18,441)	34,476	Adult Social Care		51,864	(17,063)	34,801
5,875	(2,238)	3,637	Planning Services		4,302	(1,846)	2,456
11,481	(3,753)	7,728	Corporate & Democratic Core		11,250	(3,186)	8,064
492	0	492	Non Distributed Costs		790	0	790
			HRA Settlement Payment**		40,045	0	40,045
			PFI Termination Payment**		7,433	0	7,433
316,722	(123,201)	193,521	Cost of Services		363,793	(121,676)	242,117
13,897	(407)	13,490	Other Operating Expenditure	8	16,189	(21)	16,168
19,089	(786)	18,303	Financing & Investment Income & Expenditure	9	21,675	(553)	21,122
	(213,772)	(213,772)	Taxation & Non-specific Grant Income	10		(209,445)	(209,445)
		<b>11,542</b>	<b>(Surplus) or Deficit on Provision of Services*</b>				<b>69,962</b>

		(20,796)	(Surplus) or deficit on revaluation of Property, Plant & Equipment	23			(25,126)
		3,351	Impairment losses on Property, Plant & Equipment charged to the Revaluation Reserve	23			4,960
		47,648	Remeasurement of the Net Defined Benefit Liability /(Asset)	39			(23,053)
		<b>30,203</b>	Other Comprehensive Income & Expenditure				<b>(43,219)</b>
		<b>41,745</b>	Total Comprehensive Income & Expenditure				<b>26,743</b>

\* A subjective breakdown of Income and Expenditure included within the (Surplus) or Deficit on the Provision of Services can be found in Note 27 Amounts Reported for Resource Allocated Decisions.

\*\* Further details about these amounts can be found in Note 5 Material Items of Income & Expense.

## 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, i.e. 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 2015 £000		Note	31 March 2016 £000	31 March 2016 £000
107,187	<i>Council Dwellings</i>		100,283	
197,926	<i>Other Land &amp; Buildings</i>		226,507	
6,096	<i>Vehicles, Plant, Furniture &amp; Equipment</i>		6,853	
113,786	<i>Infrastructure</i>		117,782	
2,647	<i>Community Assets</i>		2,489	
10,393	<i>Assets Under Construction</i>		5,093	
2,067	<i>Surplus Assets not Held for Sale</i>		1,432	
440,102	Property, Plant & Equipment	13	460,439	
9,023	Heritage Assets	42	8,968	
8,375	Investment Property	14	7,599	
5	Long Term Investments	15	1	
915	Long Term Debtors	15	770	
<b>458,420</b>	<b>Long Term Assets</b>			<b>477,777</b>
23,386	Short Term Investments	15	5,013	
5,168	Assets Held for Sale (<1yr)	18	2,740	
1,264	Inventories		1,168	
32,264	Short Term Debtors	16	18,331	
2,373	Cash and Cash Equivalents	17	6,592	
<b>64,455</b>	<b>Current Assets</b>			<b>33,844</b>
(5,135)	Short Term Borrowing	15	(6,968)	
(25,454)	Short Term Creditors	19	(21,741)	
(733)	Provisions	20	(571)	
(2,834)	Provision for Accumulated Absences	20	(2,384)	
(1,953)	Revenue Grants Receipts in Advance	33	(1,168)	
(1,802)	Capital Grants Received in Advance	33	(1,877)	
<b>(37,911)</b>	<b>Current Liabilities</b>			<b>(34,709)</b>

31 March 2015 £000		Note	31 March 2016 £000	31 March 2016 £000
(9,528)	Long Term Creditors	15	(1,429)	
(473)	Provisions	20	(422)	
(140,202)	Long Term Borrowing	15	(183,991)	
(224,336)	Other Long Term Liabilities	23	(207,388)	
<b>(374,539)</b>	<b>Long Term Liabilities</b>			<b>(393,230)</b>
<b>110,425</b>	<b>Net Assets</b>			<b>83,682</b>
(9,154)	Council Fund	22	(8,752)	
(47,669)	Earmarked Reserves	21	(31,819)	
(1,852)	Housing Revenue Account	22	(2,604)	
(3,015)	Capital Receipts Reserve	22	(2,228)	
(1,635)	Capital Grants Unapplied	22	(1,576)	
<b>(63,325)</b>	<b>Usable Reserves</b>			<b>(46,979)</b>
(77,190)	Revaluation Reserve		(94,101)	
224,336	Pensions Reserve		207,388	
(197,429)	Capital Adjustment Account		(152,732)	
349	Financial Instruments Adjustment Account		358	
2,834	Short Term Accumulating Compensated Absences Account		2,384	
<b>(47,100)</b>	<b>Unusable Reserves</b>	23		<b>(36,703)</b>
<b>(110,425)</b>	<b>Total Reserves</b>			<b>(83,682)</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 (i.e. borrowing) to the Council.

2014/15 £000		Note	2015/16 £000
11,542	Net (surplus) or deficit on the provision of services		69,962
(21,182)	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements		(83,871)
2,036	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities		1,083
<b>(7,604)</b>	<b>Net cash flows from Operating Activities</b>	24	<b>(12,826)</b>
15,241	Investing Activities	25	44,996
(1,174)	Financing Activities	26	(36,389)
<b>6,463</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>(4,219)</b>
8,836	Cash and cash equivalents at the beginning of the reporting period		2,373
(6,463)	Increase/(Decrease) in Cash		4,219
2,373	Cash and cash equivalents at the end of the reporting period	17	6,592

## Notes to the Accounts

### 1. Accounting Policies

#### i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2015/16 financial year and its position at the year-end of 31 March 2016. The Council is required to prepare an Annual Statement of Accounts by the Accounts and Audit (Wales) Regulations 2014, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the 'Code of Practice on Local Authority Accounting in the United Kingdom 2015/16' (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 2015/16 (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. Accounting for Local Authority Schools

The Code of Practice on Local Authority Accounting in the United Kingdom confirms that the balance of control for local authority maintained schools (i.e. those categories of schools identified in the School Standards and Framework Act 1998, as amended) lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements. Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the authority as if they were the transactions, cash flows and balances of the authority.

#### iii. 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.

#### **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 non current 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 amortisation 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 at the earlier of when the authority can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring.

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 3.6%.
- 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 the following components:

Service cost comprising:

- 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
- net interest on the net defined benefit liability, i.e. net interest expense for the authority – the change during the period in the net defined benefit liability that arises from the passage of time, charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

Remeasurements comprising:

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- 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 Reporting Period**

Events after the Reporting Period 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 authorisation for issue are not reflected in the Statement of Accounts.

**viii. Fair Value Measurement**

The Authority measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- a. In the principal market for the asset or liability, or
- b. In the absence of a principal market, in the most advantageous market for the asset or liability

The Authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of non-financial asset, the Authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Authority's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability

**ix. 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.

### **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 or where the fair value adjustment is not material.

## **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, including Rhyl Museum (within Rhyl Library). Nantclwyd-y-Dre, Ruthin Gaol & Plas Newydd have permanent collections and the buildings themselves are also treated as Heritage assets. All sites (except Nantclwyd-y-Dre) are accredited under the arts Council of England Museums Accreditation scheme. 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 monitored in accordance with a Collections Development Policy approved under Museums Accreditation and items are only added infrequently according to set procedures.

All collections care work aims to comply with the Museums Accreditation 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.

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

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

**xii. 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.

**xiii. 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, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. 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.

From 1 April 2015, a de minimis valuation level has been set and only properties valued above £30k should be included as Investment Properties.

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.

#### **xiv. Joint Operations**

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Authority in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the Authority as a joint operator recognises:

- Its assets, including its share of any assets held jointly
- Its liabilities, including its share of any liabilities incurred jointly
- Its share of the revenue from the sale of the output by the joint operation
- Its expenses, including its share of any expenses incurred jointly

#### **xv. 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.

## **xvi. 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.

**xvii. 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 2015/16* (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.

**xviii. 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.

**xix. 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.

From 1 April 2015, a de minimis valuation level has been set and only properties valued above £30k should be included as Property, Plant and Equipment. This de minimis level excludes vehicles and the asset registers will be reviewed as part of an on-going exercise.

Expenditure on Property, Plant and Equipment during the year, below £30k is also impaired in year.

**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 – current value, determined using the basis of EUV-SH (existing use value for social housing).
- all other assets – current 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 current value because of the specialist nature of an asset, depreciated replacement costs (DRC) is used as an estimate of current 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 current 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 2015/16. 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.

**Componentisation**

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.

On assets over £750,000 we would consider componentising an element if it appears appropriate to value separately, i.e. if an element of that asset were to age at a significantly disproportionate rate in comparison to the rest of the building and where the cost of the component is significant (i.e.20% of the total cost of the overall asset) in relation to the overall cost of the asset.

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 non current 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.

## **xx. 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.

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 Council, under the terms of the PFI Project agreement, issued a formal notice to terminate the Agreement on 14<sup>th</sup> May 2015 and the termination was finalised on 4<sup>th</sup> September 2015.

The amounts payable to the PFI operators each year are analysed into five elements. In 2015/16 the Unitary Charge only covered the period 1<sup>st</sup> April to 4<sup>th</sup> September 2015:

- 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.

## **xxi. 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.

**xxii. Reserves**

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

**xxiii. 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.

**xxiv. 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.

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

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code), the Council is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued but not yet adopted by the Code.

The CIPFA Code of Practice on Transport Infrastructure Assets (the Infrastructure Code) takes effect from 1 April 2016. The Code confirms that the changes arising from the Infrastructure Code do not require retrospective adjustment to the accounts. Under the Infrastructure Code, transport infrastructure assets will be recognised as a separate class of Property, Plant & Equipment measured at depreciated replacement cost. This will consist of several components: carriageways, footways and cycle tracks, structures, street lighting, street furniture, traffic management systems and land.

The disclosure will require a transfer of assets between infrastructure and the new highways network asset categories. This is likely to result in a revaluation gain due to the change from depreciated historic cost to depreciated replacement cost basis. Thus the new valuation will reflect the current cost of replacement rather than the original cost of works, which would have been built up over a significant time period. If the changes had been implemented in

2015/16, based on current estimates, the value of infrastructure assets would increase from £118m to £1.3bn.

In addition, there are a number of minor amendments to International Financial Reporting Standards, but these are not expected to have any material impact on the accounts.

### 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:

- **Future Levels of Government Funding** – There is a high degree of uncertainty around the future levels of funding for local authorities. The Council has set aside amounts in provisions, balances and reserves which it believes are appropriate to manage the Council's finances over the medium term. The Council has also determined that its strong track record in financial and budgetary management means that there is as yet insufficient reason to change the assumption that the assets of the Council will not be significantly impaired as a result of a need to close facilities and/or significantly reduce levels of service provision. This judgement is kept under regular review.
- **Economic Uncertainty** – While assessing the appropriate levels of provision made for doubtful future debts the wider economic picture has been taken into account. In particular, account has been taken of the possible effects of the full implementation of welfare reforms.

### 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 2016 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 £460,439k and further information is contained within Note 13.

**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 £207,388k. Detailed information is contained within Notes 23, 38 and 39.

**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 March 2016 was £2,384k and is detailed in Note 23.

**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**

The following items are disclosed on the face of the Comprehensive Income and Expenditure Statement:

**Housing Revenue Account – Housing Subsidy Reform**

On 2 April 2015, the Housing Subsidy system ended in Wales. Under the subsidy system, the Government determined how much rent should be retained locally by councils with the remainder paid as a subsidy to HM Treasury. The Welsh Government and HM Treasury reached an agreement that allowed the eleven authorities in Wales with council housing stock to exit from the Housing Revenue Account (HRA) subsidy system and become 'self-financing' from April 2015.

The agreement has two parts; firstly authorities were required to buy their way out of the current HRA subsidy system with payment of a one off settlement figure to HM Treasury, and secondly authorities have agreed to a cap on HRA borrowing.

All eleven housing authorities signed up to the agreement and subsequently the subsidy system ended in April 2015. The council's settlement figure was £40,045k which, in keeping with the HM Treasury requirements, was borrowed from the Public Works Loan Board on 2 April 2015.

**PFI Project Agreement**

The PFI Project Agreement covering County Hall, Town Hall and Corporate Store ended on Friday, 4 September 2015. The agreement was due to expire in 2029. Under the terms of the Agreement, termination triggered a compensation payment to the PFI counterparty and a termination account was submitted to the council on 7 September. The final elements of the compensation sum were agreed on 14 October 2015 and resulted in a total compensation sum of £16,955k. This payment covered the writing off of the PFI lease £9,522k (refer note

15) and a compensation payment charged to revenue of £7,433k. The £7,433k has been shown as a separate line on the face of the Comprehensive Income and Expenditure Account. Please refer to Note 37 Private Finance Initiatives and Similar Contracts for further detail.

## 6. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Chief Finance Officer in June 2016. 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 2016, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

## 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 arrive at 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.

2015/16	Usable Reserves			
	Council Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000
<b>Adjustments to the Revenue Resources</b> Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:				
• Pension Costs	(5,867)	(238)		0
• Financial Instruments	(13)	4		0
• Holiday pay	444	6		0
• Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure	(21,772)	(52,548)		(290)
<b>Total Adjustments to Revenue Resources</b>	<b>(27,208)</b>	<b>(52,776)</b>	<b>0</b>	<b>(290)</b>
<b>Adjustments between Revenue and Capital Resources</b>				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	498	585	(1,083)	
Administrative costs of non-current asset disposal	0	0	0	
Payments to the government housing receipts pool	0	0	0	
Statutory provision for the repayment of debt	6,909	2,474	0	
Capital expenditure financed from revenue balances	13,651	1,405	0	
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>21,058</b>	<b>4,464</b>	<b>(1,083)</b>	<b>0</b>
<b>Adjustments to Capital Resources</b>				
Use of the Capital Receipts Reserve to finance capital expenditure			1,870	0
Application of capital grants to finance capital expenditure			0	349
Cash payments in relation to deferred capital receipts			0	0
<b>Total Adjustments to Capital Resources</b>	<b>0</b>	<b>0</b>	<b>1,870</b>	<b>349</b>
<b>Total Adjustments</b>	<b>(6,150)</b>	<b>(48,312)</b>	<b>787</b>	<b>59</b>

2014/15	Usable Reserves			
	Council Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000
<b>Adjustments to the Revenue Resources</b>				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:				
• Pension Costs	(3,564)	(164)		0
• Financial Instruments	(16)	8		0
• Holiday pay	(381)	(12)		0
• Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure	(18,792)	(7,602)		(643)
<b>Total Adjustments to Revenue Resources</b>	<b>(22,753)</b>	<b>(7,770)</b>	<b>0</b>	<b>(643)</b>
<b>Adjustments between Revenue and Capital Resources</b>				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	1,782	254	(2,036)	
Administrative costs of non-current asset disposal	0	0	0	
Payments to the government housing receipts pool	0	0	0	
Statutory provision for the repayment of debt	6,391	1,620	0	
Capital expenditure financed from revenue balances	2,284	813	0	
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>10,457</b>	<b>2,687</b>	<b>(2,036)</b>	<b>0</b>
<b>Adjustments to Capital Resources</b>				
Use of the Capital Receipts Reserve to finance capital expenditure			1,478	0
Application of capital grants to finance capital expenditure			0	1,992
Cash payments in relation to deferred capital receipts			(1)	0
<b>Total Adjustments to Capital Resources</b>	<b>0</b>	<b>0</b>	<b>1,477</b>	<b>1,992</b>
<b>Total Adjustments</b>	<b>(12,296)</b>	<b>(5,083)</b>	<b>(559)</b>	<b>1,349</b>

**8. Other Operating Expenditure**

<b>2014/15 £000</b>		<b>2015/16 £000</b>
8,729	Police Precept	9,121
4,342	Fire Authority Precept	4,361
1,550	Community Council Precepts	1,733
(1,430)	(Gains)/losses on Held for Sale Assets and the disposal of non-current assets	668
299	Pension Administration Costs	285
<b>13,490</b>	<b>Total</b>	<b>16,168</b>

**9. Financing and Investment Income and Expenditure**

<b>2014/15 £000</b>		<b>2015/16 £000</b>
9,250	Interest payable & similar charges	9,977
7,173	Net interest on the net defined benefit liability (asset)	7,001
(257)	Interest receivable & similar income	(135)
2,265	Income & expenditure in relation to investment properties & changes in their fair value	4,279
(128)	Other investment income	0
<b>18,303</b>	<b>Total</b>	<b>21,122</b>

**10. Taxation and Non Specific Grant Income**

<b>2014/15 £000</b>		<b>2015/16 £000</b>
(53,810)	Council tax income	(55,733)
(29,631)	Non domestic rates	(27,245)
(115,539)	Non-ringfenced government grants	(112,894)
(14,792)	Capital grants & contributions	(13,573)
<b>(213,772)</b>	<b>Total</b>	<b>(209,445)</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 Office of the Police and Crime Commissioner, North Wales 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 38,738 in 2015/16 (38,349 in 2014/15).

This basic amount (including Community Council precept and Office of the Police and Crime Commissioner, North Wales precept) for a Band D property was £1,422.40 (£1,379.73 in 2014/15) 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 31 Mar 2016	3,959	7,158	14,272	7,688	5,349	3,594	1,968	306	168

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

2014/15 £000		2015/16 £000
53,810	Council Tax collectable	55,733
(8,729)	Amount payable to North Wales Police Authority	(9,121)
(172)	Provision for non-payment of Council Tax	195
<b>44,909</b>	<b>Net proceeds from Council Tax</b>	<b>46,807</b>
	Denbighshire County Council Split:	
43,248	Denbighshire County Council	45,046
1,550	Community Councils	1,733
111	Discretionary Non-domestic Rate Relief	28
<b>44,909</b>		<b>46,807</b>

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

NNDR is organised on a national basis. The Welsh Government specified the rate of 48.2p in 2015/16 (47.3p in 2014/15) 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 £23,129k for 2015/16 (£20,498k for 2014/15) was based on an aggregate rateable value of £58,646k for the year.

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

2014/15 £000		2015/16 £000
<b>20,498</b>	<b>Non Domestic Rates collectable</b>	<b>23,129</b>
(211)	Cost of Collection allowance	(213)
(196)	Provision for Bad Debts	(268)
<b>20,091</b>	<b>Payment into National Pool</b>	<b>22,648</b>
<b>29,631</b>	<b>Redistribution from National Pool</b>	<b>27,245</b>

## 13. Property, Plant and Equipment

2015/16	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
<b>Cost or Valuation</b>								
At 1 April 2015	134,107	242,405	18,386	152,113	2,716	2,172	13,698	565,597
Additions	3,941	24,384	2,914	9,086	6	0	4,156	44,487
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(2,487)	14,502	0	0	0	(603)	0	11,412
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(7,662)	(12,633)	0	0	(158)	(893)	0	(21,346)
Derecognition – disposals	(585)	(104)	(134)	0	0	0	0	(823)
Derecognition - other	(3,465)	(2,853)	(2,142)	(98)	0	0	0	(8,558)
Transfers	0	8,082	0	0	0	(491)	(11,116)	(3,525)
Assets reclassified (to)/from Held for Sale	0	250	0	0	0	1,265	0	1,515
Other movements in cost or valuation	(10,874)	(22,756)	(537)	(9,208)	0	(14)	(1,645)	(45,034)
<b>At 31 March 2016</b>	<b>112,975</b>	<b>251,277</b>	<b>18,487</b>	<b>151,893</b>	<b>2,564</b>	<b>1,436</b>	<b>5,093</b>	<b>543,725</b>

2015/16	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
<b>Accumulated Depreciation &amp; Impairment</b>								
At 1 April 2015	(26,920)	(44,479)	(12,290)	(38,327)	(69)	(105)	(3,305)	(125,495)
Depreciation charge	(2,607)	(6,542)	(2,106)	(3,570)	0	(7)	0	(14,832)
Depreciation written out to Revaluation Reserve	6,438	8,022	0	0	0	87	0	14,547
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	250	0	0	0	0	0	250
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	(4,923)	0	0	0	0	0	(4,923)
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(3,942)	(2,703)	(23)	(1,520)	(6)	0	0	(8,194)
Derecognition - disposals	0	0	107	0	0	0	0	107
Derecognition - other	3,465	2,853	2,141	98	0	0	0	8,557
Transfers	0	(4)	0	0	0	7	0	3
Other movements in depreciation & impairment	10,874	22,756	537	9,208	0	14	3,305	46,694
<b>At 31 March 2016</b>	<b>(12,692)</b>	<b>(24,770)</b>	<b>(11,634)</b>	<b>(34,111)</b>	<b>(75)</b>	<b>(4)</b>	<b>0</b>	<b>(83,286)</b>
<b>Net Book Value</b>								
At 31 March 2016	100,283	226,507	6,853	117,782	2,489	1,432	5,093	460,439
At 31 March 2015	107,187	197,926	6,096	113,786	2,647	2,067	10,393	440,102

2014/15	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 2014	144,611	239,345	22,312	140,372	4,231	1,860	7,964	560,695	4,321
Additions	3,543	8,073	1,388	11,737	55	0	6,274	31,070	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(9,299)	13,772	0	0	0	1,564	0	6,037	371
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(4,468)	(12,466)	0	0	0	(100)	(430)	(17,464)	(110)
Derecognition – disposals	(254)	(736)	(49)	0	0	0	0	(1,039)	0
Derecognition – other	0	0	(6,103)	0	0	0	0	(6,103)	0
Assets reclassified (to)/from Held for Sale	0	(2,201)	0	0	0	(1,488)	0	(3,689)	0
Other movements in cost or valuation	(26)	(3,382)	838	4	(1,570)	336	(110)	(3,910)	(22)
<b>At 31 March 2015</b>	<b>134,107</b>	<b>242,405</b>	<b>18,386</b>	<b>152,113</b>	<b>2,716</b>	<b>2,172</b>	<b>13,698</b>	<b>565,597</b>	<b>4,560</b>

\*The PFI Contract was terminated in September 2015, therefore this column is no longer relevant for the 2015/16 Property, Plant and Equipment note. Please refer to Note 37 for details of the termination.

2014/15	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 2014	(24,561)	(50,135)	(15,375)	(33,950)	(111)	(61)	(2,135)	(126,328)	(313)
Depreciation charge	(3,071)	(5,791)	(2,854)	(3,279)	0	(24)	0	(15,019)	(69)
Depreciation written out to Revaluation Reserve	5,005	16,166	0	0	0	0	0	21,171	292
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	0	0	0	0	22	0	22	0
Impairment losses/(reversals) recognised in the Revaluation Reserve	(2,230)	(1,121)	0	0	0	0	0	(3,351)	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(2,089)	(6,950)	(106)	(1,094)	(55)	0	(1,170)	(11,464)	0
Derecognition - disposals	0	7	29	0	0	0	0	36	0
Derecognition – other	0	0	6,103	0	0	0	0	6,103	0
Derecognition – Held for Sale	0	122	0	0	0	0	0	122	0
Other movements in depreciation & impairment	26	3,223	(87)	(4)	97	(42)	0	3,213	22
<b>At 31 March 2015</b>	<b>(26,920)</b>	<b>(44,479)</b>	<b>(12,290)</b>	<b>(38,327)</b>	<b>(69)</b>	<b>(105)</b>	<b>(3,305)</b>	<b>(125,495)</b>	<b>(68)</b>
<b>Net Book Value</b>									
At 31 March 2015	107,187	197,926	6,096	113,786	2,647	2,067	10,393	440,102	4,492
At 31 March 2014	120,050	189,210	6,937	106,422	4,120	1,799	5,829	434,367	4,008

### Depreciation

All Property, Plant and Equipment has been depreciated using the straight line method over the following periods:

- Council Dwellings – 15-75 years
- Other Land and Buildings (including Heritage Assets) – 1-194 years
- Vehicles, Plant, Furniture & Equipment – 3-10 years
- Infrastructure – 40 years
- Surplus Assets – 5-40 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

Each year net book values in the asset registers are reviewed and any assets being held at £0 net book value are derecognised, where possible. As a result of this derecognition, the gross book value has been reduced with an equivalent reduction in accumulated depreciation and impairment. In 2015/16 prior year impairments, relating to non-enhancing Capital expenditure, included in the £0 net book value were written out.

From 1 April 2015 a de minimis valuation level of £30k has been set. In 2015/16 this has resulted in a number of properties being derecognised in Other Land and Buildings, Surplus Assets and Vehicles, Plant, Furniture and Equipment.

### Capital Commitments

At 31 March 2016, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2016/17 and future years. The budgeted cost of major commitments is £16,655k as below. Similar commitments at 31 March 2015 were £26,753k.

<b>Project</b>	<b>Contract Estimate £000</b>	<b>Payments made to 31 March 2016 £000</b>	<b>Total Future Contract Payments £000</b>
Bodnant Community School – Extension and Refurbishment Works	2,885	2,189	680
Rhyl, New School (Contract Value only)	21,619	18,904	2,715
Ysgol Glan Clwyd – Extension, Remodelling and Refurbishment	14,510	2,008	12,520
Rhos Street and Ysgol Penbarras – New Schools (Design)	358	0	358
Housing – External Repairs	460	78	382
<b>Total</b>	<b>39,832</b>	<b>23,179</b>	<b>16,655</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 2015 and June 2016.

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 £000</b>	<b>Other Land &amp; Buildings £000</b>	<b>Vehicles, Plant, Furniture &amp; Equipment £000</b>	<b>Surplus Assets £000</b>	<b>Total £000</b>
Carried at historical cost			6,853		6,853
Valued at current value as at:					
31 March 2016	32,959	42,080		1,432	76,471
31 March 2015	21,054	114,360			135,414
31 March 2014	17,546	34,336			51,882
31 March 2013	16,464	35,731			52,195
31 March 2012	12,260	0			12,260
<b>Total Cost or Valuation</b>	<b>100,283</b>	<b>226,507</b>	<b>6,853</b>	<b>1,432</b>	<b>335,075</b>

As part of the rolling programme in 2015/16 the following assets were reviewed:

- Council Houses - Rhyl
- Leisure Facilities
- Countryside Services
- Surplus Properties

An annual review was also made of Investment Properties, Assets Under Construction, Held for Sale properties and Community Assets.

The assets acquired from the termination of the PFI contract: County Hall, Town Hall and Corporate Store were also reviewed during the year, but there was only a small change in the valuations as the properties were already shown on the Authority's Balance Sheet.

## Impairment Losses

### General

During the revaluations exercise the Valuer found no other fundamental trends that would affect the remaining assets not revalued during 2015/16. However it is recognised that there are major projects in the pipeline that have a potential to affect future valuations but these projects are currently in their early stages.

## New Construction

### Rhyl High School

The construction of the new Rhyl High School completed March 2016 at a total cost of £24.6m (Contract Value £21.6m). The work included:

- External works to the adjoining Leisure Centre
- Demolition of squash courts
- Demolition of the old school
- Construction of Secondary School level Tir Morfa education facility

It has been built to accommodate 1200 pupils although the roll number is approximately 300 pupils below this. The new school has been valued at £14,000k based on pupil roll numbers as per BB98 guidelines. This revised valuation has resulted in a loss of £5,349k. In addition, the old Rhyl High School has been revalued at zero, therefore this loss of £250k and the loss on the new school have both been charged to the Comprehensive Income and Expenditure Statement.

#### 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:

	2015/16 £000	2014/15 £000
Rental income from Investment Property	(418)	(402)
Direct operating expenses arising from Investment Property	300	117
<b>Net (gain)/loss</b>	<b>(118)</b>	<b>(285)</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:

	2015/16 £000	2014/15 £000
Balance at start of the year	8,375	10,042
Additions:		
• Subsequent expenditure	99	185
Disposals	0	0
Net gains/(losses) from fair value adjustments	(4,397)	(2,549)
Transfers:		
• (to)/from Inventories	0	0
• (to)/from Property, Plant and Equipment	3,522	697
<b>Balance at end of the year</b>	<b>7,599</b>	<b>8,375</b>

From 1 April 2015 a de minimis valuation level of £30k has been set. In 2015/16 this has resulted in a number of properties being derecognised.

## 15. Financial Instruments

## Categories of Financial Instruments

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

Long Term 31-Mar-15 £000	Current 31-Mar-15 £000		Long Term 31-Mar-16 £000	Current 31-Mar-16 £000
		<b>Investments</b>		
5	23,386	Loans and receivables	1	5,013
<b>5</b>	<b>23,386</b>	<b>Total Investments</b>	<b>1</b>	<b>5,013</b>
		<b>Debtors</b>		
915	16,369	Loans and receivables	770	9,889
<b>915</b>	<b>16,369</b>	<b>Total Debtors</b>	<b>770</b>	<b>9,889</b>
		<b>Borrowings</b>		
(140,202)	(5,135)	Financial liabilities at amortised cost	(183,991)	(6,968)
<b>(140,202)</b>	<b>(5,135)</b>	<b>Total Borrowings</b>	<b>(183,991)</b>	<b>(6,968)</b>
		<b>Other Long Term Liabilities</b>		
(9,305)	(379)	PFI and finance lease liabilities	0	0
<b>(9,305)</b>	<b>(379)</b>	<b>Total Other Long Term Liabilities</b>	<b>0</b>	<b>0</b>
		<b>Creditors</b>		
(9,528)	(22,020)	Financial liabilities at amortised cost	(1,429)	(18,359)
<b>(9,528)</b>	<b>(22,020)</b>	<b>Total Creditors</b>	<b>(1,429)</b>	<b>(18,359)</b>

The debtors and creditors figures in the table above exclude any amounts which are not classed as financial instruments such as payments in advance, receipts in advance and any statutory items. The prior year figures for debtors and creditors have been amended in order to exclude statutory items.

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, £15k during 2013/14 and £226k during 2015/16 and the balance on this loan at 31 March 2016 is £281k.

The Council is also a member of the Cycle scheme, 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 2016 is £10k.

The Council does not account for these loans as soft loans because the fair value adjustment is not material.

**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:

<b>Financial Liabilities 2014/15 £000</b>	<b>Financial Assets 2014/15 £000</b>		<b>Financial Liabilities 2015/16 £000</b>	<b>Financial Assets 2015/16 £000</b>	<b>Total 2015/16 £000</b>
9,250		Interest Expense Losses on de-recognition	9,977		9,977
<b>9,250</b>		<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>9,977</b>		<b>9,977</b>
	(257)	Interest Income Gains on de-recognition		(135)	(135)
	<b>(257)</b>	<b>Total income in Surplus or Deficit on the Provision of Services</b>		<b>(135)</b>	<b>(135)</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 2015 and 31 March 2016 consisted entirely of loans from the Public Works Loan Board (PWLB) and the Salix Energy Efficiency Scheme. The Council's treasury management advisers, Arlingclose Ltd has provided the Council with Fair Value amounts in relation to its debt portfolio. Arlingclose Ltd 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 2015 £000	Fair Values 31 March 2015 £000		Carrying Amount 31 March 2016 £000	Fair Values 31 March 2016 £000
(145,337)	(236,364)	Financial Liabilities	(190,959)	(260,635)
(9,528)	(9,528)	Long Term Creditors	(1,429)	(1,429)
<b>(154,865)</b>	<b>(245,892)</b>	<b>Total Financial Liabilities</b>	<b>(192,388)</b>	<b>(262,064)</b>
23,391	23,391	Loans and Receivables	5,014	5,014
915	915	Long Term Debtors	770	770
<b>24,306</b>	<b>24,306</b>	<b>Total Financial Assets</b>	<b>5,784</b>	<b>5,784</b>

## 16. Debtors

	31 March 2016 £000	31 March 2015 £000
Central government bodies	6,830	12,283
Other local authorities	4,071	7,519
NHS bodies	907	1,211
Public corporations and trading funds	3	41
Other entities and individuals	6,520	11,210
<b>Total</b>	<b>18,331</b>	<b>32,264</b>

## 17. Cash and Cash Equivalents

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

31 March 2015 £000		31 March 2016 £000
497	Cash held by the Council	471
(3,424)	Bank current accounts	(879)
5,300	Cash held instant access call account	7,000
<b>2,373</b>	<b>Total Cash and Cash Equivalents</b>	<b>6,592</b>

## 18. Assets Held for Sale

	Current	
	2015/16 £000	2014/15 £000
Balance Outstanding at start of year	5,168	1,121
<b>Assets newly classified as Held for Sale:</b>		
• Property, Plant and Equipment	80	3,679
• Other	0	0
Revaluation losses	(732)	(311)
Revaluation gains	71	1,334
<b>Assets declassified as Held for Sale:</b>		
• Property, Plant and Equipment	(1,595)	(112)
Assets sold	(252)	(543)
<b>Balance outstanding at year end</b>	<b>2,740</b>	<b>5,168</b>

## 19. Creditors

	31 March 2016 £000	31 March 2015 £000
Central government bodies	(2,556)	(2,669)
Other local authorities	(1,850)	(2,521)
NHS bodies	(532)	(288)
Public corporations & trading funds	(117)	(2)
Other entities & individuals	(16,686)	(19,974)
<b>Total</b>	<b>(21,741)</b>	<b>(25,454)</b>

## 20. Provisions

	Insurance Fund £000	Equal/Back Pay Claims £000	Other Provisions £000	Total £000
<b>Balance as at 1 April 2015</b>	<b>(869)</b>	<b>(60)</b>	<b>(277)</b>	<b>(1,206)</b>
Additional provision made in 2015/16	(623)	(76)	(52)	(751)
Amounts used in 2015/16	453	101	134	688
Unused amounts reversed in 2015/16	137	0	139	276
<b>Balance as at 31 March 2016</b>	<b>(902)</b>	<b>(35)</b>	<b>(56)</b>	<b>(993)</b>
<b>Long term</b>	<b>(420)</b>	<b>0</b>	<b>(2)</b>	<b>(422)</b>
<b>Short term</b>	<b>(482)</b>	<b>(35)</b>	<b>(54)</b>	<b>(571)</b>

An additional Provision on the Balance Sheet is the Provision for Accumulated Absences of (£2,384k), ((£2,834k) in 2014/15). 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 2016 a £902k 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 (e.g. 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 £482k to be settled within the next twelve months with the remainder of £420k 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 our excess limits.

**Equal / Back Pay Claims**

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

All other provisions are individually insignificant.

## 21. 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 2015/16.

	Balance at 1 <sup>st</sup> April 2014	Transfers Out 2014/15	Transfers In 2014/15	Balance at 31 <sup>st</sup> March 2015	Transfers Out 2015/16	Transfers In 2015/16	Balance at 31 <sup>st</sup> March 2016
	£000	£000	£000	£000	£000	£000	£000
<b>Council Fund:</b>							
Balances held by schools under a scheme of delegation (i)	(3,892)	1,257	(903)	(3,538)	2,283	(307)	(1,562)
<u>Reserves held as part of the Council Corporate Plan (vi)</u>							
Strategic Investment 21 <sup>st</sup> Century Schools	(12,461)	1,831	(4,490)	(15,120)	17,145	(2,171)	(146)
Strategic Investment Extra Care Housing	(2,196)	302	(400)	(2,294)	790	(400)	(1,904)
Town Plans/Economic Development	(515)	0	(193)	(708)	219	(134)	(623)
<u>Specific Grants Reserves</u>							
PFI Grant (vii)	(4,474)	0	(2,591)	(7,065)	8,499	(1,434)	0
Revenue Grants Unapplied	(554)	361	(460)	(653)	237	(177)	(593)
Sustainable Waste Management (v)	(3,895)	100	(273)	(4,068)	968	(247)	(3,347)
<u>Reserves held for Legal Cases</u>							
Town & Country Planning Act (s.106) Requirements	(1,543)	146	(14)	(1,411)	198	(15)	(1,228)
Single Status (iii)	(782)	412	0	(370)	76	0	(294)
<u>Other Major Reserves</u>							
Budget Mitigation (ii)	0	0	0	0	0	(1,511)	(1,511)
Supporting People (iv)	(2,992)	0	0	(2,992)	386	0	(2,606)
Capital Schemes (vi)	(904)	381	(693)	(1,216)	12,986	(20,808)	(9,038)
Specialist Placements	(890)	0	0	(890)	299	0	(591)
Superannuation Recovery	(795)	5	(135)	(925)	19	(156)	(1,062)
Insurance Fund	(750)	17	0	(733)	0	(10)	(743)
Risk Management Fund	(167)	0	(54)	(221)	0	(51)	(272)
Delivering Change	(509)	481	(540)	(568)	371	(305)	(502)

	Balance at 1 <sup>st</sup> April 2014	Transfers Out 2014/15	Transfers In 2014/15	Balance at 31 <sup>st</sup> March 2015	Transfers Out 2015/16	Transfers In 2015/16	Balance at 31 <sup>st</sup> March 2016
	£000	£000	£000	£000	£000	£000	£000
<u>Preparing for Major Events</u>							
Urdd	(117)	90	(21)	(48)	0	(21)	(69)
Elections	(53)	0	(40)	(93)	5	(25)	(113)
LDP	(71)	4	0	(67)	0	(20)	(87)
Severe Weather (incorporating Winter Maintenance)	(76)	0	(100)	(176)	223	(969)	(922)
<u>Service Reserves</u>							
Communication, Marketing & Leisure	(250)	0	0	(250)	0	(132)	(382)
Major Highways Projects	(79)	0	0	(79)	0	(80)	(159)
IT Networks Development	(162)	0	0	(162)	0	0	(162)
Cefndy Enterprises	0	0	0	0	51	(191)	(140)
Environmental Services	(137)	4	(13)	(146)	0	(40)	(186)
Design & Development	(120)	0	0	(120)	0	0	(120)
External Funding Administration	(150)	99	(79)	(130)	84	(71)	(117)
Finance & Legal	(83)	0	(45)	(128)	36	(8)	(100)
Revenues & Benefits	0	0	(402)	(402)	0	0	(402)
Out of County/Recoupment	(331)	0	(28)	(359)	0	0	(359)
Coroner	(30)	0	(70)	(100)	0	(70)	(170)
School Year Projects	0	0	(16)	(16)	16	0	0
ALN Reforms	0	0	0	0	0	(111)	(111)
Schools IT Network Development	0	0	(120)	(120)	0	0	(120)
<u>Other</u>							
Contract Services Equipment	(108)	0	0	(108)	108	0	0
Early Retirement Fund – Schools	(158)	232	(120)	(46)	0	0	(46)
Modernising Education	(99)	6	0	(93)	0	0	(93)
Capital Financing (VAT refund interest)	(360)	360	0	0	0	0	0
IT Systems Development (EDRMS)	(80)	40	0	(40)	0	(40)	(80)
Regeneration Project (VAT refund)	(72)	0	(48)	(120)	0	0	(120)
S.117 Mental Health Act	(52)	0	0	(52)	0	0	(52)
Area Member Reserve	(44)	14	(11)	(41)	0	0	(41)
CESI Pooled Budget	(12)	0	(3)	(15)	0	(29)	(44)
Planning Delivery for Wales	(248)	83	(83)	(248)	83	(16)	(181)
Energy Efficiency Loan Scheme	(18)	18	0	0	0	0	0
N Wales Regional Transformation Fund	(17)	10	0	(7)	7	0	0

	Balance at 1 <sup>st</sup> April 2014	Transfers Out 2014/15	Transfers In 2014/15	Balance at 31 <sup>st</sup> March 2015	Transfers Out 2015/16	Transfers In 2015/16	Balance at 31 <sup>st</sup> March 2016
	£000	£000	£000	£000	£000	£000	£000
Training Collaboration	(30)	0	0	(30)	0	0	(30)
Signing Schemes	(85)	23	(27)	(89)	27	0	(62)
Care Home fees	(358)	0	0	(358)	0	0	(358)
Social Care Amenity fund	(14)	0	0	(14)	0	0	(14)
Resident Survey	(12)	0	(5)	(17)	2	0	(15)
Channel Shift	(252)	0	0	(252)	127	0	(125)
Local Safeguarding Children's Board	(64)	3	(43)	(104)	7	0	(97)
Modernising Social Care	(300)	0	0	(300)	88	0	(212)
Children with Disabilities	(250)	92	0	(158)	158	(104)	(104)
Health & Social Care Support Workers	(24)	0	(20)	(44)	0	(1)	(45)
Digitisation Project	0	0	(46)	(46)	23	0	(23)
Fire Service Pension	0	0	(142)	(142)	142	0	0
Health & Safety	0	0	(177)	(177)	177	0	0
Facilities	0	0	0	0	0	(184)	(184)
Picturesque Project	0	0	0	0	0	(152)	(152)
<b>TOTAL</b>	<b>(41,635)</b>	<b>6,371</b>	<b>(12,405)</b>	<b>(47,669)</b>	<b>45,840</b>	<b>(29,990)</b>	<b>(31,819)</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) Budget Mitigation: this has been set up to mitigate the effects of future reductions in funding received from Welsh Government and forms part of the budget strategy for 2017/18.
- (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) Supporting People Reserve: this reserve has been established to mitigate the impact of proposed reductions in grant funding.
- (v) 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.
- (vi) 21<sup>st</sup> Century Schools and Extra Care Housing: as part of the Corporate Plan, the Council is embarking on an ambitious scheme of capital investment in schools, highways, extra care and regeneration. These reserves have been established to set aside the cash needed to fund the various projects. As each project receives final approval, the associated funding is transferred to the Capital Schemes reserve.
- (vii) PFI Grant: This reserve was built up from the excess of the annual Government Private Finance Initiative (PFI) Grant over the annual contract payments in order to meet future years' expenditure when the grant reduced. However, in 2015/16 the PFI project agreement was terminated on 4<sup>th</sup> September, and the balance on the reserve was used to part fund the compensation payment. Please refer to Note 5 and Note 37 for further details.

## 22. Usable Reserves

31 March 2015 £000		31 March 2016 £000
(9,154)	Council Fund	(8,752)
(47,669)	Earmarked Reserves (Note 21)	(31,819)
(1,852)	Housing Revenue Account	(2,604)
(3,015)	Capital Receipts Reserve	(2,228)
(1,635)	Capital Grants Unapplied	(1,576)
<b>(63,325)</b>	<b>Total Usable Reserves</b>	<b>(46,979)</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.

<b>31 March 2015 £000</b>		<b>Transfers (In)/Out £000</b>	<b>31 March 2016 £000</b>
	<u>Council Fund Revenue Balances</u>		
(7,608)	General Balances	0	(7,608)
(1,176)	Earmarked Balances	32	(1,144)
(370)	Environmental Services Balances	370	0
<b>(9,154)</b>	<b>Total Council Fund Balances</b>	<b>402</b>	<b>(8,752)</b>
<b>(1,852)</b>	<b>Housing Revenue Account Balances</b>	<b>(752)</b>	<b>(2,604)</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.

2014/15 £000			2015/16		
			Council Fund £000	Housing Revenue Account £000	Total 2015/16 £000
<b>(2,456)</b>		<b>Balance at 1 April</b>	<b>(2,858)</b>	<b>(157)</b>	<b>(3,015)</b>
(1,952)	Plus	Receipts – Asset Sales	(375)	(585)	(960)
(84)		Receipts – Grants Repaid	(123)	0	(123)
(1)		Deferred Capital Receipts	0	0	0
<b>(4,493)</b>			<b>(3,356)</b>	<b>(742)</b>	<b>(4,098)</b>
1,286	Less	Applied During year:			
192		Finance Capital Expenditure - Other	1,285	146	1,431
		Debt Redemption	0	439	439
<b>(3,015)</b>		<b>Balance at 31 March</b>	<b>(2,071)</b>	<b>(157)</b>	<b>(2,228)</b>

## Capital Grants Unapplied

2014/15 £000		2015/16	
		£000	£000
<b>(2,984)</b>	<b>Balance at 1 April</b>		<b>(1,635)</b>
	Plus Grants and Contributions received in year		
(12,382)	- Council Fund	(11,163)	
(2,410)	- HRA	(2,410)	
(3,862)	- Revenue Expenditure funded by Capital Under Statute	(3,756)	(17,329)
	Less Grant and Contributions applied in the year		
11,438	- Grants received in year	14,828	
1,992	- Grants received previous years	349	
6,573	- Other grants and contributions received	2,211	17,388
<b>(1,635)</b>	<b>Balance at 31 March</b>		<b>(1,576)</b>

## 23. Unusable Reserves

31 March 2015 £000		31 March 2016 £000
(77,190)	Revaluation Reserve	(94,101)
(197,429)	Capital Adjustment Account	(152,732)
349	Financial Instruments Adjustment Account	358
0	Deferred Capital Receipts Reserve	0
224,336	Pensions Reserve	207,388
2,834	Accumulated Absences Account	2,384
<b>(47,100)</b>	<b>Total Unusable Reserves</b>	<b>(36,703)</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.

2014/15 £000		2015/16	
		£000	£000
<b>(62,878)</b>	<b>Balance at 1 April</b>		<b>(77,190)</b>
(32,035)	Upward revaluation of assets	(25,859)	
11,239	Downward revaluation of assets not charged to the Surplus/Deficit on the Provision of Services	733	
(20,796)	Total Revaluation	(25,126)	
3,351	Impairment losses not charged to the Surplus/Deficit on the Provision of Services	4,960	
(17,445)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services		(20,166)
2,427	Difference between fair value depreciation & historical cost depreciation	2,581	
(2)	Adjustment	0	
708	Accumulated gains on assets sold or scrapped	639	
0	Write off of balances following reclassification to Investment Properties	35	
3,133	Amount written off to the Capital Adjustment Account		3,255
<b>(77,190)</b>	<b>Balance at 31 March</b>		<b>(94,101)</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 current and 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.

2014/15 £000		2015/16 £000	2015/16 £000
<b>(206,756)</b>	<b>Balance at 1 April</b>		<b>(197,429)</b>
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement:		
22,642	• Charges for depreciation & impairment of non-current assets	21,422	
14,926	• Revaluation losses on Property, Plant & Equipment	20,264	
(1,022)	• Revaluation losses/gains on Held for Sale	661	
4,409	• Revenue expenditure funded from capital under statute	3,893	
0	• HRA settlement payment	40,045	
1,545	• 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	967	
42,500			87,252
(3,133)	Adjusting amounts written out of the Revaluation Reserve		(3,255)
39,367	Net written out amount of the cost of non-current assets consumed in the year		83,997
	Capital Financing applied in the year:		
(1,478)	• Use of the Capital Receipts Reserve to finance new capital expenditure	(1,870)	
(18,011)	• Capital grants & contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	(17,039)	
(1,992)	• Application of grants to capital financing from the Capital Grants Unapplied Account	(349)	
(8,011)	• Statutory provision for the financing of capital investment charged against the Council Fund & HRA balances	(9,383)	
(3,097)	• Capital expenditure charged against the Council Fund & HRA balances	(15,056)	
(32,589)			(43,697)
2,549	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement		4,397
<b>(197,429)</b>	<b>Balance at 31 March</b>		<b>(152,732)</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.

2014/15 £000		2015/16 £000
341	<b>Balance at 1 April</b>	349
8	Proportion of premiums/discounts incurred/received in previous financial years to be charged/credited to the Council Fund Balance in accordance with statutory requirements	9
8	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	9
349	<b>Balance at 31 March</b>	358

**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.

2014/15 £000		2015/16 £000
172,961	<b>Balance at 1 April</b>	224,336
47,648	Remeasurements of the net defined benefit liability/(asset)	(23,053)
19,907	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income & Expenditure Statement	22,729
(16,180)	Employer's pension contributions payable in the year	(16,624)
224,336	<b>Balance at 31 March</b>	207,388

**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. The final mortgages were repaid during 2014/15.

2014/15 £000		2015/16 £000
(1)	<b>Balance at 1 April</b>	<b>0</b>
	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & expenditure Statement	
1	Transfer to the Capital Receipts Reserve upon receipt of cash	0
<b>0</b>	<b>Balance at 31 March</b>	<b>0</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<sup>st</sup> March. Statutory arrangements require that the impact on the Council Fund Balance is neutralised by transfers to or from the Account.

2014/15 £000		2015/16 £000	2015/16 £000
<b>2,441</b>	<b>Balance at 1 April</b>		<b>2,834</b>
(2,441)	Settlement or cancellation of accrual made at the end of the preceding year	(2,834)	
2,834	Amounts accrued at the end of the current year	2,384	
	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		(450)
393			
<b>2,834</b>	<b>Balance at 31 March</b>		<b>2,384</b>

## 24. Cash Flow Statement – Operating Activities

2014/15 £000		2015/16 £000
11,542	<b>Net (surplus) or deficit on the provision of services</b>	69,962
	<b>Adjustments to net surplus or deficit on the provision of services for non-cash movements</b>	
(260)	Increase/(Decrease) in Inventories	(96)
(72)	Increase/(Decrease) in Long Term Debtors	(145)
5,442	Increase/(Decrease) in Debtors/Payments in Advance	(10,139)
12	Increase/(Decrease) in Investment interest accrual	(73)
1,679	(Increase)/Decrease in Creditors/Receipts in Advance	5,665
(27)	(Increase)/Decrease in Loan Interest accrual	(27)
2,520	Transfers (to)/from Provisions	663
(346)	Bad Debt Provision	715
(21,232)	Depreciation	(23,467)
(15,314)	Revaluations Losses on Property, Plant and Equipment & Impairment	(18,880)
(2,549)	Movements in Market Value of Investment Properties	(4,398)
(3,727)	Pension Fund Adjustments	(6,104)
12,692	Other	(27,585)
	<b>Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities.</b>	
2,036	Sale of Property, Plant and Equipment	1,083
<b>(7,604)</b>	<b>Net cash flows from Operating Activities</b>	<b>(12,826)</b>

## 25. Cash Flow Statement – Investing Activities

2014/15 £000		2015/16 £000
33,108	Purchase of property, plant and equipment, investment property and intangible assets	45,950
231,600	Purchase of short-term and long-term investments.	252,694
78	Other payments for investing activities	40,214
(2,036)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets.	(1,083)
(232,302)	Proceeds from short-term and long-term investments	(270,997)
(15,207)	Other receipts from investing activities	(21,782)
<b>15,241</b>	<b>Net cash flows from investing activities</b>	<b>44,996</b>

**26. Cash Flow Statement – Financing Activities**

2014/15 £000		2015/16 £000
(10,000)	Cash receipts of short-term and long-term borrowing	(79,971)
	Other receipts from financing activities	(486)
89	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	9,683
6,908	Repayments of short-term and long-term borrowing	34,385
1,829	Other payments for financing activities	
<b>(1,174)</b>	<b>Net cash flows from financing activities</b>	<b>(36,389)</b>

**27. 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	Community Support Services	Corporate	Highways & Environmental Services	Children's & Family Services and Economic & Business Development	Customers & Education Support and School Improvement & Inclusion	Communication, Marketing & Leisure and Planning & Public Protection	All Other Service Blocks	Total
2015/16	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(6,027)	(12,879)	(1,206)	(17,724)	(1,320)	(6,117)	(8,359)	(13,892)	(67,524)
Government grants	(6,949)	(2,287)	(34,605)	(2,545)	(254)	(9,555)	(1,419)	(302)	(57,916)
<b>Total Income</b>	<b>(12,976)</b>	<b>(15,166)</b>	<b>(35,811)</b>	<b>(20,269)</b>	<b>(1,574)</b>	<b>(15,672)</b>	<b>(9,778)</b>	<b>(14,194)</b>	<b>(125,440)</b>
Employee expenses	55,482	14,659	1,968	13,810	4,871	11,258	8,752	11,844	122,644
Employee expenses of V A schools*	4,979	0	0	0	0	0	0	0	4,979
Other service expenses	18,216	32,262	50,016	24,305	5,626	13,558	7,441	13,835	165,259
Support service recharges	0	0	48	347	0	0	0	0	395
<b>Total Expenditure</b>	<b>78,677</b>	<b>46,921</b>	<b>52,032</b>	<b>38,462</b>	<b>10,497</b>	<b>24,816</b>	<b>16,193</b>	<b>25,679</b>	<b>293,277</b>
<b>Net Expenditure</b>	<b>65,701</b>	<b>31,755</b>	<b>16,221</b>	<b>18,193</b>	<b>8,923</b>	<b>9,144</b>	<b>6,415</b>	<b>11,485</b>	<b>167,837</b>

\*The analysis includes the income and expenditure of all schools however, as the employees of Voluntary Aided schools are not employees of the Council, these costs are identified separately.

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	Community Support Services	Corporate	Highways & Environmental Services	Children's & Family Services and Economic & Business Development	Customers & Education Support and School Improvement & Inclusion	Communication, Marketing & Leisure and Planning & Public Protection	All Other Service Blocks	Total
2014/15	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(5,175)	(13,981)	(1,211)	(10,180)	(1,282)	(3,716)	(7,923)	(7,298)	(50,766)
Government grants	(7,258)	(1,436)	(34,216)	(2,448)	(1,850)	(7,003)	(1,517)	(1,004)	(56,732)
<b>Total Income</b>	<b>(12,433)</b>	<b>(15,417)</b>	<b>(35,427)</b>	<b>(12,628)</b>	<b>(3,132)</b>	<b>(10,719)</b>	<b>(9,440)</b>	<b>(8,302)</b>	<b>(107,498)</b>
Employee expenses	54,704	15,093	2,417	7,000	5,253	9,212	10,501	14,255	118,435
Employee expenses of V A schools*	4,515	0	0	0	0	0	0	0	4,515
Other service expenses	17,754	32,368	48,885	24,361	7,248	8,308	7,605	7,454	153,983
Support service recharges									
<b>Total Expenditure</b>	<b>76,973</b>	<b>47,461</b>	<b>51,302</b>	<b>31,361</b>	<b>12,501</b>	<b>17,520</b>	<b>18,106</b>	<b>21,709</b>	<b>276,933</b>
<b>Net Expenditure</b>	<b>64,540</b>	<b>32,044</b>	<b>15,875</b>	<b>18,733</b>	<b>9,369</b>	<b>6,801</b>	<b>8,666</b>	<b>13,407</b>	<b>169,435</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.

	<b>2014/15 £000</b>	<b>2015/16 £000</b>
Net expenditure in the Service Block Analysis	169,435	167,837
Net expenditure of services & support services not included in the Analysis	25,051	25,850
HRA	5,257	46,282
Amounts in the Comprehensive Income & Expenditure Statement not reported to management in the Analysis	(2,690)	(936)
Amounts included in the Analysis not included in the Comprehensive Income & Expenditure Statement	(3,532)	3,084
<b>Cost of Services in the Comprehensive Income &amp; Expenditure Statement</b>	<b>193,521</b>	<b>242,117</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.

Included within the Government Grants and contributions line are all grants received from Welsh Government: for further detail please refer to Note 33 – Grant Income. Grants, contributions and subsidies received from all other bodies are included with the 'Fees, charges & other income' line.

	Service Block Analysis	Services & Support Services not in Analysis	HRA	Amounts in the CI&ES But not reported to management in the Analysis	Amounts not included in CI&ES	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
2015/16	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(67,524)	(15,024)	(13,394)	(18,405)	9,751	50,398	(54,198)	0	(54,198)
Interest & investment income	0	0	0	0	0	0	0	4,144	4,144
Income from council tax	0	0	0	(195)	0	0	(195)	(55,733)	(55,928)
Government grants & contributions	(57,916)	0	0	(9,367)	0	0	(67,283)	(153,712)	(220,995)
<b>Total Income</b>	<b>(125,440)</b>	<b>(15,024)</b>	<b>(13,394)</b>	<b>(27,967)</b>	<b>9,751</b>	<b>50,398</b>	<b>(121,676)</b>	<b>(205,301)</b>	<b>(326,977)</b>
Employee expenses	122,644	(1,643)	2,965	5,307	149	(15,225)	114,197	0	114,197
Employee expenses of V A schools*	4,979	0	0	0	0	0	4,979	0	4,979
Other service expenses	165,259	314	41,550	21,310	(6,285)	(30,052)	192,096	925	193,021
Support Service recharges	395	14,847	832	389	0	(4,130)	12,333	0	12,333
Depreciation, amortisation & impairment	0	27,356	14,329	0	0	(991)	40,694	0	40,694
Interest payments	0	0	0	25	(531)	0	(506)	16,978	16,472
Precepts & Levies	0	0	0	0	0	0	0	15,215	15,215
Gain or Loss on Disposal of Non Current Assets	0	0	0	0	0	0	0	28	28
<b>Total Expenditure</b>	<b>293,277</b>	<b>40,874</b>	<b>59,676</b>	<b>27,031</b>	<b>(6,667)</b>	<b>(50,398)</b>	<b>363,793</b>	<b>33,146</b>	<b>396,939</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>167,837</b>	<b>25,850</b>	<b>46,282</b>	<b>(936)</b>	<b>3,084</b>	<b>0</b>	<b>242,117</b>	<b>(172,155)</b>	<b>69,962</b>

	Service Block Analysis	Services & Support Services not in Analysis	HRA	Amounts in the CI&ES But not reported to management in the Analysis	Amounts not included in CI&ES	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
2014/15	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(50,766)	(15,738)	(13,092)	(21,693)	1,672	44,612	(55,005)	0	(55,005)
Interest & investment income	0	0	0	0	0	0	0	1,880	1,880
Income from council tax	0	0	0	172	0	0	172	(53,810)	(53,638)
Government grants & contributions	(56,732)	0	0	(10,870)	0	0	(67,602)	(159,962)	(227,564)
<b>Total Income</b>	<b>(107,498)</b>	<b>(15,738)</b>	<b>(13,092)</b>	<b>(32,391)</b>	<b>1,672</b>	<b>44,612</b>	<b>(122,435)</b>	<b>(211,892)</b>	<b>(334,327)</b>
Employee expenses	118,435	(3,305)	2,640	4,924	(117)	(8,004)	114,573	0	114,573
Employee expenses of V A schools*	4,515	0	0	0	0	0	4,515	0	4,515
Other service expenses	153,983	643	5,262	24,322	(3,914)	(31,763)	148,533	(571)	147,962
Support Service recharges	0	15,641	689	415	0	(3,969)	12,776	0	12,776
Depreciation, amortisation & impairment	0	27,810	9,758	0	0	(876)	36,692	0	36,692
Interest payments	0	0	0	40	(1,173)	0	(1,133)	16,423	15,290
Precepts & Levies	0	0	0	0	0	0	0	14,621	14,621
Gain or Loss on Disposal of Non Current Assets	0	0	0	0	0	0	0	(560)	(560)
<b>Total Expenditure</b>	<b>276,933</b>	<b>40,789</b>	<b>18,349</b>	<b>29,701</b>	<b>(5,204)</b>	<b>(44,612)</b>	<b>315,956</b>	<b>29,913</b>	<b>345,869</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>169,435</b>	<b>25,051</b>	<b>5,257</b>	<b>(2,690)</b>	<b>(3,532)</b>	<b>0</b>	<b>193,521</b>	<b>(181,979)</b>	<b>11,542</b>

**28. Trading Operations**

The Building Cleaning and Catering functions are no longer classified as a trading activity and from 1 April 2015 are included in the revenue accounts of the Authority. The Sign Shop ceased trading during 2015/16.

2014/15				2015/16		
Turnover £000	Expenditure £000	(Surplus)/ Deficit £000	ACTIVITY	Turnover £000	Expenditure £000	(Surplus) /Deficit £000
			<u>Environmental Services</u>			
(445)	453	8	Sign Shop	(84)	84	0
(1,210)	1,124	(86)	Building Cleaning	0	0	0
(2,818)	2,768	(50)	Catering	0	0	0
<b>(4,473)</b>	<b>4,345</b>	<b>(128)</b>	<b>Total Environmental Services</b>	<b>(84)</b>	<b>84</b>	<b>0</b>

**Partnership Arrangements**

The Council is currently involved in a number of joint arrangements with other Welsh authorities:

**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, Ceredigion, Bridgend, Vale of Glamorgan and Flintshire.

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 2015/16 the Council charged £302k to operate the WPPP Unit. This sum was recharged as follows: Denbighshire £33k, Gwynedd £46k, Anglesey £5k, Wrexham £17k, Pembroke £52k, Powys £26k, Ceredigion £28k, Bridgend £46k, Vale of Glamorgan £28k and Flintshire £21k.

**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. Denbighshire's contribution to the NWRWTP in 2015/16 was £17.6k (£83.8k in 2014/15).

**North East Wales Food Waste Hub** –The Biogen Waen food waste facility became fully operational at the end of July 2014. The 3 local authorities who form the Hub (Conwy, Denbighshire and Flintshire) sent a total of 11,686 tonnes to be treated at the Waen facility in 2015/16. There is a combined annual contracted guaranteed minimum tonnage of 11,000 tonnes. In 2015/16 a total amount of £744k associated costs have been incurred of which £305k related to Denbighshire County Council. The Welsh Government has contributed £109k Revenue Support during 2015/16.

**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 2016 was £95k.

**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 provides a service to people (both children and adults) who are in crisis and are living in the counties of Wrexham, Flintshire or Denbighshire. In 2015/16 Denbighshire's contribution was £244k.

**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 2015/16 a total of £181k associated costs were incurred.

**GwE** – Gwynedd County Council is the lead body for preparing this Joint Committee's financial statements. The Council's contribution for 2015/16 was £633k. Denbighshire County Council has not included its share of the net assets within its 2015/16 financial statements on the basis that these amounts are considered to be immaterial.

**Clwydian Range and Dee Valley Area of Outstanding Natural Beauty** – This joint committee was set up in May 2015 by 3 local authorities (Denbighshire, Flintshire and Wrexham) in order to promote and enhance the work of the AONB. Denbighshire County Council is the lead body for preparing the Joint Committee's financial statements. Denbighshire's contribution for 2015/16 was £213k. Denbighshire County Council has not included its share of the net assets within its 2015/16 financial statements on the basis that these amounts are considered to be immaterial.

## 29. 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 Environmental Services undertakes North and Mid Wales Trunk Road Agency (NMWTRA) work on behalf of the Welsh Government. Gwynedd County Council is the lead authority for the NMWTRA. Denbighshire County Council is responsible for maintaining the trunk road network within the County and Gwynedd County Council reimburses the Authority for this work. It is estimated that the Council will receive £1,482k in respect of NMWTRA work undertaken in 2015/16 (£2,291k in 2014/15): of this £83k related to the site supervision and administration services provided (£232k in 2014/15).

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. Repayments of £62k were made to Denbighshire County Council during 2015/16 and further loans of £100k were issued.

The Home Improvement Loan scheme has been developed in partnership between the Welsh Government, Welsh Local Government Association and Local Authorities in Wales, who act as agents of the Welsh Government, as a way of providing additional finance to owners/landlords to bring their properties up to standard for continued ownership, sale or rent. The funding will be available for a maximum of 15 years and will need to be repaid to Welsh Government by 31 March 2030. Total income of £435k was received by Denbighshire County Council from Welsh Government during 2015/16.

**30. 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. The council paid the following amounts to members of the council during the year:

	2015/16 £000	2014/15 £000
Salaries	809	812
Expenses	25	31
<b>Total</b>	<b>834</b>	<b>843</b>

**31. Officers' Remuneration**

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

2014/15		2015/16			
Total Employees	Remuneration Band	School Based Staff	Non-School Staff	Total Employees	Left During Year
18	£60,000 - £64,999	7	4	11	1
5	£65,000 - £69,999	4	3	7	1
9	£70,000 - £74,999	3	1	4	1
1	£75,000 - £79,999	3	2	5	0
2	£80,000 - £84,999	0	0	0	0
3	£85,000 - £89,999	2	0	2	0
0	£90,000 - £94,999	0	1	1	0
2	£95,000 - £99,999	1	1	2	0
0	£100,000 - £104,999	0	0	0	0
0	£105,000 - £109,999	0	0	0	0
0	£110,000 - £114,999	0	0	0	0
0	£115,000 - £119,999	0	0	0	0
0	£120,000 - £124,999	1	0	1	1
0	£125,000 - £129,999	0	0	0	0
1	£130,000 - £134,999	0	1	1	0
<b>41</b>	<b>Total</b>	<b>21</b>	<b>13</b>	<b>34</b>	<b>4</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.

- b) 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.

The "Expense allowances" column contains any relocation paid.

2015/16 Post Title	Salary, fees, allowances & performance related pay  Note 1 £	Compensation for Loss of office  £	Expense allowances  £	Total excluding pension contributions  £	Current service rate pension conts at 13.1% Note 2 £	Total inc. current service rate pension conts  £	Deficit recovery pension conts  Note 3 £	Total Remuneration inc. total pension conts  £
Chief Executive	134,750			134,750	17,538	152,288	15,797	168,085
Corporate Director: Customers to 15/04/2015	32,756			32,756	793	33,549	714	34,263
Corporate Director: Economic & Community Ambition	96,630			96,630	12,658	109,288	11,402	120,690
Corporate Director: Communities	93,045			93,045	12,189	105,234	10,979	116,213
Head of Children & Family Services	64,853		111	64,964	8,496	73,460	7,653	81,113
Head of Education	76,066			76,066	9,965	86,031	8,976	95,007
Head of Highways & Environmental Services	64,656			64,656	8,470	73,126	7,629	80,755
Head of Finance & Assets to 31/05/2015	13,511			13,511	1,770	15,281	1,594	16,875
Head of Planning & Public Protection	64,590			64,590	8,655	73,245	7,796	81,041
Head of Business Improvement & Modernisation	68,566			68,566	8,982	77,548	8,091	85,639
Head of Customers & Education Support to 03/01/2016	50,647			50,647	6,225	56,872	5,607	62,479
Head of Community Support Services	79,354			79,354	10,019	89,373	9,740	99,113
Head of Legal HR & Democratic Services	71,066			71,066	9,310	80,376	8,386	88,762
Interim Head of Finance & Assets from 01/06/2015	68,956			68,956	9,033	77,989	8,137	86,126
Section 151 Officer from 01/06/2015	58,835			58,835	7,707	66,542	6,943	73,485
	<b>1,038,281</b>	<b>0</b>	<b>111</b>	<b>1,038,392</b>	<b>131,810</b>	<b>1,170,202</b>	<b>119,444</b>	<b>1,289,646</b>

**Note 1** The Chief Executive is entitled to Performance Related Pay (PRP). This is considered by a remuneration panel consisting of councillors and an external advisor. In 2014/15 the Chief Executive was awarded £8k; in 2015/16 he was awarded £10k. The payments to the Corporate Director: Customers include Pay in Lieu of Notice and payment for accrued annual leave. No other officer is entitled to PRP.

**Note 2** This column relates to the cost to the authority of pension benefits earned by the individuals during that financial year.

**Note 3** 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. It is not a payment to the individuals and the level of deficit is not affected by the number of posts in the Senior Leadership Team.

**Note 4** The Chief Executive receives remuneration for his role as returning officer for local and national elections (with costs reimbursed for all with exception of County Council elections). In 2015/16 this amounted to £3,901 plus superannuation costs of £975: reimbursement received was (£4,660). The figures for 2014/15 were £4,413 plus £994, with reimbursement of (£5,109). These payments are not included in the analysis presented.

2014/15 Post Title	Salary, fees, allowances & performance related pay  Note 1 £	Compensation for Loss of office  £	Expense allowances  £	Total excluding pension contributions  £	Current service rate pension conts at 12.5% Note 2 £	Total inc. current service rate pension conts  £	Deficit recovery pension conts  Note 3 £	Total Remuneration inc. total pension conts  £
Chief Executive	132,144		0	132,144	16,583	148,727	14,328	163,055
Corporate Director: Customers	82,112		0	82,112	11,647	93,759	10,063	103,822
Corporate Director: Economic & Community Ambition	95,022		0	95,022	11,890	106,912	10,273	117,185
Director of Social Services	81,282		8,000	89,282	10,171	99,453	8,787	108,240
Head of Children & Family Services	63,795		0	63,795	7,962	71,757	6,879	78,636
Head of Education	74,832		0	74,832	9,363	84,195	8,090	92,285
Head of Highways & Environmental Services	74,832		0	74,832	9,363	84,195	8,090	92,285
Head of Finance & Assets	64,867		0	64,867	8,117	72,984	7,013	79,997
Head of Planning & Public Protection	63,391		0	63,391	8,117	71,508	7,013	78,521
Head of Business Improvement & Modernisation	67,358		0	67,358	8,428	75,786	7,282	83,068
Head of Customers & Education Support	61,549		0	61,549	7,701	69,250	6,654	75,904
Head of HR to 31/07/2014	20,270		0	20,270	2,542	22,812	2,196	25,008
Head of Housing & Community Development to 21/11/2014	45,185	18,322	0	63,507	5,175	68,682	4,471	73,153
Head of Adult & Business Services	70,121		0	70,121	8,773	78,894	7,580	86,474
Head of Legal HR & Democratic Services	68,617		0	68,617	8,585	77,202	7,417	84,619
Head of Communication, Marketing & Leisure	61,549		0	61,549	7,701	69,250	6,654	75,904
	<b>1,126,926</b>	<b>18,322</b>	<b>8,000</b>	<b>1,153,248</b>	<b>142,118</b>	<b>1,295,366</b>	<b>122,790</b>	<b>1,418,156</b>

c) 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	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
£0 - £20,000	22	29	51	65	73	94	£558,694	£766,752
£20,001 - £40,000	6	5	8	13	14	18	£389,473	£487,046
£40,001 - £140,000	4	3	4	10	8	13	£441,527	£891,863
<b>Total</b>	<b>32</b>	<b>37</b>	<b>63</b>	<b>88</b>	<b>95</b>	<b>125</b>	<b>£1,389,694</b>	<b>£2,145,661</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.

d) Reporting bodies are required to disclose a remuneration ratio between the median remuneration of all the authority's employees during the year and that of the authority's Chief Executive. The remuneration of the Chief Executive in 2015/16 was £134,750. The median remuneration of the workforce was £21,530. The ratio was therefore 6.26:1. In 2015/16, remuneration for staff ranged from £6,367 to £97,128. The remuneration includes salary and performance related pay and does not include severance payments or employer pension contributions.

**32. 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>2015/16 £000</b>	<b>2014/15 £000</b>
Fees payable to the Auditor General for Wales with regard to external audit services carried out under the Code of Audit Practice prepared by the Auditor General for Wales	178	178
Fees payable to the Auditor General for Wales in respect of statutory inspections	94	94
Fees payable to the Auditor General for Wales for the certification of grant claims and returns	72	93
Fees payable in respect of any other services provided by the appointed auditor over and above the duties described above *	0	4
	<b>344</b>	<b>369</b>
Wales Audit Office fee refund for 2013/14	(5)	0
<b>Total External Audit Costs</b>	<b>339</b>	<b>369</b>

\* The fees payable in respect of any other services provided by the appointed auditor figure for 2014/15 has been amended to reflect payment of an invoice relating to participation in the National Fraud Initiative 2014/15 which was paid during 2015/16.

**33. Grant Income**

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2015/16

	2015/16 £000	2014/15 £000
<b>Credited to Taxation &amp; Non Specific Grant Income</b>		
Other Grants and Contributions	(424)	(316)
Welsh Government - Flood Alleviation	(258)	(788)
Welsh Government - Strategic Regeneration Area Grants (W.R.H.I.P.)	0	(3,105)
Welsh Government – Local Road Safety	(219)	0
Welsh Government - Major Repairs Allowance	(2,411)	(2,410)
Welsh Government 21 <sup>st</sup> Century Schools	(7,057)	(4,427)
Welsh Government – Safer Routes in Communities	(92)	(356)
Welsh Government – Local Transport Fund	(537)	(264)
Welsh Government – West Rhyl Coastal Defence Phase 3	(1,897)	(2,909)
Other Welsh Government Grants	(678)	(217)
<b>Total</b>	<b>(13,573)</b>	<b>(14,792)</b>
<b>Credited to Services</b>		
Welsh Government Sixth Forms Grant	(3,979)	(4,051)
Welsh Government Foundation Phase Grant	(25)	(3,099)
Welsh Government Flying Start Grant	(2,049)	(1,924)
Welsh Government Families First Grant	(1,220)	(1,302)
Other Education Grants from Welsh Government	(196)	(643)
Welsh Government Supporting People Grant	(5,490)	(5,975)
WPPO project pre payment contribution	0	(1,134)
Other Social Services Grants from Welsh Government	(1,692)	(1,078)
Welsh Government Sustainable Waste Management Grant	(2,148)	(2,202)
Welsh Government Concessionary Fares Grant	(1,846)	(1,821)
Welsh Government Outcome Agreement Grant	(1,036)	(1,039)
Other Welsh Government Grants	(1,726)	(1,714)
Total Welsh Government Grants	(21,407)	(25,982)
Pupil Deprivation Grant	(2,684)	(2,242)
School Effectiveness Grant	0	(874)
Education Improvement Grant	(4,675)	0
DWP Rent Allowances Subsidy	(26,206)	(25,817)
DWP Rent Rebates Subsidy	(8,187)	(7,920)
DWP Housing Benefit/Council Tax Benefit Admin Grant	(477)	(502)
Various Grants received from Betsi Cadwaladr University Health Board	(1,155)	(606)
Other Government Grants	(2,492)	(3,659)
Total Government Grants	(67,283)	(67,602)
Other Non-government Grants	(153)	(721)
<b>Total Grants Credited to Services</b>	<b>(67,436)</b>	<b>(68,323)</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 2016 £000	31 March 2015 £000
<b>Capital Grants Receipts in Advance</b>		
Commutated Sums	(1,877)	(1,802)
<b>Total</b>	<b>(1,877)</b>	<b>(1,802)</b>
<b>Revenue Grants Receipts in Advance</b>		
Arts Council of Wales Digi Marketing Grant	0	(12)
Welsh Government Flying Start Grant	(97)	0
Welsh Government Foundation Phase Grant	(124)	(123)
Education Improvement Grant	(13)	0
Welsh Government Minority Ethnic Language Grant	(13)	(13)
ESF Potential Grant	0	(96)
Llwyddo'n Lleol Grant	0	(12)
Arts Council of Wales Enrichment Grant	0	(11)
Welsh Government Families First Grant	(8)	0
LA Broadcasting Scheme Fund from Welsh Government	0	(1)
DWP Housing Benefits Subsidy	(473)	(1,078)
Welsh in Education Grant	(17)	0
Welsh Government Supporting People Grant	(291)	(428)
Welsh Government Additionality Funding	0	(99)
Pupil Deprivation Grant	(29)	(7)
Welsh Government Community Learning Grant	(16)	(16)
Welsh Government Literacy & Numeracy Programmes Grant	(19)	(20)
Paul Hamlyn Grant – Ruthin Craft Centre	(20)	0
Welsh Government 14-19 Learning Pathways Grant	0	(1)
Welsh Government Changing Perception Grant	(20)	0
Welsh Government Welfare Reform Grant	(28)	(28)
Other Welsh Government Grants	0	(8)
<b>Total</b>	<b>(1,168)</b>	<b>(1,953)</b>

### 34. 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 33.

**Elected Members**

All current Elected Members were asked to complete a declaration and to disclose any related party transactions with the authority. All except three of those who were able returned a declaration.

The following material declarations have been made for 2015/16:

- An elected member's spouse was Chief Executive of Clwydfro Limited during this period (see related companies below)
- An elected member declared a relationship to a contractor to whom the council paid £27.2k in 2015/16
- An elected member declared a relationship to an individual who provided professional services to the council and to whom the council paid £13.7k in 2015/16
- An elected member declared a relationship to an individual who purchased land from the council at public auction

A list of elected members' interests is maintained by the Head of Legal, HR and Democratic Services and is 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 relevant sections 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 material disclosures were made.

**Other Public Bodies****Teachers' Pension Agency**

The pension costs charged are the contribution rate set by the Department for Education on the basis of a notional fund. Teachers' pension details are set out in Note 38.

**Clwyd Pension Fund**

Denbighshire County Council is an admitted body of the Clwyd Pension Fund. Details of transactions undertaken with the Clwyd Pension Fund are included within Note 39.

**Community, Town & City Councils**

Total precepts paid to the 37 community, town & city councils are included in Note 8 and amounted to £1,733k (£1,550k in 2014/15).

**North Wales Police & Crime Commissioner and North Wales Fire Authority**

Police & Crime Commissioners and Fire & Rescue Authorities set their own charges to council tax payers, which are then included on the council tax bill – these charges are known as the precept. Total precepts and levies paid to the North Wales Police & Crime Commissioner and the North Wales Fire Authority amounted to £13,481k (£13,071k in 2014/15). A breakdown is provided in Note 8.

**Betsi Cadwaladr University Health Board**

The Authority has two pooled budget arrangements with Betsi Cadwaladr University Health Board: one for the provision of a Community Equipment store; and the second was set up with the aim of ensuring integrated service provision of Health and Social Care support workers, who support service users in the community. Denbighshire County Council's

contribution to the Community Equipment store was £211k (£211k in 2014/15) and the Authority contributed £50k to the Health and Social Care Support Workers Service (£50k in 2014/15).

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

The Council is a member of the LGA/WLGA, to which payments of £84k were made in 2015/16 (£89k in 2014/15), and from which the Council received income of £2k (£40k in 2014/15).

**Welsh Joint Education Committee (WJEC)**

The WJEC is an examination board, providing qualifications and exam assessment to Denbighshire schools. The vice chair of its Board is an Elected Member of Denbighshire County Council. In 2015/16 Denbighshire County Council made payments of £621k to the WJEC (£552k in 2014/15).

**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 Limited**

Clwydfro Ltd was a company limited by guarantee, having no share capital. The objective of the company was to promote and encourage industrial and commercial activity or enterprise within the county with a view to reducing unemployment.

Clwydfro Ltd ceased trading as at 30 September 2015. Accounts were produced for the period 1 April 2014 to 30 September 2015. The four directors who held office during that period were all Denbighshire County Councillors. The Clwydfro Ltd unaudited financial statements for the period show the net liabilities of the company as at 30 September 2015 were £27 and the net loss for the period was £179,796. There was no legal liability for the council to contribute to losses or deficits of the company.

The objectives of the company are now being carried out by Menter Mon, a private limited company without share capital. Denbighshire County Councillors are not on the Board of this company and the Council holds no voting rights.

Further information can be obtained from Menter Mon Cyf, Llangefni Town Hall, Bulkeley Square, Llangefni, Anglesey, LL77 7LR.

**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 2015/16 the Trust received £144,681. The Council provides its

payroll services. The Board of Directors consists of eleven members in total, of whom one was a Denbighshire County Councillor.

The audited financial statements for the financial year 2015/16 are not yet available. However, the net assets of the Group as at 31 March 2015 were £727,865 and the net outgoing resources for the year totalled £731.

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 company ceased trading on Friday 7 February 2014 and an insolvency practitioner has managed the winding-up of the company, which has now been concluded. The Liquidator's final report was approved at a meeting held on 24 February 2016. Under the terms of a debenture, the council was deemed a preferential creditor and received a total of £295,478. There remain sundry debtor balances totalling £37,599 which have been provided for in full pending the completion of formal write off procedures.

The council is a guarantor of the company's pension commitments and these liabilities have now been subsumed into Denbighshire's overall liability. The full impact will be allowed for as part of the 2016 actuarial valuation. The liability was originally estimated to be approximately £800k however the cost implication to the council will be less than this and will be affected by a large number of other factors such as changes to the overall actuarial valuation assumptions and numbers of Council employees.

### **Scala Prestatyn Company Ltd.**

The Company was run as a charity and not for profit Company Limited by Guarantee. In 2009/10 the Council agreed to give a loan of £80,000 to the Company and the terms of the loan stated that it could be for up to ten years.

The Council was informed by the insolvency solicitors in December 2015 that the process to remove the Scala Prestatyn Company Limited from the Register of Companies had formally begun. As part of this the Council has been informed that the 'Scala has no assets and is not in a position to make any outstanding payments'. The total debt owed by the company to the council amounted to £140k (£60k in sundry debtors and the £80k loan). The loan has been written off and the sundry debtor amounts have been provided for in full pending the completion of the formal write off procedures.

## **35. 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.

	2015/16 £000	2014/15 £000
<b>Opening Capital Financing Requirement</b>	<b>188,857</b>	<b>185,835</b>
<b>Capital Investment</b>		
Property, Plant & Equipment	44,524	31,070
Investment Properties	99	185
Revenue Expenditure Funded from Capital Under Statute	3,893	4,409
Capitalised Expenditure – HRA Settlement Payment	40,045	
<b>Sources of Finance</b>		
Capital receipts	(1,870)	(1,478)
Government grants & other contributions	(30,209)	(21,935)
Sums set aside from revenue:		
Direct revenue contributions	(2,234)	(1,167)
MRP & Long Term Debtors	(9,433)	(8,062)
<b>Closing Capital Financing Requirement</b>	<b>233,672</b>	<b>188,857</b>

	2015/16 £000	2014/15 £000
<b>Explanation of movements in year</b>		
Increase in underlying need to borrow (supported by government financial assistance)	2,967	2,250
Increase in underlying need to borrow (unsupported by government financial assistance)	51,720	9,026
MRP & Long Term Debtors	(9,031)	(7,973)
Set aside Capital Receipts	(439)	(192)
Assets acquired under finance leases	0	0
Assets acquired under PFI contracts	(402)	(89)
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>44,815</b>	<b>3,022</b>

### 36. Leases

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 under finance leases.

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

	31 March 2015 £000	31 March 2016 £000
Other Land and Buildings	3,351	3,295
	<b>3,351</b>	<b>3,295</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 March 2015 £000	31 March 2016 £000
Not later than 1 year	2	25
Later than 1 year and not later than 5 years	9	100
Later than 5 years	12	127
	<b>23</b>	<b>252</b>

The minimum lease payment charged to services in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £16k in 2015/16 and £2k in 2014/15.

**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 March 2015 £000	31 March 2016 £000
Not later than 1 year	798	955
Later than 1 year and not later than 5 years	2,469	2,609
Later than 5 years	11,645	12,085
	<b>14,912</b>	<b>15,649</b>

**37. Private Finance Initiatives and Similar Contracts**

The Council entered into a twenty-five year PFI scheme with Neptune PFI Ruthin Ltd, commencing 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. In order to save money, the council elected to terminate the PFI Agreement fifteen years early – the agreement was due to expire in 2029. The council issued a formal notice to terminate the Agreement on 14 May 2015 and this triggered a compensation payment to the PFI counterparty and a termination account was submitted to the council on 7 September. The final elements of the compensation sum were agreed on 14 October 2015 and resulted in a total compensation sum of £16,955k. In addition to this, fees of £34k were incurred on specialist support and specific legal and tax advice. The compensation sum was funded by reserves and borrowing. Please refer to Note 5 Material Items of Income and Expense.

**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 £12,195k, reduced by a capital contribution from Denbighshire County Council of £300k. At the end of 2014/15 the lease liability was £9,684k. During the period 1 April to 4 September 2015 the lease was written down by a further £162k. The balance of the lease (£9,522k) was written out as part of the termination payment transactions.

**Unitary Payments**

During the period 1 April to 4 September 2015, the Authority still paid the unitary payment to PFI operators and the amount payable is now analysed into four elements:

- Fair value of the services received during the year – debited to the relevant service in the Income & Expenditure Account. In 2015/16 this was £264k (Full year in 2014/15 was £503k) plus payments for utilities and insurance.
- Finance cost - £516k in 2015/16 (Full year in 2014/15 was £1,236k).
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator as shown above.
- Lifecycle replacement costs – There were no lifecycle costs in 2015/16 and the prepayment outstanding of £1,026k was taken account of in the negotiations of the final settlement and written out of the balance sheet.

**38. 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 2015/16, the county council paid £5,342k to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay up until 31<sup>st</sup> August then 16.48% thereafter. The figures for 2014/15 were £4,853k and 14.1%. In addition, payments in respect of premature retirements were made of £530k (£390k in 2014/15). At the year end there was £1k due to be recovered from Teachers' Pensions as a result of cancelled pay adjustments. 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 39.

### 39. 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 (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Council participates in two post employment schemes:

- The Local Government Pension Scheme – 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.
- Management of the Fund is vested in Flintshire County Council as Administering Authority of the Fund. The Council has established a Pension Fund Committee comprising of five Councillors of Flintshire County Council and four co-opted members.

The Committee, assisted by the Fund's professional advisors, carries out roles such as determining policies on investment strategy, governance administration, communications, funding strategy and risk management provisions.

For further details regarding the governance and investment principles of the Clwyd Pension Fund please refer to [www.clwydpensionfund.org](http://www.clwydpensionfund.org) or contact the Clwyd Pension Fund at:

Clwyd Pension Fund  
County Hall  
Mold  
Flintshire  
CH7 6NA

- The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the Council Fund and Housing Revenue Account the amounts required by statute as described in the accounting policies note.

#### 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 and Housing Revenue Account 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	
	2015/16 £000	2014/15 £000	2015/16 £000	2014/15 £000
<b>Comprehensive Income and Expenditure Statement</b>				
<i>Cost of Services:</i>				
<i>Service cost comprising:</i>				
• Current Service Cost	14,653	11,943		
• Past Service Costs/(Gains)	790	492		
• (Gain)/Loss from Settlements	0	0		
<i>Other Operating Expenditure:</i>				
• Administration Expenses	285	299		
<i>Financing and Investment Income and Expenditure:</i>				
• Net Interest Expense	6,730	6,800	271	373
<b>Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services</b>	<b>22,458</b>	<b>19,534</b>	<b>271</b>	<b>373</b>
<i>Other Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement</i>				
<i>Remeasurement of the net defined benefit liability comprising:</i>				
• *Return on Plan Assets (excluding the amount included in the Net Interest Expense) (A)	7,440	(28,376)		
• *Actuarial (Gains) and Losses Arising on Changes in Demographic Assumptions (B)	0	0		
• *Actuarial (Gains) and Losses Arising on Changes in Financial Assumptions (C)	(30,299)	75,482	(194)	542
• *Other (D)	0	0		
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>(401)</b>	<b>66,640</b>	<b>77</b>	<b>915</b>
<b>Movement in Reserves Statement</b>				
• Reversal of net charges made to the Surplus or Deficit on the Provision of Services for Post Employment Benefits in accordance with the Code	(22,458)	(19,534)	(271)	(373)
<i>Actual amount charged against the Council Fund Balance for pensions in the year:</i>				
• Employer's contributions payable to the scheme	15,797	15,324		
• Retirement benefits payable to pensioners			828	856

\* A + B + C + D = Remeasurement of the Net Defined Benefit Liability /(Asset) as quoted in the Comprehensive Income & Expenditure Statement

**Pensions Assets and Liabilities Recognised in the Balance Sheet**

The amount included in the Balance Sheet arising from the authority's obligation in respect of its defined benefit plans is as follows: (£23,053k) 2015/16; £47,648k 2014/15

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2015/16 £000	2014/15 £000	2015/16 £000	2014/15 £000
Present Value of the defined benefit obligation	523,391	535,985	8,411	9,162
Fair value of plan assets	(324,415)	(320,811)		
Sub-total	198,976	215,174	8,411	9,162
Other movements in the liability (asset)				
<b>Net liability arising from defined benefit obligation</b>	<b>198,976</b>	<b>215,174</b>	<b>8,411</b>	<b>9,162</b>

**Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets**

	Local Government Pension Scheme	
	2015/16 £000	2014/15 £000
Opening fair value of scheme assets	320,811	277,095
Interest Income	10,707	12,763
Administration Expenses	(285)	(299)
Remeasurement gain/(loss):		
• The return on plan assets, excluding the amount included in the net interest expense	(7,440)	28,376
• Other		
The effect of changes in foreign exchange rates		
Contributions from employer	15,797	15,324
Contributions from employees into the scheme	3,566	3,774
Benefits paid	(18,741)	(16,222)
Other		
<b>Closing fair value of scheme assets</b>	<b>324,415</b>	<b>320,811</b>

## Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

	Funded Liabilities Local Government Pension Scheme		Unfunded Liabilities Discretionary Benefits Arrangements	
	2015/16 £000	2014/15 £000	2015/16 £000	2014/15 £000
Opening balance at 1 April	535,985	440,953	9,162	9,103
Current service cost	14,653	11,943		
Interest cost	17,437	19,563	271	373
Contributions from scheme participants	3,566	3,774		
Remeasurement (gains) and losses:				
• Actuarial (Gains) and Losses Arising on Changes in Demographic Assumptions	0	0		
• Actuarial (Gains) and Losses Arising on Changes in Financial Assumptions	(30,299)	75,482	(194)	542
• Other	0	0		
Past service cost	79	115		
Losses/(gains) on curtailment	711	377		
Liabilities assumed on entity combinations				
Benefits paid	(18,741)	(16,222)	(828)	(856)
Liabilities extinguished on settlements				
<b>Closing balance at 31 March</b>	<b>523,391</b>	<b>535,985</b>	<b>8,411</b>	<b>9,162</b>

## Local Government Pension Scheme Assets Comprised:

	Fair value of scheme assets	
	2015/16 £000	2014/15 £000
<b>Cash and cash equivalents</b>	<b>3,244</b>	<b>9,624</b>
<b>Equities</b>		
• UK quoted	0	0
• Global quoted	23,033	24,061
• Global unquoted	0	11,228
• US	0	0
• Japan	0	0
• Europe	0	0
• Emerging markets	18,492	19,249
• Frontier	6,164	3,208
• Far East	0	0
<b>Sub-total Equity</b>	<b>47,689</b>	<b>57,746</b>
<b>Bonds</b>		
Overseas Other Bonds	39,903	41,705
LDI	73,967	73,788
<b>Sub-total Bonds</b>	<b>113,870</b>	<b>115,493</b>
<b>Property:</b>		
• UK	9,732	9,624
• Overseas	15,896	12,832
<b>Sub-total Property</b>	<b>25,628</b>	<b>22,456</b>
<b>Alternatives:</b>		
• Hedge Funds	32,766	12,832
• Private equity	35,361	35,289
• Infrastructure	6,488	6,416
• Timber & Agriculture	6,164	6,416
• Commodities	0	6,416
• DGF	53,205	48,123
<b>Sub-total Alternatives</b>	<b>133,984</b>	<b>115,492</b>
<b>Total Assets</b>	<b>324,415</b>	<b>320,811</b>

**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 estimated 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 2013.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2015/16 £000	2014/15 £000	2015/16 £000	2014/15 £000
Mortality assumptions:				
Longevity at 65 for current pensioners:				
• Men	23.5 years	23.4 years	23.5 years	23.4 years
• Women	26.0 years	25.9 years	26.0 years	25.9 years
Longevity at 65 for future pensioners:				
• Men	26.4 years	26.3 years		
• Women	29.4 years	29.3 years		
Rate of inflation	2.00%	2.00%	2.00%	2.00%
Rate of increase in salaries	3.50%	3.50%		
Rate of increase in pensions	2.00%	2.00%	2.00%	2.00%
Rate of discounting scheme liabilities	3.60%	3.30%	3.40%	3.10%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme. i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Change in assumptions at 31 March 2016	Impact on the Net Liability arising from the Defined Benefit Obligation in the Scheme £000
Longevity (increase in 1 year)	10,282
Rate of inflation (increase by 0.1%)	9,989
Rate of increase in salaries (increase by 0.1%) not provided	2,444
Rate for discounting scheme liabilities (increase 0.1%)	(9,805)

### Risks and Investment Strategy

The Fund maintains positions in a variety of financial instruments and is therefore exposed to a variety of financial risks including credit and counterparty risk, liquidity risk, market risk and exchange rate risk.

The Administering Authority's overall risk management procedures focus on the unpredictability of financial markets and implementing restrictions to minimise these risks. The Pension Fund annually reviews its Statement of Investment Principles and corresponding Funding Strategy Statement, which set out the Pension Fund's policy on matters such as the type of investments to be held, balance between types of investments, investment restrictions and the way risk is managed. The Fund carries out formal reviews

of its structure, and a key element in this review process is the consideration of risk. The Fund pursues a policy of lowering risk by diversifying investments across asset classes, investment regions and fund managers.

### **Impact on the Authority's Cash Flows**

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 19 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2016.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The authority anticipated to pay £15,866k expected contributions to the scheme in 2016/17.

The weighted average duration of the defined benefit obligation for scheme members is 19 years, 2015/16 (19 years 2014/15).

## **40. 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.

Municipal Mutual Insurance Ltd (MMI) was the predominant insurer of public sector bodies prior to it ceasing to write insurance business from September 1992. In order to ensure an orderly run-off, a 'Scheme of Arrangement' ('the Scheme') with its Creditors was put in place. Within the Insurance Provision detailed in Note 20 is an element in relation to the Scheme. The Council recognises that any future payments made by MMI after the imposition of the initial levy will be made at the reduced rate of 75%. The projection of future claims is uncertain because of the latest nature of the claims that MMI is still receiving. The levy is subject to review at least once every twelve months by the scheme administrator. Despite setting an initial levy of 15% when modelling projected outcomes for the solvent run-off of MMI, the administrator has now asked for an additional 10%.

A contingent liability should be noted in respect of the remaining exposure, which amounts to £1,820k in respect of former Clwyd claims and £306k in respect of Rhuddlan claims.

#### **41. 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 2015/16 on 24 February 2015. 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 other parties might fail to pay amounts due to the Council.

**Liquidity Risk:** The possibility that the Council might not have funds available to meet its commitments to make payments.

**Market Risk:** The possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

##### **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 £5,000k is placed on the amount of money that can be invested with a single counterparty. No more than £10,000k 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 31/03/2016	Balance Invested at 31/03/2016  £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+	4,000	4,000			
	NatWest	BBB+	BBB+	3,000	3,000			
	Close Brothers	A	A	5,000	5,000			
	<b>Total</b>			<b>12,000</b>	<b>12,000</b>			

Definitions		
Long Term Ratings	AA	<b>Very High Credit Quality</b> Expectation of very low credit risk. Very strong capacity for payment of financial commitments, which is not significantly vulnerable to foreseeable events.
	A	<b>High Credit Quality</b> Expectation of low credit risk. Strong capacity for payment of financial commitments, which may be more vulnerable to adverse business or economic conditions than is the case for higher ratings.
	BBB	<b>Good Credit Quality</b> Expectation of low credit risk currently. Adequate capacity for payment of financial commitments, but adverse business or economic conditions are more likely to impair this capacity.

### 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 March 2016 was as follows:

	Years	31 March 2015 £000	31 March 2016 £000	%
<b>Short Term Borrowing</b>	Less than 1 year	(3,652)	(5,440)	2.86
<b>Long Term Borrowing</b>	Over 1 under 6	(17,326)	(22,687)	11.93
	Over 6 under 10	(10,957)	(11,685)	6.14
	Over 10 under 15	(10,891)	(10,453)	5.50
	Over 15 under 20	(6,719)	(22,729)	11.95
	Over 20 under 25	(1,277)	(23,221)	12.21
	Over 25 under 30	(6,000)	(6,000)	3.16
	Over 30 under 35	0	0	0
	Over 35 under 40	(24,250)	(62,130)	32.67
	Over 40 under 45	(58,700)	(25,820)	13.58
	Over 45 under 50	(5,000)	0	0
<b>Total Long Term Borrowing</b>		<b>(141,120)</b>	<b>(184,725)</b>	<b>97.14</b>
<b>Total Borrowing at Nominal Amount</b>		<b>(144,772)</b>	<b>(190,165)</b>	<b>100.00</b>
Accrued Interest		(1,450)	(1,476)	
Deferred Premium		974	965	
<b>Total Borrowing at Amortised Cost</b>		<b>(145,248)</b>	<b>(190,676)</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 2015 and 31 March 2016, 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.

**42. Heritage Assets**

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

	<b>Scheduled Ancient Monument £000</b>	<b>Plas Newydd £000</b>	<b>Ruthin Gaol £000</b>	<b>Nant Clwyd Y Dre £000</b>	<b>Total Heritage Assets £000</b>
Cost or Valuation 1 April 2015	361	1,138	4,525	2,999	9,023
Additions	0	0	0	37	37
Impairment Losses recognised in the Revaluation Reserve	0	0	0	(37)	(37)
Depreciation	0	(8)	(32)	(15)	(55)
<b>31 March 2016</b>	<b>361</b>	<b>1,130</b>	<b>4,493</b>	<b>2,984</b>	<b>8,968</b>

	<b>Scheduled Ancient Monument £000</b>	<b>Plas Newydd £000</b>	<b>Ruthin Gaol £000</b>	<b>Nant Clwyd Y Dre £000</b>	<b>Total Heritage Assets £000</b>
Cost or Valuation 1 April 2014	361	1,146	4,557	3,014	9,078
Depreciation	0	(8)	(32)	(15)	(55)
<b>31 March 2015</b>	<b>361</b>	<b>1,138</b>	<b>4,525</b>	<b>2,999</b>	<b>9,023</b>

### **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 were revalued in 2013/14 as part of the annual revaluation programme. There is no valuation, at the moment, for the artefacts included in the buildings.

#### *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.

**Other**

It has been identified that a Denbighshire High School has a painting by the Welsh Landscape painter, Sir John "Kyffin" Williams. It is estimated to be worth between £15,000 - £20,000.

**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.

**Collections Management**

The management of collections is guided by the Museums Accreditation Scheme and the Welsh Government's 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; instead, the Heritage Service contracts out the curatorial care of the collections to Bodelyddan Castle Trust in order to satisfy the requirements of Museums Accreditation.

**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.

**Section 4:**  
**Supplementary**  
**Statements**

**and**

**Notes to the**  
**Supplementary**  
**Statements**

## Housing Revenue Account Income and Expenditure Statement

2014/15 £000		Note	2015/16 £000
	<b>EXPENDITURE</b>		
2,902	Repairs & maintenance		3,009
2,337	Supervision & management		2,190
14	Rents, rates, taxes & other charges		15
3,219	Negative Housing Revenue Account subsidy payable		0
0	Settlement Payment to Welsh Government		40,045
9,758	Depreciation and impairment of non-current assets	5	14,329
19	Debt management costs		40
54	Movement in bad debt provision		(10)
<b>18,303</b>	<b>Total Expenditure</b>		<b>59,618</b>
	<b>INCOME</b>		
(12,932)	Dwelling Rents (Gross)		(13,225)
(160)	Non-Dwelling Rents (Gross)		(167)
<b>(13,092)</b>	<b>Total Income</b>		<b>(13,392)</b>
<b>5,211</b>	<b>Net Expenditure of HRA Services as included in the Comprehensive Income and Expenditure Statement</b>		<b>46,226</b>
46	HRA Share of Corporate & Democratic Core		58
<b>5,257</b>	<b>Net Expenditure of HRA Services</b>		<b>46,284</b>
	<b>HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement</b>		
9	Pension Administration Costs		9
1,375	Interest payable and similar charges		3,385
(6)	Interest and investment income		(15)
213	Net interest on the net defined benefit liability (asset)	6	212
(2,410)	Capital grants and contributions receivable		(2,411)
<b>4,438</b>	<b>(Surplus) or deficit for the year on HRA services</b>		<b>47,464</b>

## Movement on the HRA Statement

2014/15 £000		2015/16 £000	
(1,287)	<b>Balance on the HRA at 1 April</b>		<b>(1,852)</b>
4,438	(Surplus) or deficit for the year on the HRA Income & Expenditure Statement	47,464	
(5,083)	Adjustments between accounting basis and funding basis under statute (see below)	(48,312)	
(645)	Net (increase) or decrease before transfers to or from reserves		(848)
80	Transfers to or (from) reserves		96
(565)	(Increase) or decrease in year on the HRA		(752)
<b>(1,852)</b>	<b>Balance on the HRA at 31 March</b>		<b>(2,604)</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>		
(9,758)	Charges for depreciation and impairment of non-current assets		(14,329)
0	Housing Settlement Payment		(40,045)
2,410	Capital grants and contributions applied		2,411
0	Revenue Expenditure Funded from Capital Under Statute		0
(254)	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		(585)
	<u>Insertion of items not debited or credited to the Comprehensive Income &amp; Expenditure Statement</u>		
1,620	Statutory provision for the financing of capital investment		2,474
813	Capital Expenditure charged against HRA balances		1,405
	<b>Adjustments primarily involving the Capital Receipts Reserve</b>		
254	Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the HRA Income & Expenditure Statement		585
	<b>Adjustments primarily involving the Financial Instruments Adjustment Account</b>		
8	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		4
	<b>Adjustments primarily involving the Pensions Reserve</b>		
(577)	Reversal of items relating to retirement benefits debited or credited to the HRA Income & Expenditure Statement		(665)
413	Employer's pension contributions payable in the year		427
	<b>Adjustments involving the Accumulated Absence Account</b>		
(12)	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		6
<b>(5,083)</b>	<b>Total Adjustments</b>		<b>(48,312)</b>

**Notes to Supplementary Statements****1. Housing Stock**

The Council's total housing stock was as follows:

<b>2014/15 No. of Properties</b>		<b>2015/16 No. of Properties</b>
1,837	Houses	1,827
973	Flats	972
618	Bungalows	616
<b>3,428</b>	<b>Total</b>	<b>3,415</b>

During the year eight properties were sold under the Right to Buy Scheme. Six were reclassified and one additional property was gained by changing an existing property into two.

**2. Rent Arrears**

At the 31 March 2016, tenants' rent arrears were £334k, (£338k as at 31 March 2015) which represented 2.53% of the net rent income due in the year. Arrears totalling £80k were written off during the year. A reduction to the provision for Bad and Doubtful Debts of £10k was made during the year and the balance at year end is £226k.

**3. Capital Receipts**

HRA capital receipts for 2015/16 are summarised below:

<b>2014/15 £000</b>	<b>Housing Receipts</b>	<b>2015/16 £000</b>
254	Sales - Right to Buy Scheme	585
0	Sales - Land	0
0	Repaid Discounts	0
1	Mortgages	0
<b>255</b>	<b>Total Receipts</b>	<b>585</b>

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

During 2015/16, capital expenditure of £3,962k was incurred on improvements to the Council's housing assets. 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 Direct HRA revenue contributions as detailed in the table overleaf.

2014/15 £000	Housing Capital Expenditure	2015/16 £000
70	Quality Performance Management - IT Project	54
3,515	Improvement Works	3,908
<b>3,585</b>	<b>In-year Expenditure</b>	<b>3,962</b>
	<i>Financed by:</i>	
2,410	Major Repairs Allowance (Grant)	2,411
64	Usable Capital Receipts	146
813	Direct HRA Revenue Contributions	1,405
298	Prudential Borrowing	0
<b>3,585</b>	<b>Total</b>	<b>3,962</b>

## 5. Depreciation, Impairment and Revaluation Losses 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. 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 The General Determination of the Item 8 Credit and Item 8 Debit (Wales) 2015. The depreciation charge, impairment and revaluation losses have no effect on HRA balances.

The total depreciation charges and impairment and revaluation losses for 2015/16 are shown below:

2014/15 £000	HRA Depreciation Charges & Impairment Losses	2015/16 £000
3,071	Operational Assets – Dwellings	2,607
130	Operational Assets – Communication Systems	114
<b>3,201</b>	<b>Total Depreciation</b>	<b>2,721</b>
<b>6,557</b>	<b>Impairment and Revaluation Losses</b>	<b>11,608</b>
<b>9,758</b>	<b>Total HRA Depreciation &amp; Impairment Losses</b>	<b>14,329</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:

2014/15 £000	Comprehensive Income and Expenditure Statement	2015/16 £000
355	<u>Net cost of services:</u>	
0	Current Service Cost	444
	Past Service Cost	0
	<u>Net Operating Expenditure</u>	
9	Pension Administration Expenses	9
213	Net Interest Expense	212
<b>577</b>	<b>Net charge to the Comprehensive Income &amp; Expenditure Statement</b>	<b>665</b>
	<b>Movements on the HRA statement</b>	
(577)	Reversal of net charges made for retirement benefits in accordance with the Code	(665)
<b>413</b>	<b>Employer's contribution payable to the Clwyd Pension Fund Scheme</b>	<b>427</b>

**Section 5: Audit report of the Auditor General for Wales 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 2016 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 2015-16 based on International Financial Reporting Standards (IFRSs).

**Respective responsibilities of the responsible financial officer and the Auditor General for Wales**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 8, 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 Financial Reporting Council'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 Narrative Report to identify material inconsistencies with the audited accounting statements and related notes and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. 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 2016 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 2015-16.

**Opinion on other matters**

In my opinion, the information contained in the Narrative Report 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 following matters, which I report to you, if, in my opinion:

- adequate accounting records have not been kept;
- the accounting statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit;
- the Annual Governance Statement does not reflect compliance with guidance.

**Certificate of completion of audit**

My report dated 30 September 2016 contained an audit opinion on the 2015-16 accounts and explained that the audit could not be formally concluded until my review of matters brought to my attention by a local authority elector had been completed. That review has now been completed. I certify that I have completed the audit of the 2015-16 Denbighshire County Council accounts in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.



For and on behalf of  
Huw Vaughan Thomas  
Auditor General for Wales

24 Cathedral Road  
Cardiff  
CF11 9LJ

31 January 2017

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.

## Section 6

Cyngor  
**sir ddinbych**  
**denbighshire**  
County Council



# Annual Governance and Improvement Assessment 2015/16

## Table of Contents

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<u>Introduction</u> .....	111
<u>Summary of our governance arrangements</u> .....	112
<u>Focusing on our purpose and on the outcomes for citizens and service users</u> .....	114
<u>Performing effectively in clearly defined functions &amp; roles</u> .....	117
<u>Promoting values for the whole organisation and demonstrating good governance through our behaviour</u> .....	118
<u>Taking informed and transparent decisions and managing risk</u> .....	120
<u>Developing our capacity and capability to be effective</u> .....	124
<u>Engaging with local people and other stakeholders to ensure robust public accountability</u>	127
<u>Significant governance issues</u> .....	131
<u>Appendix 1 – Governance Improvement Action Plan</u> .....	132

## Introduction

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### Why we carry out an annual assessment of our governance arrangements

Denbighshire County Council is responsible for ensuring that it has robust governance arrangements in place so that it does the right things, in the right way, for the right people, at the right time, in an inclusive, open, honest and accountable way. Good governance is essential to 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 public confidence that we are taking decisions for the right reasons, protecting service quality and spending public money wisely.

This document explains and assesses our governance arrangements for 2015-16 and identifies any improvements needed to make the arrangements more robust.

### Self-assessment of our governance and improvement arrangements

Within our annual governance review, we are required to carry out a self-assessment of our arrangements, which we combine with our corporate self-assessment showing how we achieve continuous improvement. This innovative self-assessment helps us to understand our strengths and weaknesses in relation to the following six key principles of good governance that we use in our governance framework:

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#### Focusing on our purpose and on the outcomes for citizens and service users

**Performing effectively in clearly defined functions and roles**

**Promoting values for the whole organisation and demonstrating good governance through our behaviour**

**Taking informed and transparent decisions and managing risk**

**Developing our capacity and capability to be effective**

**Engaging with local people and other stakeholders to ensure robust public accountability**

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## Summary of our governance arrangements

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### Review of effectiveness

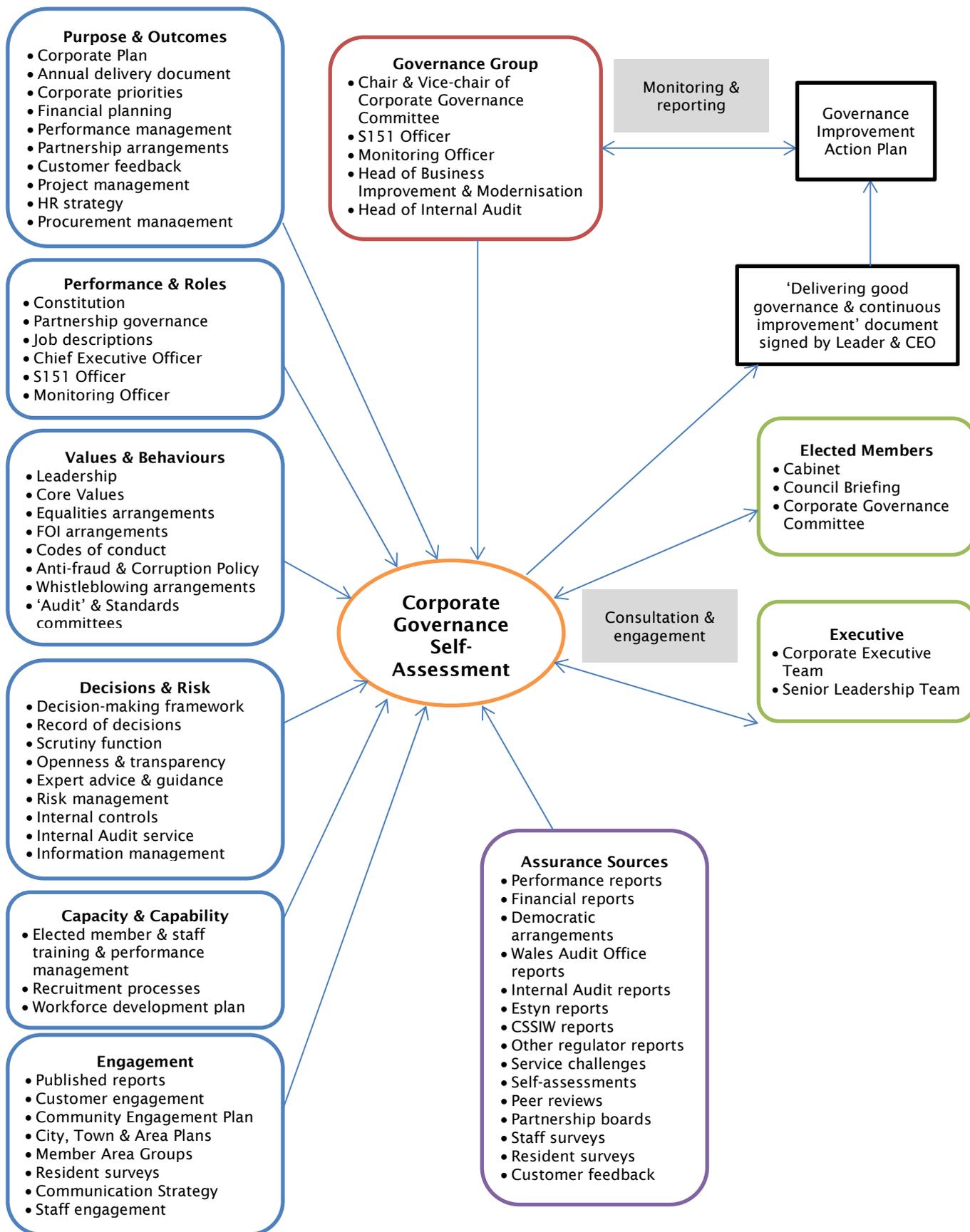
We are required to review the effectiveness of our governance arrangements each year, which include:

- maintaining an on-going evidence framework showing how we can give assurance on our governance arrangements;
- regularly reviewing the effectiveness of the Council's Constitution;
- reviewing governance arrangements within services delivered on our behalf by partnerships, arms-length organisations etc.;
- having a Corporate Governance Committee that undertakes the core functions of an 'audit committee', including:
  - regular review of our governance arrangements
  - considering and reviewing internal and external audit strategies, plans and reports
  - reviewing, scrutinising and approving the annual statement of accounts
  - monitoring the effectiveness of risk management;
- consulting widely on our self-assessment with senior management and elected members; and
- using information from various sources to inform our governance arrangements, for example:
  - service challenges
  - performance reports
  - risk management
  - external regulator reports
  - the Head of Internal Audit's Annual Report.

**In summary, our self-assessment provides evidence and assurance that the Council has robust governance arrangements in place. Where we have identified areas for improvement, we have an action plan to address them (Appendix 1).**

**We will monitor and report progress on the action plan to the Corporate Governance Committee on a regular basis.**

## Summary of our governance framework



## Focusing on our purpose and on the outcomes for citizens and service users

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### ...we are clear about what we are trying to achieve

Our Corporate Plan 2012-17 clearly shows what we are aiming to achieve and sets out our priorities for the five-year period. Each year we develop a Corporate Plan Delivery Document to show what we expect to do in the forthcoming year to support the delivery of our priorities and how we will go about it. The Wales Audit Office (WAO) Annual Improvement Report 2015-16 concludes that:

**The Council, with sound financial management and scrutiny arrangements, continues to make progress in delivering improvements in most of its priority areas**

We have clearly stated how our corporate priorities link to our medium-term financial plan and have identified financial and staffing resources to support delivery of our objectives. Over the term of this Council, we have delivered savings of £28m, mostly through efficiency, while at the same time investing in key priorities through the Corporate Plan. There has been a significant degree of internal consultation on budget proposals and we sought residents' views on service cuts. In addition to the detailed impact assessments that were completed for each budget proposal, we have set up an elected member task and finish group to assess the impact of budget decisions on communities. We recognise that the scale of savings that we need to make may not be evenly spread across our services but have robust budget planning processes in place to capture a range of funding scenarios, cost pressures and risks that will allow elected members a range of options to deliver a balanced budget.

The funding picture for the medium term suggests that we may have to continue doing 'less with less' but will still continue to provide vital services. Budget processes will continue to drive out efficiencies and attempt to minimise the impact on service delivery and the Council will always strive to be as efficient as it can be. However, if funding continues to be cut, difficult budget decisions will have to be taken that could also shape the way local services are provided in the future. We are a high performing Council and this will not change, even after these cuts are implemented.

As part of reviewing the way we work, we have reviewed our governance arrangements relating to services provided by alternative service providers (ASPs), for example third party or arms-length service providers. To ensure that we spend public money wisely and that the public continues to receive good services and value for money, we have developed and are beginning to implement, new monitoring arrangements for ASPs to ensure that any services that they provide have robust governance arrangements. We are also implementing scrutiny arrangements to monitor ASPs' financial and operational performance.

One example of this is our revenues and benefits service, which transferred to an ASP at the commencement of 2015/16. The Council's Internal Audit service has since undertaken a thorough review of the governance arrangements and service delivery,

concluding that, although some improvements are needed to governance arrangements to bring them into line with the Council's new ASP framework, governance is robust and the services continue to be managed and delivered well under the new arrangements.

We have also reviewed the way we deliver services through our City, Town and Area Plans during the year to improve clarity around the overarching policy intentions of the Plans and to improve the consistency in how they are developed and delivered. Improvements will also ensure that the Plans are more strategic, provide clearer information on anticipated benefits and how impacts will be measured. Cabinet has endorsed the preparation of revised lists of priority projects and a new process for allocating funding to these projects.

### **...we make sure that service users receive a high-quality service and value for money**

We monitor our performance regularly, take regular reports to Scrutiny Committee and Cabinet meetings and produce an Annual Performance Report to evaluate progress. Our performance in the statutory performance indicators is excellent, with 20 in the top half of Welsh local authorities and 14 in the top quartile. We also have the fewest number of performance indicators in the bottom half of performance. We improved or maintained our position in 22 performance indicators, but performance declined in 8 indicators.

Our Service Performance Challenge process uses a variety of reports and a service self-assessment to review performance against the service plan, benchmarking information and a 'need and demand' report, which highlights possible future pressures and changes in the external environment to which the service may need to respond. The Care and Social Services Inspectorate Wales (CSSIW) and WAO have both commended this approach.

During 2015/16, we developed a new procurement strategy that County Council approved in February 2016, along with new contract procedure rules. This addresses previous weaknesses that Internal Audit identified and that this self-assessment highlighted as a significant governance issue last year. Training is about to commence to launch the new strategy and contract procedure rules and to raise awareness of the new requirements.

The programme and project management methodologies and the Verto system are working well across the Council. Visibility of projects continues to improve through effective and consistent reporting on our projects to Corporate Executive Team (CET) and various committees. Projects are subject to more scrutiny through Programme Boards and the newly formed Improvement Board, where the viability of the business case continues to be tested. The Programme Office team is currently engaged in some very high profile projects, including the extension and refurbishment of Ysgol Glan Clwyd, the new high school build in Rhyl and the coastal and waterfront projects in Rhyl and Prestatyn.

The Verto system also incorporates the Council's performance management processes. All service business plans and the corporate and service risk registers are

managed using the system. Through the flexibility of the system, we are able to integrate our service business plans with programme and project activities, thus being able to report using key dependencies, such as progress against outcomes or priorities.

We also receive independent verification of our performance each year from the WAO. Its Annual Improvement Report 2015-16 states that

**Overall, the Council made good progress in addressing previously reported underperformance and it continues to deliver high-quality services but concerns remain in relation to safeguarding vulnerable adults**

This latter comment refers to the CSSIW Performance Evaluation Report 2014-15 that highlighted that, despite increasing capacity for delivering safeguarding for vulnerable adults, we needed to improve performance in relation to Protection of Vulnerable Adults. Internal Audit has since carried out work in this area and found that improvements have been made.

The WAO's report also refers to our progress in trying to ensure a sufficient supply of affordable homes. To address previously reported underperformance, we have reorganised this service and developed a new Housing Strategy that County Council approved in December 2015. The Strategy includes an action plan that will ensure that we make significant progress in increasing the provision of affordable homes in the county over the next five years.

Internal Audit's annual service reviews our key financial systems provided positive reports during the year, while the WAO provides annual assurance on the financial accounts and statements.

The WAO also reported on our financial resilience during the year and found that:

**The Council's future plans and arrangements to deliver savings are fit for purpose and are being effectively managed**

**The Authority has effective controls in place to ensure its financial processes and management are robust, but needs to strengthen its approach to income generation**

**The Council has robust arrangements for reviewing and challenging financial performance and those responsible for managing financial performance are held to account**

## Performing effectively in clearly defined functions and roles

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### ...we are clear about the roles and responsibilities in our organisation

Our main governance guidance is provided in our comprehensive Constitution that:

- clearly sets out respective roles and responsibilities of elected members and officers, particularly relating to governance;
- includes a formal scheme of delegation and reserve powers for decision-making; and
- includes the process for holding County Council and Cabinet to account for their decisions and performance.

The Constitution is currently under review, with a new model Constitution to be adopted by Council by the end of July 2016. This will incorporate an updated scheme of delegation reflecting recent structural changes.

Our new framework for delivering services through alternative service providers also ensures that roles and responsibilities for such arrangements are clearly defined, including the role of senior managers and elected members, particularly when representing the Council on boards and committees of these organisations.

### ...we make sure that we carry out these roles and responsibilities

Our Constitution includes a protocol to ensure that elected members and employees understand each other's roles and that they work effectively together. We have also clearly identified the roles and responsibilities of key officers in the Council:

- Our CEO is responsible and accountable to the organisation for all aspects of operational management.
- Our S151 Officer is responsible for ensuring that appropriate advice is given to the organisation on all financial matters, keeping proper financial records and accounts, and maintaining an effective system of internal financial control.
- Our Monitoring Officer is responsible for ensuring that the organisation follows agreed procedures and complies with all applicable statutes and regulations.

During 2015/16, there have been some important changes to our Senior Leadership Team (SLT) structure, due to the loss of three senior managers. Interim arrangements were put in place to manage this period of change. As these arrangements are now coming to an end, a new SLT structure has been put in place from 1 April 2016 that provides a lean management team that positions the Council well to cope with the future.

## Promoting values for the whole organisation and demonstrating good governance through our behaviour

### **...we ensure that our organisational values are put into practice and are effective**

We have a set of core values - Pride, Unity, Respect and Integrity - that are well-embedded in the organisation and are clearly reflected in our Constitution, Financial Regulations and employee appraisal process.

Our leadership sets the tone for the organisation by creating a culture of openness, support and respect. We undertook a staff survey in 2015, which showed that 74% of employees felt that the leadership team had a clear vision for the future, compared to 73% in the 2013 survey. However, the level of confidence in the leadership has dropped considerably from 84% in 2013 to 73% in 2015, which is likely to be an effect of the financial cuts and the associated restructuring and modernisation being undertaken at the time of the staff survey. This same level of reduced confidence was reflected at service level.

During the last 12 months, we have developed a Leadership Strategy encompassing leadership attitudes and behaviours, management skills and a responsibility to create a collective leadership culture and capability. Considerable work has been undertaken with SLT and middle managers to embed the strategy and its values into the culture of the organisation.

We continue to develop and enhance our work on equalities and human rights. Services have become more accountable for their work with people with protected characteristics. Much work has been done with schools to raise levels of awareness and develop plans. This will be the last year of our current Strategic Equality Plan, and we are developing an interim plan for the next two years that will strive to align with the Well-being of Future Generations (Wales) Act 2015. In addition, we have developed and produced a new e-learning module for Equality and Diversity and for Equality Impact Assessments, as well as our equality web page on the Council's website.

### **...we provide leadership by behaving in ways that exemplify high standards of conduct and effective governance**

We have various ways in which we demonstrate our core values and high standards of conduct and effective governance, for example:

- we have clear and transparent Freedom of Information arrangements to allow access to information;
- our codes of conduct for elected members and employees form part of induction training;
- we have a register of financial interests and hospitality for elected members and employees to ensure transparency;

- we have a process for elected members to declare interests generally and in relation to specific issues and/or reports at meetings;
- we have a protocol to ensure that elected members and employees treat each other with respect and behave professionally;
- our customer feedback and complaints framework allows the opportunity for customers to comment on the behaviour of elected members and employees;
- we have an anti-fraud and corruption policy dated 2006, but we are in the process of reviewing and updating it;
- we have revised our whistleblowing procedures that enable issues to be raised freely with a wide range of people or bodies;
- our financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010);
- the Head of Internal Audit's annual report confirmed that we operate an effective system of internal control, governance and risk management; and
- we operate an effective and impartial Standards Committee to uphold good behaviour by elected members.

## Taking informed and transparent decisions and managing risk

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### ...we are rigorous and transparent about how we make decisions

We have a clear decision-making framework to show who can make what decisions and we keep a comprehensive and published record of decisions made. All key decisions include an assessment of financial implications, contribution to corporate priorities, risks and equality impacts.

We advertise our 'public' meetings in advance, so that they are open for public and media attendance, and all of our reports are discussed openly unless they meet strict criteria for confidential discussion.

Our scrutiny function is effective, supported by evidence and data analysis, to challenge decision-makers constructively. The WAO's Annual Improvement Report 2015-16 states that

**The Council's scrutiny arrangements support sound decision making and it has adequate corporate processes for responding to reports and recommendations from external regulators**

However, the WAO report does highlight a significant decline in elected member attendance at Scrutiny Committee meetings that we are looking to address.

### ...we use good quality information, advice and support

Elected members receive clear, concise but comprehensive reports and advice for decision-making that clearly explain the implications of the decision. Reports should not exceed four pages and we use a corporate report template to ensure that all information is included, together with a checklist for completion in all cases to confirm that all information is included in the report before submission.

We have arrangements in place to provide and record proper professional advice on matters that have legal or financial implications well in advance of decision making and at meetings. External advice is obtained where required, particularly in specialist areas.

The Research and Intelligence Team and the Corporate Programme Office have been combined following a service restructure. This new team, in addition to business as usual activities, will focus on key change activities and will begin to develop a strategic platform for business intelligence, enhancing decision making processes and transforming how the Council uses data collected across the organisation.

## ...we have effective risk management, information management and control systems

We review our Corporate Risk Register formally twice a year, with each Corporate Director considering the risks that they currently manage, reviewing mitigating actions and the external environment to assess the risk score and adding new risks as appropriate. The Corporate Governance Committee monitors risk management arrangements and reviews the Corporate Risk Register.

One key risk that we are managing is the significant amount of new legislation affecting the Council and its services. We are preparing for this new legislation in various ways, including:

- having a board to oversee the review of corporate planning and decision-making frameworks in the Council through a range of work streams designed to help implement the Well-being of Future Generations (Wales) Act 2015. All 11 work streams are progressing, with a view to being delivered by March 2017 at the latest. One elected member training session has been provided, with others planned for 2016/17;
- using a programme management approach for implementing the Social Services and Well-being (Wales) Act 2014. The programme aims to identify any gaps in compliance with the Act, address these gaps and provide a repeatable test of assurance for future use;
- Planning & Public Protection having provided various updates on the implementation of the Planning (Wales) Act 2015 to service users; elected members; and city, town and community councils; and
- having a corporate group and 'service champions' to help implement the new Welsh Language Standards.

We have an excellent health and safety record and provide a wide range of training and guidance to support the implementation of our Corporate Health and Safety Policy. The Corporate Health, Safety and Welfare Committee comprises elected members and staff representatives and meets regularly to receive updates on health and safety management corporately and across Council services.

We have an independent and objective internal audit service providing assurance across the whole range of the Council's services, including partnerships and alternative service providers. The Head of Internal Audit's annual report for 2015/16 confirmed that we operate a robust system of financial and operational internal controls.

We discuss any reports of external regulators at the relevant management and elected member levels and monitor action plans arising from their reviews.

Developments in information management have been continuing throughout 2015/16. The focus of these developments has been on further reducing information risk and modernising the way we handle information. The modernisation aspect has concentrated on enabling our transition from paper to digital information

and the advantages this provides. Some of the main actions addressed over the last 12 months include:

- implementing a corporate confidential waste solution. Most Council buildings and many schools now have secure confidential waste containers that are collected and emptied every four weeks;
- developing an updated information security policy and sharing it with key stakeholders for comments, ready for launching during April 2016;
- the Modernisation Board having recently agreed to extend the EDRMS (electronic document records management) project until March 2017. This is in recognition of the positive impact that EDRMS is having on our services, with over 650 employees using the system, which stores over 2.5 million documents.
- strengthening our processes for handling and responding to Access to Information requests to ensure that adequate provision is made to manage this workload. Throughout 2015/16, we consistently answered the vast majority (>90%) of all such requests within their timescale;
- publishing several datasets on our website to try to reduce the number of information requests that services have to respond to;
- achieving Public Sector Network (PSN) accreditation for 2015/16;
- commencing a transformation programme in the Archive Service, designed to modernise the service. This includes the development of an improved website, which provides access to an online catalogue and digital images of collections. The new website was due to be launched during March 2016; and
- restructuring the Corporate Information Team to create a new Digital Records Bureau that will enable the Council to accelerate its conversion from paper to digital records. The new Bureau will have responsibility for digital conversion activities in support of EDRMS implementations, the digital mailroom, modern record file requests and box deposits.

There is still a lot of work to do, for example:

- preparing the Council for the new Data Protection Act (to be introduced during 2018);
- embedding the new Digital Records Bureau (including mailroom);
- embedding the new information security policies;
- continuing the transformation of the Archive Service;
- maximising the Council's investment in EDRMS by fulfilling the project's forward work plan up until March 2017; and
- raising awareness of the Corporate Document Retention Schedule and embedding within services.

The Council's Information Risk Policy includes a requirement to include specific information in the 'annual governance statement' and to share and discuss this with the Corporate Governance Committee. The Council's Senior Information Risk

Officer's (SIRO) report to the Corporate Governance Committee for 2015/16 states that:

- there have been no significant breaches of the Data Protection Act in the Council during the year;
- although five instances where personal data had been lost or compromised were reported to the SIRO and investigated, none were serious enough to warrant reporting to the Information Commissioner's Office (ICO). This is an improving trend, as we had to report two serious breaches to the ICO in 2014/15 and four in 2013/14;
- as a consequence, one of the outcomes of the SIRO investigations has been an increased focus on the systems and processes in the teams where these breaches have occurred;
- the Council received over 1,000 Freedom of Information (FOI) requests during the year, responding to 93% within the 20-day standard;
- where there is any disagreement over whether to release information following a FOI request, the Council has a panel chaired by the Head of Legal, HR and Democratic Services to review the cases; and
- no complaints against the Council under the FOI Act were investigated by the ICO, as compared with three cases in 2014/15. As a response to last year's complaints, procedures were improved to ensure that complex cases were recognised early on in the process so that timely responses could be made, so it would seem that this action has improved the situation.

## Developing our capacity and capability to be effective

**...we make sure that our elected members and employees have the required resources, skills, knowledge and experience they need to perform well**

We have elected member and employee induction programmes to ensure that key information is imparted at an early stage, have rolled out induction and refresher training to services and carried out an 'audit' of recently recruited members of staff to ensure that it is being carried out. It is a much-improved process and we are carrying out significantly more inductions.

Employees receive annual performance appraisals, resulting in training and development plans to help them achieve their objectives and fulfil their roles effectively. There was a significant improvement in appraisal completion rates during 2015/16, with 96% of eligible employees receiving an annual appraisal compared to 88% in 2014/15.

As part of our Leadership Strategy, SLT and middle managers will be required to complete a training needs analysis to identify any gaps in skills and experience, which will feed into their individual training plan.

There is a current process in place for appraising the performance of Cabinet members, which has been strengthened by aligning their priorities to the Corporate Plan, which is in response to the CEO's paper on 'Sharpening our Act'. New Portfolio Profiles have been created for each Cabinet Member that are more user-friendly. They now include Cabinet Members' aligned Corporate Plan Priorities, indicating the measures that have been put in place to achieve the priorities by 2017, together with aligned risks from the Corporate Risk Register.

During their appraisals, Cabinet Members are encouraged to share with the Leader any areas where they feel they have performed well or where they may require additional support. They are asked whether they have any training requirements and are encouraged to complete a Personal Development Plan and an Annual Report. They are also encouraged to attend Scrutiny Committee meetings when possible, in particular, when there is a discussion about an item relevant to their portfolio. Prior to Cabinet Member appraisals, the Leader has also introduced an invitation for feedback from SLT so that he can discuss this with the Cabinet Member during the appraisal.

Each year, as part of Academi Wales, the Welsh Government and Welsh Local Government Association works in partnership with the Local Government Association to deliver the Leadership Programme for councillors, which the Institute of Leadership and Management (ILM), the UK's leading awarding body for leadership and management, recognises. Four out of the eight Cabinet Members have completed the programme and, due to the dates of this year's programme clashing with Cabinet meetings, the invitation was extended to Chairs of Scrutiny and the

Council's Chair of Corporate Governance Committee who has enrolled and is due to complete the Programme at the end of March 2016.

Scrutiny Committees and the Corporate Governance Committee produce annual reports on their work to County Council.

We are modernising the way we work so we can use valuable time and resources better. The Modernisation Board has initiated several projects that create service delivery efficiencies and we have developed a Flexible Working Policy Statement and guidance that sets out how we expect employees to work in the future and what support we can provide. To improve our efficiency and mobility, we have:

- rolled out new IT equipment;
- upgraded the Local Area Network and Wi-Fi to support flexible working;
- continued to review our office accommodation requirements;
- agreed a hot-desking policy and introduced more hot-desking facilities;
- continued to roll out EDRMS to more services;
- implemented Central Invoice Registration, which will reduce the number of invoices not paid on time and avoid late payment fines; and
- developed a Customer Service Strategy to show how we will deliver excellent customer service.

### ...we ensure that we can continue to perform effectively during periods of change

Strategic HR Business Partners undertake an annual workforce planning exercise with each service to identify their priorities for the coming 12 months. This enables Strategic HR to understand and prioritise the level and timing of support that services may require. The discussions with services cover service aims and priorities, workforce profile, upcoming challenges and risks, resource and skills gaps and critical posts. This allows Strategic HR to develop a Workforce Priority Plan, agreed with SLT. In addition, the data collected from performance appraisals enables Strategic HR to identify corporate people development priorities for the coming 12 months. Throughout the year, the HR Business Partners work with Heads of Service and re-prioritise their objectives as necessary.

To help develop potential senior managers of the future, we use Middle Managers Conferences to engage them.

'Yr Hwb' cohort for 2015 has now come to an end, and members of the team were involved in a range of key projects, including Modernisation Programme stakeholder and communication events and also work on Economic and Community Ambition Programme promotion campaigns. Directors and Heads of Service provided mentorship for each of the 'yr Hwb' members. Recruitment for the new cohort for 'yr Hwb' has not been successful despite the benefits to both the organisation and the individuals so we will deliver a new campaign during early summer, with a fresh approach to recruit into the team.

More of our projects are being delivered from within services, benefiting from the extensive project management training that has been undertaken over the past two years. This has resulted in a reduction of our Corporate Project Management resource, contributing to our resilience to change and our efficiencies.

## Engaging with local people and other stakeholders to ensure robust public accountability

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### ...we take an active and planned approach to dialogue with and accountability to our external regulators

We take a proactive approach to external regulation, for example:

- regular meetings to discuss developments, external regulator work and outcomes;
- involving and consulting external regulators on key decisions that may affect our governance arrangements;
- acting on any improvements that external regulators identify in their reports; and
- presenting external regulator reports to the relevant committees to keep elected members informed.

### ...we engage effectively with the public and other stakeholders

We publish our Annual Statement of Accounts, including this self-assessment of our governance and improvement, on our website and it is open for public inspection and challenge for the designated period. We also publish our Annual Performance Report so that the public can see how well we are performing in the delivery of our Corporate Plan.

Our customer feedback and complaints framework provides the opportunity for customers to comment on our services. We listen to these views when deciding on service planning and improvement.

Our Corporate Community Engagement Strategy and Toolkit is on our website and intranet and is a useful resource for all services. The Strategy will become embedded in the engagement philosophy of all services so that minimum standards are adopted. The Strategy and Toolkit is being revised in line with the Well-being of Future Generations Act.

We continue our close liaison with the 37 city, town and community councils within the county through 'cluster' meetings and an annual liaison meeting attended by our CEO, Council Leader and Council Chairman.

We carried out a Residents Survey in 2015, the results of which we plan to use to help inform future service delivery. Response levels (approximately 700) were lower than for previous surveys, because we carried out the survey electronically, apart from in schools, to reduce its cost significantly. Lower response rates affect confidence levels in the results but they do show poorer levels of satisfaction than in previous years across a range of survey questions. The draft results have been collated and reported to our SLT but need further analysis before deciding on the next steps.

Services carry out individual engagement and consultation, usually on a specific issue, for example on our review of schools provision and the future of care homes, and Community Support Services regularly conducts a Feedback Fortnight

on its services. Responses received influence current and future delivery of services.

In delivering Denbighshire's Single Integrated Plan (Supporting Independence and Resilience: Denbighshire's Wellbeing Plan 2014-2018) we have undertaken a pilot Asset Based Community Engagement exercise in Corwen, called 'People to People / Pobl y Bobl'. Our learning from this pilot will inform future community engagement exercises.

We have significantly improved our engagement with business over the last 12 months, although we realise that we still have work to do. We have restructured the Economic and Business Development (EBD) team to be more focused on clear priorities and setting the officers with clear expectations for engaging with businesses. The team's three priorities are:

- engagement with businesses;
- co-ordination of quality support and advice for businesses; and
- implementing Economic and Community Ambition (ECA) Programme projects for the benefit of businesses, focused on:
  - digital infrastructure exploitation
  - business advice and support
  - developing economic growth sectors
  - actions to support town centre economic growth
  - investment enquiry handling.

We have also implemented other improvements in business engagement, including:

- The ECA Programme has been developed to deliver the ECA strategy, with a range of key change initiatives that focus primarily on delivering outcomes and benefits for businesses in order to help them stay healthy and grow.
- Face-to-face contact with businesses has improved consistently as the new EBD team has worked with local businesses to promote events such as 'Small Business Saturday' and 'Support your High Street'.
- This face-to-face contact and feedback from our 2015 Business Survey has helped us to develop our 'Business Bootcamp' into a series of business-focused events – the 'March for Business' programme. These popular business workshops have focused on finance and funding, employment, HR, and social media for business, all of which will be re-run to cater for extra demand. The programme also offers opportunities for businesses to engage with specific Council service areas in order to develop beneficial relationships.
- The Corporate Director: Economic and Community Ambition the Council Leader have conducted a series of strategic meetings and visits with key businesses across the county. The Leader has also visited several town centre businesses to demonstrate our commitment to supporting the business community and to gather feedback on areas for future improvement.

- Electronic contact has risen significantly with the establishment of a Twitter feed and blog site to communicate with businesses in different ways. Work with other Council services has improved the Council's web content for businesses and case study video clips have been launched through the EBD blog site in support of the Digital Denbighshire project to encourage businesses to exploit the potential of superfast broadband.
- We have implemented a new system to improve our contact database for companies and are looking at how we use it to its maximum. We have used this to notify businesses regularly of our own events and initiatives and those provided by other support organisations. The system has also been used to maintain and develop more productive relationships with key businesses.
- Business engagement in our 'Better Business for All' project has progressed to a virtual stakeholder group more suited to the requirements of business stakeholders in the project. We are now looking to expand the approach to other services that engage with businesses in their day-to-day work.
- We have introduced a streamlined investment support process for businesses looking to move into or expand within the county and an 'Investment Toolkit' to support officers to service these enquiries more effectively. Initial feedback from investors is that they have a very positive experience.
- We have established a small business development grant scheme to aid start-up and growing businesses. This has been well received with several expressions of interest.

### **...we take an active and planned approach to responsibility to our staff**

Our whistleblowing procedures ensure that employees can raise issues of concern freely with a wide range of people/bodies. This procedure has recently been reviewed and will be launched over the coming months.

We have several tools (policies, procedures, workforce planning; 1:1s.) to help manage our staffing resources effectively, consistently and fairly. We also have a variety of ways to ensure that we involve our employees and their representatives in decision making. We carry out regular staff surveys, and the 2015 survey resulted in an increased response rate from 44.6% to 49% over the 2013 survey. The effects of the financial cuts and the associated restructuring and modernisation are clear to see, with some questions showing significant decline compared to the 2013 results. Perhaps most notable are the key employee engagement questions, although results still remain reasonable. The survey highlighted that:

- fewer employees (76%) are proud to work for the Council compared to 83% in 2013;
- fewer employees (83%) are satisfied with the Council as an employer compared to 88% in 2013;
- over 90% of employees stated that they enjoy their work, know what is expected of them and get on well with their colleagues;

- change management has improved, but can perhaps be better, as only 61% feel that we plan and deliver changes well; and
- communication remains the same, with only 64% that feel well informed about what is going on in their service.

There are some mixed messages coming out of the survey around communication, which may need to be addressed. On the one hand, there is improvement in the percentage who feel informed about what is going on across the Council and the percentage accessing and reading the Headlines / CEO's message, but there are declines in the number who feel that they are consulted about key issues and those who feel that senior managers will act on the survey results. The results from the questions around corporate vision for the future and the confidence in the abilities of the corporate leadership team, suggest that some of the key messages are perhaps not getting across.

## Significant governance issues

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There are no significant governance issues to report this year.

The two significant governance issues that we identified last year relating to alternative service providers and corporate procurement have now been addressed, although both areas are included in the Governance Improvement Action Plan in Appendix 1 to monitor implementation and continued improvement.

Any other less significant issues that we have identified in our self-assessment above have also been included in the Governance Improvement Action Plan that the Corporate Governance Committee monitors.

We propose over the coming year to take steps to address the issues identified in our Governance Improvement Action Plan 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: *Mark H Ewars* ..... (Leader) ..... *20/9/* ..... 2016

Signed: *M.M.L.* ..... (Chief Executive) ..... *20/9/* ..... 2016

## Governance Improvement Action Plan

Improvement Area	Action	Responsibility	Timescale
<b>Alternative Service Providers</b>			
The Council needs to ensure that there are robust governance arrangements for all key services provided by alternative service providers in line with its new monitoring framework.	The revenues and benefits service will be reviewed annually as part of Internal Audit's financial assurance work. This will include a review of governance arrangements.	Head of Internal Audit Services	Autumn 2016 and annually thereafter
	The Citizens Advice Bureau service arrangements will be reviewed in Quarter 1 of 2016/17.		By 30 June 2016
	The value for money aspects of the GwE arrangements will be reviewed annually. This is currently taking place for 2015/16 and is scheduled for Quarter 4 of 2016/17.		In progress for 2015/16 and annually thereafter
<b>Performance</b>			
The Council needs to implement its Housing Strategy action plan to improve the provision of affordable homes in the county.	Internal Audit review of the Housing Strategy action plan implementation is scheduled for Quarter 3 of 2015/16 to assess progress.	Head of Internal Audit Services	By 31 December 2016

Improvement Area	Action	Responsibility	Timescale
<p>The WAO report on Financial Resilience identified that the Council needs to strengthen its approach to income generation.</p>	<p>Although service fees and charges have been considered as part of previous budget rounds, the revised process for 2017/18 includes much more analysis of service income streams, including the individual charges, total raised, review period, etc. This service data will inform a corporate register of all fees and charges.</p> <p>The budget process for 2017/18 is now underway and the service data is being distributed and will be assessed in June. Initial results will be presented to elected members in July. It is hoped that, as part of the assessment process, the national benchmarking data currently recently collected by WAO can be used. Any decisions about fees and charges would then be debated and impact-assessed as part of the corporate budget process.</p> <p>Therefore, by the end of February 2017 (i.e. the end of the budget process), the Council's approach to fees and charges will have been strengthened.</p>	Chief Finance Officer	February 2017
<b>Constitution</b>			
<p>The review of the Council's Constitution needs to be completed, to include a new delegation scheme following restructure of services.</p>	<p>Complete review and present to Corporate Governance Committee, then to Council for approval.</p>	Head of Legal, HR & Democratic Services	July 2016

Improvement Area	Action	Responsibility	Timescale
<b>Policy Framework</b>			
The review of the Council's anti-fraud and corruption policy needs to be completed and launched to raise awareness across the organisation.	Complete review and present to Corporate Executive Team and Corporate Governance Committee. Final approval by Cabinet.	Head of Legal, HR & Democratic Services	July 2016
<b>Scrutiny Arrangements</b>			
There has been a significant decline in elected member attendance at Scrutiny Committee meetings.	<p>We have agreed with Council to set up a working group of elected members to look at the timing and location of committees. We are also looking at some other constitutional changes, such as considering removing the restriction on Corporate Governance Committee members from being on other scrutiny committees, freeing up the Vice-Chair to be on committees other than Corporate Governance and the issue of substitutions being allowed.</p> <p>The issue of attendance has been raised on several occasions with group leaders, and committee chairs have been encouraged to promote attendance at their meetings.</p>	Head of Legal, HR & Democratic Services	Work in progress and will continue throughout 2016/17

Improvement Area	Action	Responsibility	Timescale
<b>Stakeholder Engagement</b>			
There was a poor response rate to the 2015 Residents Survey. At 31 March 2016, the results had still to be finalised, published and next steps agreed to address issues arising.	This has now been collated and analysed. A summary report is set to go to Cabinet Briefing in May 2016 and then to Scrutiny. This survey was established to support the current Corporate Plan, which is in its last year. Officers are meeting soon to develop a broader engagement strategy that will provide better information about our residents' concerns. This will feed into the new corporate plan and will support the development of the next public sector wellbeing plan.	Head of Business Improvement & Modernisation  Head of Customers, Communication & Marketing	November 2016

Improvement Area	Action	Responsibility	Timescale
<b>Procurement</b>			
<p>Now that the Council has approved a new Procurement Strategy and Contract Procedure Rules (CPRs), it needs to ensure that these become embedded within services and complied with.</p>	<ul style="list-style-type: none"> <li>• Training sessions on the new Procurement Strategy &amp; CPRs being held and will continue as long as there is demand.</li> <li>• Develop a set of performance measures and improvement actions for inclusion in the 2016/17 Facilities, Assets &amp; Housing service plan, to measure progress against strategy implementation and CPR compliance.</li> <li>• Restructure the corporate procurement team to ensure that it is organised in a way that will create the capacity and capability required to deliver the strategy and embed the CPRs.</li> <li>• Report to Performance Scrutiny Committee to scrutinise what progress has been made on implementing the strategy and whether services across the Council are applying the new CPRs.</li> <li>• Produce an annual report detailing performance against the agreed measures.</li> <li>• Internal Audit review to include compliance assessment against strategy and CPRs</li> </ul>	<p>Programme Manager - Procurement</p> <p>Programme Manager - Procurement</p> <p>Head of Facilities, Assets &amp; Housing</p> <p>Programme Manager - Procurement</p> <p>Programme Manager - Procurement</p> <p>Head of Internal Audit Services</p>	<p>31 December 2016</p> <p>30 June 2016</p> <p>30 September 2016</p> <p>31 December 2016</p> <p>30 June 2016</p> <p>31 March 2017</p>

## **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 Private Finance Initiative is a form of PPP.

**PUBLIC WORKS LOAN BOARD (PWLB)** - A Central Government Agency, which provides loans for one year and above to authorities at interest rates only slightly higher than those at which the government itself can borrow.

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

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

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

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

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

**RESIDUAL VALUE** - The net realisable value of an asset at the end of its useful life.

**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.