



At: Aelodau Pwyllgor Llywodraethu  
Corfforaethol

Dyddiad: 1 Gorffennaf 2014

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Annwyl Gyngorydd

Cyfeiriaf at y rhaglen ar gyfer cyfarfod y **PWYLLGOR LLYWODRAETHU CORFFORAETHOL** sydd i'w gynnal am **9.30 am, DYDD MERCHER, 2 GORFFENNAF 2014 yn YSTAFELL BWYLLGORA 1A, NEUADD Y SIR, RHUTHUN** ac ryw'n amgáu'r ddogfen canlynol.

**Rhif Eitem**  
**Agenda**

**6 DATGANIAD O GYFRIFON DRAFFT** (Tudalennau 3 - 158)

Ystyried adroddiad gan y Pennaeth Cyllid ac Asedau (copi wedi'i amgáu) ar y Datganiad o Gyfrifon.

Yn gywir

G Williams  
Pennaeth Gwasanaethau Cyfreithiol a Democrataidd

**AELODAETH**

**Cynghorwyr**

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**COPIAU I'R:**

Holl Gynghorwyr er gwybodaeth  
Y Wasg a'r Llyfrgelloedd  
Cynghorau Tref a Chymuned

# **STATEMENT OF ACCOUNTS 2013/14**

**DENBIGHSHIRE COUNTY COUNCIL**  
**STATEMENT OF ACCOUNTS**  
**2013/14**

**CONTENTS**

SECTION	PAGE
<b>1. INTRODUCTION &amp; EXPLANATORY FOREWORD</b>	<b>1-8</b>
<b>2. STATEMENT OF RESPONSIBILITIES</b>	<b>9-10</b>
<b>3. FINANCIAL STATEMENTS &amp; NOTES TO THE ACCOUNTS</b>	
Movement in Reserves Statement	<b>14-15</b>
Comprehensive Income and Expenditure Statement	<b>16-17</b>
Balance Sheet	<b>18-20</b>
Cash Flow Statement	<b>21</b>
Notes to the Accounts	<b>22-112</b>
<b>4. SUPPLEMENTARY STATEMENTS</b>	
Housing Revenue Account Income and Expenditure Statement	<b>114</b>
Statement of Movement in the HRA Balance	<b>115</b>
Notes to the Supplementary Statements	<b>116-118</b>
<b>5. EXTERNAL AUDITOR'S REPORT</b>	<b>119-120</b>
<b>6. ANNUAL GOVERNANCE STATEMENT</b>	<b>121-146</b>
<b>7. GLOSSARY</b>	<b>147-153</b>

## **INTRODUCTION**

Denbighshire County Council is a Welsh unitary authority with a population of over 95,000.

The County of Denbighshire covers an area that runs from the North Wales coastal resorts of Rhyl and Prestatyn down through the Vale of Clwyd, south as far as Corwen and the popular tourist town of Llangollen. Along the way, it takes in the historic towns of Rhuddlan, Denbigh and Ruthin, each with its own castle and the tiny cathedral city of St. Asaph. There are 47 councillors elected to represent the various wards of the county. The Council employs around 4,500 staff.

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

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

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

## **THE STATEMENT OF ACCOUNTS**

The Council produces the annual Statement of Accounts each year in line with legal requirements, the Chartered Institute of Public Finance and Accountancy and the Code of Practice on Local Authority Accounting (the Code) in the United Kingdom with the following aims:

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

The Statement of Accounts contains the following sections:

### **Section 1- Explanatory Foreword**

This Foreword by the Chief Financial Officer provides a summary of the financial activities of the Council during the year and at the year-end.

### **Section 2 - Statement of Responsibilities**

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

### **Section 3 - Main Financial Statements & Notes to the Accounts**

The 2013 Code requires that local authority accounts comply with International Financial Reporting Standards (IFRS). The main financial statements comprise:

**Movement in Reserves Statement**

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

**Comprehensive Income and Expenditure Statement**

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

**Balance Sheet**

The Balance Sheet shows a snapshot of the Council's financial position as at 31st March 2014. 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 and how these costs are met from rents and other income.

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

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

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

**Section 6 – Annual Governance Statement**

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

**Section 7 – Glossary**

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

## **SECTION 1: EXPLANATORY FOREWORD**

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

The Council sets a revenue budget each year. This is a budget for services it will provide in the year and that will be paid for by service users, Welsh Government Grants and Council Tax and Business Rate payers. For 2013/14, this gross budget was £283m. A savings target of £3.1m was set and delivered in 2013/14. The council has made budget savings of almost £13m 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 £1.8m less than it budgeted for on services and corporate budgets, including making a budgeted contribution to balances of £300k.

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

The final revenue position this year has meant that it has been possible to make a net contribution to reserves within the accounts of £7.1m.

The Council's general balances now stand at £8.7m. 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 2014.

	Final Revenue Outturn Report £000
<b>Service and Corporate Budgets</b>	
Business Improvement & Modernisation	1,682
Legal & Democratic Services	1,356
Finance & Assets	5,871
Highways & Environmental Services	19,960
Planning & Public Protection	2,498
Adult & Business Services	33,367
Children & Family Services	8,247
Housing and Community Development	1,512
Communication, Marketing and Leisure	6,213
Strategic HR	892
ICT/Business Transformation	1,772
Customers and Education Support	2,003
School Improvement & Inclusion	4,775
Schools	63,116
Corporate	17,349
<b>Total Service and Corporate Budgets</b>	<b>170,613</b>
<b>Other</b>	
Capital Finance / Investment Interest	13,230
Levies	4,594
<b>Total Expenditure (excludes HRA)</b>	<b>188,437</b>
Less Funding	(191,844)
<b>In-year Position</b>	<b>(3,407)</b>
Budgeted Contribution to Balances	300
<b>Final Outturn</b>	<b>(3,107)</b>
<b>Contribution to Reserves and General Balances Reported to Members:</b>	
<b>Allocated as follows:</b>	
Earmarked Balances – Services	979
Capital Spend to Save Reserve	250
Corporate Plan Reserve	855
School Balances	1,023
<b>Total</b>	<b>3,107</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 2013/14 and how the expenditure was funded:

<b>Expenditure</b>	<b>£000</b>
Strategic HR	2
Legal & Democratic Services	1
Finance & Assets	1,147
Highways & Environmental Services	9,833
Planning & Public Protection	3,130
Adult & Business Services	268
Housing & Community Development	16,578
Communication, Marketing & Leisure	2,034
ICT/Business Transformation	781
Customers & Education Support	8,019
Education	210
<b>Total</b>	<b>42,003</b>
<b>Funding</b>	<b>£000</b>
Grants	22,317
Supported Borrowing	5,418
Prudential Borrowing	10,428
Capital Receipts	735
Capital Expenditure charged against the Council Fund	3,105
<b>Total</b>	<b>42,003</b>

Expenditure on major Projects undertaken during the year includes:

Project	Description	2013/14 £000
Rhyl	Sea Defence Repair Works	736
Rhyl Harbour Development	Works to Cycle/Pedestrian Bridge, Quayside Units, Public Square & Quay Wall	3,406
Corwen	Flood Alleviation Scheme	1,880
Ruthin	Vale of Clwyd Cyclerooute, Rhewl to Ruthin	293
Denbighshire	North Wales Cycling Centre of Excellence and Rhyl Cut Fisheries	514
Llangollen	Dee Valley Cyclepath	293
St Asaph	Elwy Bridge Works	327
Ysgol y Llys, Prestatyn	Refurbishment, Remodelling and Extension	1,477
Ysgol Twm o'r Nant, Denbigh	Extension and Refurbishment of Existing Site	699
Ysgol Dyffryn Ial	Extension	578
Ysgol Maes Hyfryd (Bro Dyfrdwy)	Extension and Refurbishment Works	1,209
Rhyl	New School	1,053
Rhyl	Refurbishment of the Old Youth Centre for Flying Start Initiative	211
Rhyl	Property Acquisition/Demolition & Public Realm Works	6,315
Council Housing	Major Improvements	5,172
Council Housing	Disabled Adaptations	364
Ruthin	Leisure Centre Re-development	1,137
Prestatyn	Library Re-location	613

### 1.3 OTHER ISSUES

#### **Pensions**

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

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

#### **Housing Business Plan**

The council owns approximately 3,454 council houses – known as the housing stock. Since 2005, the council has invested almost £60m in improving its housing stock and it will achieve the Welsh Housing Quality Standard in August 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 are currently subject to a national subsidy system which means that surplus rent income has to be paid to the UK Government. It is proposed that this HRA subsidy system

will be abolished in April 2015 and although the details have not yet been finalised, it is likely that the financial consequences for the council will be positive. A new Housing Stock Business Plan will be developed during 2014/15 to accommodate the proposed changes.

### **Borrowing & Investments**

The Council's strategy in 2013/14 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 £10m 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 2014 was £142m and investment balances were £32.5m.

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

The Accounting Policies are detailed fully in Note 1 to the accounts. This is the fourth year that the Council's accounts have been produced to comply with international standards and the Code of Practice on Local Authority Accounting. The Code has adopted the changes to IAS 19 – Employee Benefits and, as a consequence, the Council is required to change its accounting policy for Employee Benefits. The change has introduced new classes of components of defined benefit costs to be recognised in the accounts and new definitions of recognition criteria for service costs and termination benefits. The change in policy has had no impact on the Council's financial position and Balance Sheet, however, adjustments have been made, requiring the restatement of the 2012/13 Movement in Reserves Statement, Comprehensive Income and Expenditure Statement and respective notes to the accounts. These changes are detailed in Note 50 to the Accounts.

### **Statutory Functions**

There were no significant changes to the Council's statutory functions during 2013/14.

### **Severe Weather Events**

For the second year running, the council had to deal with a significant flood event. In December 2013, parts of Rhyl suffered significant damage as a result of coastal flooding. The cost to the council of the immediate response to the floods was approximately £72k but significant capital works were required to repair and improve damaged defences and infrastructure. Grant funding of approximately £1m in support of this investment was received from Welsh Government.

### **MMI**

The Mutual Municipal Insurance Co. (MMI) was wound up in 1992. MMI was the principal insurer of around 95% of local councils in the UK, including Denbighshire's predecessor authorities. As MMI was a company under the mutual ownership of its local authority members its members are responsible for liabilities (claims) still arising relating to events prior to 1992. The impact of claims still arising, along with a downturn in the returns on investments means that those administering MMI's affairs are projecting that the company may not have sufficient resources to fund all future claims, meaning former members will be obliged to contribute to the shortfall.

Provision has been made within the 2013/14 accounts to cover the anticipated liability as advised by those administering the affairs of MMI but there is potential for the liability to increase in the future.

### **The Corporate Plan**

During 2012/13 the Council committed to delivering an ambitious Corporate Plan which aims to deliver investment of over £120m in schools, social care facilities and roads in the coming five-

seven years. External funding will contribute to the overall cost of investment in schools and roads but the Plan relies upon internal resources to fund borrowing and to provide cash. Such a significant investment will help improve key services but does not come without risk and therefore measures are in place to continually assess the delivery and affordability of the Plan.

In 2013/14, individual projects within the Corporate Plan developed, including investment in highways and bridges and schools. Expenditure on Corporate Plan projects was £5.2m in 2013/14 and is estimated to be £15.7m in 2014/15.

**Looking Ahead**

It is likely that local government funding settlements will reduce further in the coming three-five years so the amount the Council spends each year will have to reduce accordingly. Some very tough decisions will have to be taken to ensure the Council continues to live within its means. As part of a revised budget setting process for 2015/16 and beyond, all services will undergo a review to determine how services might be delivered in future. The council's Medium Term Financial Plan describes this process in more detail.

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

## SECTION 2: STATEMENT OF RESPONSIBILITIES

### The County Council's Responsibilities

The County Council is required to:

- (i) make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that is the Chief Financial Officer;
- (ii) manage its affairs to ensure economic, efficient and effective use of resources and safeguard its assets;
- (iii) approve the Statement of Accounts.

#### AUTHORITY'S CERTIFICATE

I approve the Statement of Accounts of Denbighshire County Council.

Signed ..... Date .....

**CHAIR OF CORPORATE GOVERNANCE COMMITTEE**

### Responsibilities of the Chief Financial Officer

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

In preparing this Statement of Accounts, the Chief Financial Officer has:

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

The Chief Financial Officer has also:

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

**Certificate: Chief Financial Officer**

I certify that the accounts presented give a true and fair view of the financial position of Denbighshire County Council at the reporting date and its income and expenditure for the year ended 31 March 2014.

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

**Date**

**SECTION 3:  
FINANCIAL  
STATEMENTS  
AND  
NOTES TO THE  
ACCOUNTS  
2013/14**

## Contents

Note	Page No.
Movement in Reserves Statement	14
Comprehensive Income and Expenditure Statement	16
Balance Sheet	18
Cash Flow Statement	21
Note 1 Accounting Policies	22
Note 2 Accounting Standards That Have Been Issued but Not Yet Adopted	37
Note 3 Critical Judgements in Applying Accounting Policies	38
Note 4 Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty	39
Note 5 Material Items of Income and Expense	40
Note 6 Events After the Balance Sheet Date	40
Note 7 Adjustments between Accounting Basis and Funding Basis under Regulations	40
Note 8 Other Operating Expenditure	46
Note 9 Financing and Investment Income and Expenditure	46
Note 10 Taxation and Non-Specific Grant Income	46
Note 11 Council Tax	46
Note 12 National Non Domestic Rates (NNDR)	47
Note 13 Property, Plant and Equipment	48
Note 14 Investment Properties	53
Note 15 Financial Instruments	54
Note 16 Inventories	56
Note 17 Debtors	57
Note 18 Cash and Cash Equivalents	57
Note 19 Assets Held for Sale	57
Note 20 Creditors	59
Note 21 Provisions	59
Note 22 Transfers to/from Earmarked Reserves	60
Note 23 Usable Reserves	63
Note 24 Unusable Reserves	65
Note 25 Cash Flow Statement - Operating Activities	70
Note 26 Cash Flow Statement - Investing Activities	70
Note 27 Cash Flow Statement - Financing Activities	71
Note 28 Amounts Reported for Resource Allocation Decisions	71
Note 29 Trading Operations	77
Note 30 Agency Services	78
Note 31 Pooled Budgets	79
Note 32 Members' Allowances	80
Note 33 Officers' Remuneration	81
Note 34 External Audit Costs	85
Note 35 Grant Income	86
Note 36 Related Parties	87
Note 37 Capital Expenditure and Capital Financing	91
Note 38 Leases	92
Note 39 Private Finance Initiatives and Similar Contracts	93
Note 40 Pension Schemes Accounted for as Defined Contribution Schemes	95
Note 41 Defined Benefit Pension Schemes	95
Note 42 Contingent Liabilities	102
Note 43 Contingent Assets	103
Note 44 Nature and Extent of Risks Arising from Financial Instruments	103
Note 45 Education Trust Funds	106
Note 46 Welsh Church Acts Fund	106



Note 47 Heritage Assets	107
Note 48 Heritage Assets: Five-Year Summary of Transactions	109
Note 49 Heritage Assets: Further Information on the Museums Collection	109
Note 50 Accounting Policy and Other Changes Required by the Code of Practice for Local Authority Accounting in the United Kingdom	110

## 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		Restated Total Usable Reserves £000	Restated Unusable Reserves £000	Restated Total Authority Reserves £000
		Restated Council Fund Balance £000	Earmarked Reserves £000	Restated Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000			
<b>Balance at 31 March 2012</b>		<b>(9,158)</b>	<b>(30,505)</b>	<b>(871)</b>	<b>(1,594)</b>	<b>(4,935)</b>	<b>(47,063)</b>	<b>(267,923)</b>	<b>(314,986)</b>
<b>Movement in reserves during 2012/13</b>									
(Surplus) or deficit on the provision of services	CI&E	(3,931)		16,300			12,369		12,369
Other Comprehensive Income & Expenditure	CI&E							166,414	166,414
<b>Total Comprehensive Income &amp; Expenditure</b>		<b>(3,931)</b>		<b>16,300</b>			<b>12,369</b>	<b>166,414</b>	<b>178,783</b>
Adjustments between accounting basis & funding basis under regulations	7	(765)		(16,438)	(1,203)	1,308	(17,098)	17,098	0
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>		<b>(4,696)</b>		<b>(138)</b>	<b>(1,203)</b>	<b>1,308</b>	<b>(4,729)</b>	<b>183,512</b>	<b>178,783</b>
Transfers to/from Earmarked Reserves	22	4,056	(4,019)	(37)			0		0
<b>Increase/Decrease in 2012/13</b>		<b>(640)</b>	<b>(4,019)</b>	<b>(175)</b>	<b>(1,203)</b>	<b>1,308</b>	<b>(4,729)</b>	<b>183,512</b>	<b>178,783</b>
<b>Balance at 31 March 2013</b>		<b>(9,798)</b>	<b>(34,524)</b>	<b>(1,046)</b>	<b>(2,797)</b>	<b>(3,627)</b>	<b>(51,792)</b>	<b>(84,411)</b>	<b>(136,203)</b>

	Note	Revenue Reserves			Capital Reserves		Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
		Council Fund Balance £000	Earmarked Reserves £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000			
<b>Balance at 31 March 2013</b>		(9,798)	(34,524)	(1,046)	(2,797)	* (3,577)	(51,742)	(84,411)	(136,153)
<b>Movement in reserves during 2013/14</b>									
(Surplus) or deficit on the provision of services	CI&E	2,320		903			3,223		3,223
Other Comprehensive Income & Expenditure	CI&E							(19,831)	(19,831)
<b>Total Comprehensive Income &amp; Expenditure</b>		<b>2,320</b>		<b>903</b>			<b>3,223</b>	<b>(19,831)</b>	<b>(16,608)</b>
Adjustments between accounting basis & funding basis under regulations	7	(9,548)		(1,144)	341	593	(9,758)	9,758	
Net Increase/Decrease before Transfers to Earmarked Reserves		<b>(7,228)</b>		<b>(241)</b>	<b>341</b>	<b>593</b>	<b>(6,535)</b>	<b>(10,073)</b>	<b>(16,608)</b>
Transfers to/from Earmarked Reserves	22	7,111	(7,111)				0		
<b>Increase/Decrease in 2013/14</b>		<b>(117)</b>	<b>(7,111)</b>	<b>(241)</b>	<b>341</b>	<b>593</b>	<b>(6,535)</b>	<b>(10,073)</b>	<b>(16,608)</b>
<b>Balance at 31 March 2014</b>		<b>(9,915)</b>	<b>(41,635)</b>	<b>(1,287)</b>	<b>(2,456)</b>	<b>(2,984)</b>	<b>(58,277)</b>	<b>(94,484)</b>	<b>(152,761)</b>

\* The Capital Grants Unapplied opening balance has been amended to exclude a Houses to Homes Scheme grant, which should have been treated as agency.

## 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.

2012/13 Restated					2013/14		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Note	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
12,651	(10,797)	1,854	Central Services to the Public		13,152	(1,669)	11,483
21,725	(7,302)	14,423	Cultural & Related Services		19,507	(7,838)	11,669
110,363	(24,268)	86,095	Children's & Education Services		116,568	(24,475)	92,093
22,871	(10,753)	12,118	Environmental & Regulatory Services		18,418	(9,146)	9,272
24,637	(15,692)	8,945	Highways & Transport Services		27,298	(14,646)	12,652
29,121	(11,956)	17,165	Local Authority Housing (HRA)		14,461	(12,749)	1,712
38,543	(36,031)	2,512	Housing Services		39,788	(37,130)	2,658
53,295	(18,775)	34,520	Adult Social Care		53,661	(18,073)	35,588
6,772	(2,611)	4,161	Planning Services		5,072	(2,139)	2,933
15,518	(7,226)	8,292	Corporate & Democratic Core		20,066	(6,387)	13,679
211		211	Non Distributed Costs		277		277
335,707	(145,411)	190,296	<b>Cost of Services</b>		328,268	(134,252)	194,016
14,593	(34)	14,559	Other Operating Expenditure	8	14,885		14,885
16,548	(566)	15,982	Financing & Investment Income & Expenditure	9	19,680	(698)	18,982
	(208,468)	(208,468)	Taxation & Non-specific Grant Income	10		(224,660)	(224,660)
		<b>12,369</b>	<b>(Surplus) or Deficit on Provision of Services*</b>				<b>3,223</b>

Tudalen 20

2012/13 Restated				2013/14			
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Note	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
		123,196	(Surplus) or deficit on revaluation of Property, Plant & Equipment assets	24			7,280
		4,112	Impairment losses on non-current assets charged to the Revaluation Reserve				2,955
		39,106	Remeasurement of the Net Defined Benefit Liability /(Asset)	41			(30,066)
		<b>166,414</b>	<b>Other Comprehensive Income &amp; Expenditure</b>				<b>(19,831)</b>
		<b>178,783</b>	<b>Total Comprehensive Income &amp; Expenditure</b>				<b>(16,608)</b>

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

**Balance Sheet**

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, 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 2013 £000		Note	31 March 2014 £000	31 March 2014 £000
137,732	<i>Council Dwellings</i>		120,050	
180,672	<i>Other Land &amp; Buildings</i>		189,782	
7,092	<i>Vehicles, Plant, Furniture &amp; Equipment</i>		6,937	
97,515	<i>Infrastructure</i>		104,390	
3,456	<i>Community Assets</i>		4,120	
8,784	<i>Assets Under Construction</i>		7,861	
1,810	<i>Surplus Assets not Held for Sale</i>		1,799	
437,061	Property, Plant & Equipment	13	434,939	
11,798	Heritage Assets	47	9,078	
12,633	Investment Property	14	10,042	
7	Long Term Investments	15	7	
1,056	Long Term Debtors	15	987	
<b>462,555</b>	<b>LONG TERM ASSETS</b>			<b>455,053</b>
14	Short Term Investments	15	24,074	
554	Assets Held for Sale (<1yr)	19	1,141	
1,795	Inventories	16	1,548	
33,777	Short Term Debtors	17	23,685	
11,054	Cash and Cash Equivalents	18	8,836	
<b>47,194</b>	<b>CURRENT ASSETS</b>			<b>59,284</b>
(3,046)	Short Term Borrowing	15	(8,118)	
(24,409)	Short Term Creditors	20	(25,942)	
(1,258)	Provisions	21	(3,120)	
(697)	Revenue Grants Receipts in Advance	35	(2,490)	
(1,765)	Capital Grants Received in Advance	35	(1,731)	
<b>(31,175)</b>	<b>CURRENT LIABILITIES</b>			<b>(41,401)</b>

31 March 2013 £000		Note	31 March 2014 £000	31 March 2014 £000
(9,772)	Long Term Creditors	15	(9,684)	
(5,635)	Provisions	21	(3,440)	
(130,762)	Long Term Borrowing	15	(134,090)	
(196,202)	Other Long Term Liabilities	24	(172,961)	
0	Capital Grants Receipts in Advance	35	0	
<b>(342,371)</b>	<b>LONG TERM LIABILITIES</b>			<b>(320,175)</b>
<b>136,203</b>	<b>NET ASSETS</b>			<b>152,761</b>
(9,798)	Council Fund		(9,915)	
(34,524)	Earmarked Reserves	22	(41,635)	
(1,046)	Housing Revenue Account		(1,287)	
(2,797)	Capital Receipts Reserve		(2,456)	
(3,627)	Capital Grants Unapplied		(2,984)	
<b>(51,792)</b>	<b>Usable Reserves</b>	<b>23</b>		<b>(58,277)</b>
(76,304)	Revaluation Reserve		(63,266)	
196,202	Pensions Reserve		172,961	
(207,190)	Capital Adjustment Account		(206,960)	
(6)	Deferred Capital Receipts		(1)	
336	Financial Instruments Adjustment Account		341	
2,551	Short Term Accumulating Compensated Absences Account		2,441	
<b>(84,411)</b>	<b>Unusable Reserves</b>	<b>24</b>		<b>(94,484)</b>
<b>(136,203)</b>	<b>TOTAL RESERVES</b>			<b>(152,761)</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.

2012/13 Restated £000		Note	2013/14 £000
12,369	Net (surplus) or deficit on the provision of services		3,223
(25,733)	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements		(28,361)
1,580	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities		557
<b>(11,784)</b>	<b>Net cash flows from Operating Activities</b>	25	<b>(24,581)</b>
2,632	Investing Activities	26	35,046
1,973	Financing Activities	27	(8,247)
<b>(7,179)</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>2,218</b>
3,875	Cash and cash equivalents at the beginning of the reporting period		11,054
7,179	Increase/(Decrease) in Cash		(2,218)
11,054	Cash and cash equivalents at the end of the reporting period	18	8,836

Tudalen 25

## Notes to the Accounts

### 1. Accounting Policies

#### i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2013/14 financial year and its position at the year-end of 31 March 2014. The Council is required to prepare an Annual Statement of Accounts by the Accounts and Audit (Wales) Regulations 2005, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the 'Code of Practice on Local Authority Accounting in the United Kingdom 2013/14' (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 2013/14 (SERCOP) which establishes proper practice with regard to consistent financial reporting below the Statement of Accounts level and the determination of the total cost of services.

The Council's presentation of the accounts complies with the adoption of International Financial Reporting Standards (IFRS). The Main Statements comprise:

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

#### ii. Accruals of Income and Expenditure

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

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.
- Supplies of goods and services are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

#### iii. Capitalisation of Borrowing Costs

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

**iv. Cash and Cash Equivalents**

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

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

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

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

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

**vi. Employee Benefits****Benefits Payable During Employment**

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

**Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service line in the Comprehensive Income and Expenditure Statement 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 4.5%
- 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 – 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 Balance Sheet Date**

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

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

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

**viii. Financial Instruments****Financial Liabilities**

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

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

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

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

**Financial Assets**

Financial assets are classified into two types:

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

**Loans and Receivables**

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

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

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

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

### **Soft Loans**

A soft loan is a loan which the Council has given to an external body at an interest rate which is less than the market rate. In this case, soft loan accounting needs to be applied. However, if the size of the transaction is deemed to be de-minimis, there is no need to apply soft loan accounting. The Council has set this de-minimis level at £150k for each individual loan granted. The Council does not have any soft loans which are above this level.

### **ix. Foreign Currency Translation**

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

### **x. Government Grants and Contributions**

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

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

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

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

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the Council Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied

Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

#### **xi. Heritage Assets**

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

The Council's Heritage Assets are held at a number of sites. Rhyl Museum (within Rhyl Library), Ruthin Gaol & Plas Newydd have permanent collections. The latter two are site-specific, telling the stories of the properties and their occupants, whereas the collection at Rhyl explores all aspects of the town and its environment. An annual Heritage based exhibition is mounted for a month at Denbigh Library. There is a temporary display area at Rhyl Museum, which is changed quarterly and one at Nantclwyd y Dre. A scheduled monument, Castell Dinas Bran is also located within Denbighshire.

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

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

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

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

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

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

#### **xii. Intangible Assets**

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

The Council does not have any material intangible assets.

#### **xiii. Interests in Companies and Other Entities**

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



**xiv. Inventories**

The Environmental Services' stores are valued at average purchase price. It is recognised that this is not in accordance with the Code, which requires inventories to be valued at the lower of cost and net realisable value. This is due to the limitations of the computer software used by the stores and is unlikely to change in the short term. The inventory at Cefndy Healthcare is valued on the latest cost price rather than assessed between cost and net realisable value and so is also a departure from the Code. This is to reflect the volatility of some of the commodity values involved and is deemed to be a reasonable valuation method. A Social Services Equipment Store has been developed with the NHS. In keeping with general practice for such equipment, the inventory is treated as a revenue item.

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

**xv. Investment Property**

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

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

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

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

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

**xvii. Leases**

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

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

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

## The Council as Lessee

### Finance Leases

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

Lease payments are apportioned between:

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

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

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

### Operating Leases

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

## The Council as Lessor

### Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

#### Operating Leases

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

### **xviii. Non Exchange Revenue**

#### Recognition of Revenue from Non-Exchange Transactions

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

#### Taxation transactions

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

#### Non-taxation transactions

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

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

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

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

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

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

#### **xix. Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2013/14* (SERCOP). The full costs of overheads and support services are shared between users in proportion to the benefits used by various methodologies including time recording, number of items used etc. The only costs not charged to the services are:

- Corporate and Democratic Core – costs relating to the Council’s status as a multi-functional, democratic organisation.
- Non-Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

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

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

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

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

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

#### **xxi. Property, Plant and Equipment**

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

##### Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset’s potential to deliver

future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

#### Measurement

Assets are initially measured at cost, comprising:

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

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

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of acquisition is the carrying amount of the asset given up by the Council.

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

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

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

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

Subsequent revaluations of non-current assets are planned as part of a continuous assessment in order that all assets are revalued within five years of their previous valuation, although material changes to asset valuation will be adjusted in the interim period as they occur. 20% of the Council's assets were revalued during 2013/14. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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

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

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

## Impairment

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

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

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

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

## Depreciation

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

Depreciation is calculated on the following bases:

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

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

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

## Disposals and Non-current Assets Held for Sale

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

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

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

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

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

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

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

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

A PFI contract for the provision to the Council of office accommodation in Ruthin, for 25 years, was signed in 2002/03. Service commenced in May 2004. The original recognition of these non-current assets was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the assets. For Denbighshire's scheme the liability was written down by an initial capital contribution of £300k.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

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

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- finance cost – an interest charge of 6.19% on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

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

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

#### **Provisions**

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

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

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

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

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

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

#### **Contingent Liabilities**

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

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

#### **Contingent Assets**

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



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

#### **xxiv. Reserves**

The Council sets aside specific amounts as reserves for future policy purposes 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.

#### **xxv. Revenue Expenditure Funded from Capital Under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of non-current assets has been charged as expenditure to the relevant service revenue account in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Movement in Reserves Statement so there is no impact on the level of council tax.

#### **xxvi. VAT**

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

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

The authority is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. 2013/14 is the final year of the introductory phase of the scheme. The authority is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. Denbighshire County Council's consumption is currently below the qualification threshold therefore there are no costs in respect of this allowance in the accounts. Should the authority incur a cost, it would be recognised and reported in the Net Cost of Services, having been apportioned to services on the basis of energy consumption.

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the Code) has introduced a number of changes in accounting policies. The following changes will be required from 1 April 2014:

- IFRS 10 Consolidated Financial Statements - this standard introduces a new definition of control, which is used to determine which entities are consolidated for the purposes of group accounts.
- IFRS 11 Joint Arrangements - this standard addresses the accounting for a 'joint arrangement', which is defined as a contractual arrangement over which two or more parties have joint control. These are classified as either a joint venture or a joint operation.

- IFRS 12 Disclosures of Involvement with Other Entities - this is a consolidated disclosure standard requiring a range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated 'structured entities'.

The above changes are not thought to have a significant impact on the Statement of Accounts as Denbighshire County Council's interests are not deemed material in relation to the overall scale of the Council's operations.

- IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures - these statements have been amended to conform with the changes in IFRS 10, IFRS 11 and IFRS 12. Given that there would be no changes in the financial statements due to the changes to IFRS 10, IFRS 11 and IFRS 12, there would be no impact as a result of the changes to IAS 27 and IAS 28.
- IAS 32 Financial Instruments Presentation - the Code references to amended application guidance when offsetting a financial asset and a financial liability. The gains and losses are separately identified on the Comprehensive Income and Expenditure Statement therefore no further disclosure is required.

### 3. Critical Judgements in Applying Accounting Policies

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

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

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

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

there is a sitting tenant in the property and that any development value is to be ignored (as continuation of the existing use is assumed under EUV).

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

In terms of the financial statements, Council Houses have a net book value of £120.050m as at 31 March 2014 (£137.732m at 31 March 2013) as per Note 13 – *Property, Plant and Equipment*.

#### **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 2014 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 £434.939m 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 £172.961m. Detailed information is contained within Notes 24, 40 and 41.

### Employee Benefit Accrual

The accrual for employee benefits (annual and flexi time leave) was calculated based on a sample of employees. The balance on the Accumulated Absences Account as at 31<sup>st</sup> March 2014 was £2.441m and is detailed in Note 24.

### Arrears

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

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

## 5. Material Items of Income and Expense

Where items are not disclosed on the face of the Comprehensive Income and Expenditure Statement and its related notes, the nature and amount of material items appear in this note to the accounts. There are no such items to report for 2013/14.

## 6. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Chief Finance Officer in September 2014. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2013, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

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

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

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

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

### Council Fund Balance

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

**Housing Revenue Account Balance**

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

**Capital Receipts Reserve**

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

**Capital Grants Unapplied**

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

2013/14	Usable Reserves				Unusable Reserves £000
	Council Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
<b><u>Adjustments primarily involving the Capital Adjustment Account</u></b>					
<b>Reversal of items debited or credited to the Comprehensive Income &amp; Expenditure Statement:</b>					
Charges for depreciation & impairment of non-current assets	(18,627)	(3,390)			22,017
Revaluation losses on Property, Plant & Equipment	(6,397)	(2,483)			8,880
Movements in the fair value of Investment Properties	(2,551)				2,551
Capital Grants & contributions applied	17,175	2,400			(19,575)
Revenue expenditure funded from capital under statute	(4,646)				4,646
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	(300)	(220)			520
<b><u>Insertion of items not debited or credited to the Comprehensive Income &amp; Expenditure Statement:</u></b>					
Statutory provision for the financing of capital investment	7,732	1,524			(9,256)
Capital expenditure charged against the Council Fund & HRA balances	2,071	1,034			(3,105)
<b><u>Adjustments primarily involving the Capital Grants Unapplied Account:</u></b>					
Capital grants & contributions unapplied credited to the Comprehensive Income & Expenditure Statement	2,149			(2,149)	
Application of grants to capital financing transferred to the Capital Adjustment Account				2,742	(2,742)

2013/14	Usable Reserves				Unusable Reserves £000
	Council Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	337	220	(557)		
Use of the Capital Receipts Reserve to finance new or existing capital expenditure			903		(903)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals					
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool					
Transfer from Deferred Capital Receipts Reserve upon receipt of cash			(5)		
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>					
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement					5
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>					
Amount by which finance costs charged to the Comprehensive Income & Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(16)	11			5
<b>Adjustments primarily involving the Pensions Reserve:</b>					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	(21,216)	(606)			21,822
Employer's pension contributions payable in the year	14,636	361			(14,997)
<b>Adjustments primarily involving the Accumulated Absences Account:</b>					
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	105	5			(110)
<b>Total Adjustments</b>	<b>(9,548)</b>	<b>(1,144)</b>	<b>341</b>	<b>593</b>	<b>9,758</b>

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



2012/13	Usable Reserves				Restated Unusable Reserves £000
	Restated Council Fund Balance £000	Restated Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	1,505	75	(1,580)		
Use of the Capital Receipts Reserve to finance new or existing capital expenditure			380		(380)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals					
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool					
Transfer from Deferred Capital Receipts Reserve upon receipt of cash			(3)		
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>					
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement					3
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>					
Amount by which finance costs charged to the Comprehensive Income & Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(16)	19			(3)
<b>Adjustments primarily involving the Pensions Reserve:</b>					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	(17,430)	(506)			17,936
Employer's pension contributions payable in the year	14,306	368			(14,674)
<b>Adjustments primarily involving the Accumulated Absences Account:</b>					
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	695	(13)			(682)
<b>Total Adjustments</b>	<b>(765)</b>	<b>(16,438)</b>	<b>(1,203)</b>	<b>1,308</b>	<b>17,098</b>

## 8. Other Operating Expenditure

2012/13 Restated £000		2013/14 £000
8,154	Police Precept	8,478
4,569	Fire Authority Precept	4,594
1,454	Community Council Precepts	1,488
101	(Gains)/losses on Held for Sale Assets and the disposal of non-current assets	30
281	Pension Administration Costs	295
<b>14,559</b>	<b>Total</b>	<b>14,885</b>

## 9. Financing and Investment Income and Expenditure

2012/13 Restated £000		2013/14 £000
9,047	Interest payable & similar charges	9,071
7,153	Net interest on the net defined benefit liability (asset)	7,878
(267)	Interest receivable & similar income	(293)
112	Income & expenditure in relation to investment properties & changes in their fair value	2,308
(63)	Other investment income	18
<b>15,982</b>	<b>Total</b>	<b>18,982</b>

## 10. Taxation and Non Specific Grant Income

2012/13 £000		2013/14 £000
(50,643)	Council tax income	(51,946)
(26,467)	Non domestic rates	(29,052)
(112,604)	Non-ringfenced government grants	(123,348)
(18,754)	Capital grants & contributions	(20,314)
<b>(208,468)</b>	<b>Total</b>	<b>(224,660)</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 38,000 in 2013/14 (38,002 in 2012/13). This basic amount (including Community Council precept and Office of the Police and Crime Commissioner, North Wales precept) for a Band D property was £1,336.35 (£1,305.81 in 2012/13) 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 14	3,982	7,162	14,190	7,671	5,311	3,546	1,945	301	169

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

2012/13 £000		2013/14 £000
50,643	Council Tax collectable	51,946
(8,154)	Amount payable to North Wales Police Authority	(8,478)
(490)	Provision for non-payment of Council Tax	(193)
<b>41,999</b>	<b>Net proceeds from Council Tax</b>	<b>43,275</b>
	<b>Denbighshire County Council Split:</b>	
40,412	Denbighshire County Council	41,642
1,454	Community Councils	1,488
133	Discretionary Non-domestic Rate Relief	145
<b>41,999</b>		<b>43,275</b>

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

NNDR is organised on a national basis. The Welsh Government specified the rate of 46.4p in 2013/14 (45.2p in 2012/13) 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 £20.722m for 2013/14 (£18.817m for 2012/13) was based on an aggregate rateable value of £55.926m for the year.

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

2012/13 £000		2013/14 £000
<b>18,817</b>	<b>Non Domestic Rates collectable</b>	<b>20,722</b>
(206)	Cost of Collection allowance	(206)
(284)	Provision for Bad Debts	(257)
0	Refunds of interest	0
<b>18,327</b>	<b>Payment into National Pool</b>	<b>20,259</b>
<b>26,467</b>	<b>Redistribution from National Pool</b>	<b>29,052</b>

## 13. Property, Plant and Equipment

2013/14	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 2013	163,636	221,430	19,490	126,870	3,537	1,856	10,917	547,736	4,321
Additions	6,196	15,981	2,822	11,470	694	4	190	37,357	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(22,518)	9,649	0	0	0	0	0	(12,869)	0
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,483)	(6,428)	0	0	0	0	(906)	(9,817)	0
Derecognition – disposals	(220)	0	0	0	0	0	0	(220)	0
Derecognition – other									
Assets reclassified (to)/from Held for Sale	0	(812)	0	0	0	0	0	(812)	0
Other movements in cost or valuation	0	140	0	0	0	0	(205)	(65)	0
<b>At 31 March 2014</b>	<b>144,611</b>	<b>239,960</b>	<b>22,312</b>	<b>138,340</b>	<b>4,231</b>	<b>1,860</b>	<b>9,996</b>	<b>561,310</b>	<b>4,321</b>

2013/14	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 2013	(25,904)	(40,758)	(12,398)	(29,355)	(81)	(46)	(2,133)	(110,675)	(255)
Depreciation charge	(3,161)	(5,410)	(2,572)	(2,975)	0	(15)	0	(14,133)	(58)
Depreciation written out to Revaluation Reserve	7,097	743	0	0	0	0	0	7,840	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	1,372	0	0	0	0	0	1,372	0
Impairment losses/(reversals) recognised in the Revaluation Reserve	(2,601)	(354)	0	0	0	0	0	(2,955)	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	(5,771)	(405)	(1,620)	(30)	0	(2)	(7,828)	0
Recognition - disposals	8	0	0	0	0	0	0	8	0
Recognition - other	0	0	0	0	0	0	0	0	0
Other movements in depreciation & impairment	0	0	0	0	0	0	0	0	0
<b>At 31 March 2014</b>	<b>(24,561)</b>	<b>(50,178)</b>	<b>(15,375)</b>	<b>(33,950)</b>	<b>(111)</b>	<b>(61)</b>	<b>(2,135)</b>	<b>(126,371)</b>	<b>(313)</b>
<b>Net Book Value</b>									
At 31 March 2014	120,050	189,782	6,937	104,390	4,120	1,799	7,861	434,939	4,008
At 31 March 2013	137,732	180,672	7,092	97,515	3,456	1,810	8,784	437,061	4,066

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

2012/13	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant & Equipment £000	PFI Assets Included in Property, Plant & Equipment £000
<b>Accumulated Depreciation &amp; Impairment</b>									
At 1 April 2012	(24,087)	(37,645)	(19,197)	(25,117)	(34)	26	(1,207)	(107,261)	(175)
Depreciation charge	(3,681)	(5,466)	(2,808)	(2,821)	0	(15)	0	(14,791)	(58)
Depreciation written out to Revaluation Reserve	5,230	7,104	0	0	0	0	0	12,334	
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0	
Impairment losses/(reversals) recognised in the Revaluation Reserve	(3,373)	(701)	0	0	0	(14)	0	(4,088)	
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	(4,050)	(132)	(1,417)	(47)	0	(926)	(6,572)	(22)
Derecognition - disposals	7	0	0	0	0	0	0	7	
Derecognition – other	0	0	9,739	0	0	0	0	9,739	
Other movements in depreciation & impairment	0	0	0	0	0	(43)	0	(43)	
<b>At 31 March 2013</b>	<b>(25,904)</b>	<b>(40,758)</b>	<b>(12,398)</b>	<b>(29,355)</b>	<b>(81)</b>	<b>(46)</b>	<b>(2,133)</b>	<b>(110,675)</b>	<b>(255)</b>
<b>Net Book Value</b>									
At 31 March 2013	137,732	180,672	7,092	97,515	3,456	1,810	8,784	437,061	4,066
At 31 March 2012	286,011	176,862	8,034	93,890	3,172	1,824	3,559	573,352	4,124

**Depreciation**

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

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

**Voluntary Aided and Voluntary Controlled Schools**

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

**Asset Register Review**

As part of an on-going exercise zero net book values are reviewed and if necessary removed from the Asset Register. This will result in the removal of both the gross book values and depreciation. If this occurs an in year adjustment will be made to the asset register.

**Capital Commitments**

At 31 March 2014, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2014/15 and future years budgeted to cost £3.235m. Similar commitments at 31 March 2013 were £14.871m. The *major* commitments are:

<b>Project</b>	<b>Total Future Contract Payments 2014/15 £000</b>
Ysgol y Llys - Refurbishment, Remodelling and Extension	652
Ysgol Twm o'r Nant – Extension and Remodelling of Existing Site	766
Rhyl, New School	259
Rhyl – Refurbishment of the Old Youth Centre	54
Bee and Station, Rhyl – Renovation	109
Housing Refurbishment Programme	430
Rhyl Harbour Development	83
East Rhyl Sea Defence Works	162
Corwen Flood Risk Management Scheme	379
Ruthin Flood Relief Bund	78
West Rhyl Housing Improvement Programme – Demolition Works	123
<b>Total</b>	<b>3,095</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 2013 and June 2014.

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



The following Statement shows the progress of the Council's rolling programme for the revaluation of fixed assets.

	<b>Council Dwellings</b>	<b>Other Land &amp; Buildings</b>	<b>Vehicles, Plant, Furniture &amp; Equipment</b>	<b>Surplus Assets</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Carried at historical cost			6,937		6,937
Valued at fair value as at:					
31 March 2014	18,402	35,397			53,799
31 March 2013	30,567	36,301			66,868
31 March 2012	13,188	40,069		1,799	55,056
31 March 2011	29,654	22,157			51,811
31 March 2010	28,239	55,858			84,097
<b>Total Cost or Valuation</b>	<b>120,050</b>	<b>189,782</b>	<b>6,937</b>	<b>1,799</b>	<b>318,568</b>

As part of the rolling programme in 2013/14 the following assets were reviewed:

Tenanted Farms  
Grazing Licences  
Depots and Workshops  
Recreation Facilities  
Miscellaneous  
Civic Amenity Sites  
Public Conveniences  
Heritage Assets

Council Houses – Ruthin and District  
Council Houses – Ruthin Rural  
Council Houses – Llangollen and District

An Annual Review is also made of Investment Properties.

Following a review by Valuation and Estates it was concluded that there were no impairments during 2013/14.

#### 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:

	<b>2013/14</b>	<b>2012/13</b>
	<b>£000</b>	<b>£000</b>
Rental income from Investment Property	(424)	(236)
Direct operating expenses arising from Investment Property	179	86
<b>Net (gain)/loss</b>	<b>(245)</b>	<b>(150)</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:

	2013/14 £000	2012/13 £000
Balance at start of the year	12,633	12,925
Additions:		
• Subsequent expenditure	0	1
Disposals	(40)	(35)
Net gains/(losses) from fair value adjustments	(2,551)	(258)
Transfers:		
• to/from Inventories	0	0
• to/from Property, Plant and Equipment	0	0
<b>Balance at end of the year</b>	<b>10,042</b>	<b>12,633</b>

## 15. Financial Instruments

### Categories of Financial Instruments

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

Long Term 31-Mar-13 £000	Current 31-Mar-13 £000		Long Term 31-Mar-14 £000	Current 31-Mar-14 £000
		<b><u>Investments</u></b>		
7	14	Loans and receivables	7	24,074
<b>7</b>	<b>14</b>	<b>Total Investments</b>	<b>7</b>	<b>24,074</b>
		<b><u>Debtors</u></b>		
1,056	33,777	Loans and receivables	987	23,685
<b>1,056</b>	<b>33,777</b>	<b>Total Debtors</b>	<b>987</b>	<b>23,685</b>
		<b><u>Borrowings</u></b>		
130,762	3,046	Financial liabilities at amortised cost	134,090	8,118
<b>130,762</b>	<b>3,046</b>	<b>Total Borrowings</b>	<b>134,090</b>	<b>8,118</b>
		<b><u>Other Long Term Liabilities</u></b>		
9,772	116	PFI and finance lease liabilities	9,684	89
<b>9,772</b>	<b>116</b>	<b>Total Other Long Term Liabilities</b>	<b>9,684</b>	<b>89</b>
		<b><u>Creditors</u></b>		
	24,409	Financial liabilities at amortised cost		25,942
	<b>24,409</b>	<b>Total Creditors</b>		<b>25,942</b>

The outstanding borrowing in the table above includes a loan received from the Salix Energy Efficiency Scheme, which is a programme being delivered by the Welsh Government in partnership with Salix Finance and The Carbon Trust to provide interest free loans. The Council received a loan of £181k during 2011/12 and £15k during 2013/14 and the balance on this loan at 31 March 2014 is £121k.

The Council is also a member of the Cyclescheme, which is a UK Government tax exemption initiative introduced to promote employees to cycle to work and therefore reduce environmental pollution. The Council gives loans to employees for this purpose and the balance outstanding at 31 March 2014 is £16k.

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

**Income Expense, Gains and Losses**

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

Financial Liabilities 2012/13 £000	Financial Assets 2012/13 £000		Financial Liabilities 2013/14 £000	Financial Assets 2013/14 £000	Total 2013/14 £000
9,047		Interest Expense Losses on de-recognition	9,071		9,071
<b>9,047</b>		<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>9,071</b>		<b>9,071</b>
	(267)	Interest Income Gains on de-recognition		(293)	(293)
	<b>(267)</b>	<b>Total income in Surplus or Deficit on the Provision of Services</b>		<b>(293)</b>	<b>(293)</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 2013 and 31 March 2014 consisted entirely of loans from the Public Works Loan Board (PWLB) and the Salix Energy Efficiency Scheme. The PWLB has provided the Council with Fair Value amounts in relation to its debt portfolio. The PWLB has assessed the Fair Values by calculating the amounts the Council would have had to pay to extinguish the loans on these dates.

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

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

The fair values calculated are as follows:

Carrying Amount 31 March 2013 £000	Fair Values 31 March 2013 £000		Carrying Amount 31 March 2014 £000	Fair Values 31 March 2014 £000
133,807	194,528	Financial Liabilities	142,208	191,641
9,772	9,772	Long Term Creditors	9,684	9,684
<b>143,579</b>	<b>204,300</b>	<b>Total Financial Liabilities</b>	<b>151,892</b>	<b>201,325</b>
21	21	Loans and Receivables	24,081	24,081
1,056	1,056	Long Term Debtors	987	987
<b>1,077</b>	<b>1,077</b>	<b>Total Financial Assets</b>	<b>25,068</b>	<b>25,068</b>

## 16. Inventories

At 31 March 2014 the Council held inventories to the value of £1.548m (£1.795m at 31 March 2013)

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

	Consumable Stores		Maintenance Materials		Finished Goods		Work in Progress		Total	
	2013/14 £000	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000	2012/13 £000
<b>Balance outstanding at start of year</b>	<b>376</b>	<b>517</b>	<b>373</b>	<b>378</b>	<b>443</b>	<b>408</b>	<b>227</b>	<b>221</b>	<b>1,419</b>	<b>1,524</b>
Purchases	2,557	3,004	479	759	0	35	0	6	<b>3,036</b>	<b>3,804</b>
Recognised as an expense in the year	(2,609)	(3,145)	(593)	(764)	(197)	0	(137)	0	<b>(3,536)</b>	<b>(3,909)</b>
Written off balances	0	0	0	0	0	0	0	0	<b>0</b>	<b>0</b>
Reversals of write offs in previous years	0	0	0	0	0	0	0	0	<b>0</b>	<b>0</b>
<b>Balance outstanding at year-end</b>	<b>324</b>	<b>376</b>	<b>259</b>	<b>373</b>	<b>246</b>	<b>443</b>	<b>90</b>	<b>227</b>	<b>919</b>	<b>1,419</b>

The following table shows the remainder of the inventories balances:

31 Mar 2013 £000		31 Mar 2014 £000
	<b>Inventories</b>	
46	Business Improvement & Modernisation	115
36	Adult & Business Services	65
218	Highways & Environmental Services	338
76	Communication, Marketing & Leisure	78
	Housing & Community Development	33
<b>376</b>	<b>Total Inventories</b>	<b>629</b>

#### 17. Debtors

	31 March 2014 £000	31 March 2013 £000
Central government bodies	7,970	18,845
Other local authorities	7,696	5,254
NHS bodies	1,229	926
Public corporations and trading funds	64	5
Other entities and individuals	6,726	8,747
<b>Total</b>	<b>23,685</b>	<b>33,777</b>

#### 18. Cash and Cash Equivalents

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

31 March 2013 £000		31 March 2014 £000
289	Cash held by the Council	340
(235)	Bank current accounts	(4)
11,000	Cash held instant access call account	8,500
<b>11,054</b>	<b>Total Cash and Cash Equivalents</b>	<b>8,836</b>

#### 19. Assets Held for Sale

	Current	
	2013/14 £000	2012/13 £000
<b>Balance Outstanding at start of year</b>	554	1,754
Assets newly classified as Held for Sale:		
• Property, Plant and Equipment	812	299
• Other	65	0
Revaluation losses	(60)	(135)
Revaluation gains	30	59
Assets sold	(260)	(1,423)
<b>Balance outstanding at year end</b>	<b>1,141</b>	<b>554</b>

**20. Creditors**

	31 March 2014 £000	31 March 2013 £000
Central government bodies	(4,143)	(2,398)
Other local authorities	(2,079)	(2,772)
NHS bodies	(412)	(311)
Public corporations & trading funds	(65)	(63)
Other entities & individuals	(19,243)	(18,865)
<b>Total</b>	<b>(25,942)</b>	<b>(24,409)</b>

**21. Provisions**

	Insurance Fund £000	Equal/Back Pay Claims £000	Other Provisions £000	Total £000
<b>Balance as at 1 April 2013</b>	<b>(1,298)</b>	<b>(2,078)</b>	<b>(966)</b>	<b>(4,342)</b>
Additional provision made in 2013/14	(432)	(221)	(206)	(859)
Amounts used in 2013/14	645	199	197	1,041
Unused amounts reversed in 2013/14	41	0	0	41
<b>Balance as at 31 March 2014</b>	<b>(1,044)</b>	<b>(2,100)</b>	<b>(975)</b>	<b>(4,119)</b>

Also included within the Provisions figures on the Balance Sheet is the Provision for Accumulated Absences of (£2,441k). 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 2014 a £1.044m provision has been set aside for the full estimated cost of meeting insurance liabilities.

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

We expect £707k to be settled within the next twelve months with the remainder of £337k to be settled within the next one to five years. The Authority may be reimbursed by its insurers but until claims are actually settled no income is recognised as the insurers will only reimburse amounts above a £10k excess.

**Equal / Back Pay Claims**

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

**Other Provisions**

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

**Fire Service Pension**

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

**Health and Safety**

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

**Financial Software Developments**

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

**Product Liability**

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

**Welfare Reform Provision**

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

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

This note sets out the amounts set aside from the Council Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet Council Fund and HRA expenditure in 2013/14.

	Balance at 1 <sup>st</sup> April 2012 £000	Transfers Out 2012/13 £000	Transfers In 2012/13 £000	Balance at 31 <sup>st</sup> March 2013 £000	Transfers Out 2013/14 £000	Transfers In 2013/14 £000	Balance at 31 <sup>st</sup> March 2014 £000
<b>Council Fund:</b>							
Balances held by schools under a scheme of delegation (i)	(1,801)	592	(1,661)	(2,870)	401	(1,423)	(3,892)
Capital Schemes	(1,256)	2,485	(1,525)	(296)	713	(1,321)	(904)
PPF Grant (ii)	(3,732)	0	(169)	(3,901)	0	(573)	(4,474)
Environmental Services	(129)	129	(108)	(108)	0	0	(108)
Early Retirement Fund – Schools	(716)	0	0	(716)	558	0	(158)
Modernising Education	(353)	415	(62)	0	0	(99)	(99)
Communication Marketing & Leisure Reserves	(253)	3	0	(250)	141	(141)	(250)
Insurance Fund	(382)	355	(540)	(567)	0	(183)	(750)
Major Events Reserve	(188)	0	(21)	(209)	113	(21)	(117)
Town & Country Planning Act (s. 106) Requirements	(1,733)	442	(349)	(1,640)	103	(6)	(1,543)
Capital Financing (VAT refund interest)	(860)	500	0	(360)	0	0	(360)
Elections	(80)	83	(25)	(22)	0	(31)	(53)
Risk Management Fund	(87)	0	(55)	(142)	0	(25)	(167)
IT Networks Development	(162)	0	0	(162)	0	0	(162)
Single Status (iii)	(4,725)	3,722	0	(1,003)	221	0	(782)



	Balance at 1 <sup>st</sup> April 2012 £000	Transfers Out 2012/13 £000	Transfers In 2012/13 £000	Balance at 31 <sup>st</sup> March 2013 £000	Transfers Out 2013/14 £000	Transfers In 2013/14 £000	Balance at 31 <sup>st</sup> March 2014 £000
IT Systems Development (EDRMS)	0	0	(40)	(40)	0	(40)	(80)
LABGI reserve	(149)	149	0	0	0	0	0
Delivering Change	(2,563)	2,088	(200)	(675)	485	(319)	(509)
Regeneration Project (VAT refund)	(164)	122	(30)	(72)	0	0	(72)
Winter Maintenance	(402)	176	0	(226)	150	0	(76)
Major Highways Projects	(160)	81	0	(79)	0	0	(79)
Llys Marchan Reserve	(10)	10	0	0	0	0	0
Supporting People Reserve (iv)	(3,654)	1,040	(378)	(2,992)	0	0	(2,992)
S.117 Mental Health Act	(52)	0	0	(52)	0	0	(52)
Specialist PSS Placements	(890)	0	0	(890)	0	0	(890)
Environment Directorate – Reserves	(186)	45	(5)	(146)	10	(1)	(137)
Sustainable Waste Management (v)	(3,449)	994	(850)	(3,305)	1,795	(2,385)	(3,895)
IP Future Costs	(263)	202	0	(61)	15	(25)	(71)
Design & Development	(120)	0	0	(120)	0	0	(120)
External Funding Administration	(134)	175	(151)	(110)	124	(164)	(150)
Revenue Grants Unapplied	(537)	491	(734)	(780)	706	(480)	(554)
Area Member Reserve	(199)	152	0	(47)	3	0	(44)
CESI Pooled Budget	(26)	9	0	(17)	5	0	(12)
Planning Delivery for Wales	(228)	24	0	(204)	40	(84)	(248)
Energy Efficiency Loan Scheme	(14)	0	(18)	(32)	30	(16)	(18)
Superannuation Recovery	(89)	0	(213)	(302)	0	(493)	(795)
N Wales Regional Transformation Fund	(63)	63	0	0	0	(17)	(17)
Training Collaboration	(47)	9	0	(38)	8	0	(30)
Finance & Legal Reserves	(92)	9	(40)	(123)	40	0	(83)

	Balance at 1st April 2012 £000	Transfers Out 2012/13 £000	Transfers In 2012/13 £000	Balance at 31st March 2013 £000	Transfers Out 2013/14 £000	Transfers In 2013/14 £000	Balance at 31st March 2014 £000
Yellow Bus Reserve	(101)	0	0	(101)	110	(9)	0
Signing Schemes	(75)	0	(21)	(96)	11	0	(85)
Care Home fees	(358)	0	0	(358)	0	0	(358)
Social Care Amenity fund	(23)	0	(2)	(25)	11	0	(14)
21 <sup>st</sup> Century Schools (vi)	0	0	(9,798)	(9,798)	1,739	(4,402)	(12,461)
Extra Care Housing	0	0	(500)	(500)	59	(1,755)	(2,196)
Schools Transitional Protection	0	22	(584)	(562)	775	(213)	0
Resident Survey	0	0	(12)	(12)	0	0	(12)
Town Plans/Economic Development	0	0	(515)	(515)	0	0	(515)
Gift of City/Recoupment	0	0	0	0	10	(341)	(331)
Channel Shift	0	0	0	0	0	(252)	(252)
Coroner	0	0	0	0	0	(30)	(30)
Local Safeguarding Children's Board	0	0	0	0	0	(64)	(64)
Modernising Social Care	0	0	0	0	0	(300)	(300)
Children with Disabilities	0	0	0	0	0	(250)	(250)
Health & Social Care Support Workers	0	0	0	0	0	(24)	(24)
<b>Total</b>	<b>(30,505)</b>	<b>14,587</b>	<b>(18,606)</b>	<b>(34,524)</b>	<b>8,376</b>	<b>(15,487)</b>	<b>(41,635)</b>

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

- (i) Balances held by schools under a scheme of delegation: in accordance with section 48 of the Schools Standards and Framework Act 1998, the Denbighshire scheme for the financing of schools provides for the carry forward of individual school balances.
- (ii) PFI Grant: the Council currently receives government Private Finance Initiative (PFI) special grant and makes contractual payments under one PFI scheme (Note 39). The weighting of the PFI grant is heavier in the earlier years so where the annual grant received is in excess of the contract payments made for the year, the additional income is transferred to a PFI reserve to meet future years' expenditure.

- (iii) Single Status: this is a reserve that has been built up to cover additional salary costs, both current and future, that have arisen as a result of the Single Status Agreement.
- (iv) 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 decided it wanted to embark 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.

### 23. Usable Reserves

31 March 2013 £000		31 March 2014 £000
(9,798)	Council Fund	(9,915)
(34,524)	Earmarked Reserves (Note 22)	(41,635)
(1,046)	Housing Revenue Account	(1,287)
(2,797)	Capital Receipts Reserve	(2,456)
(3,627)	Capital Grants Unapplied	(2,984)
<b>(51,792)</b>	<b>Total Usable Reserves</b>	<b>(58,277)</b>

### Revenue Balances

The Council Fund revenue balances are available to the County Council for general or specific purposes and represent accumulation of past surpluses on the Council Fund Revenue Account. The Housing Revenue Account balances do not form part of the Council Fund Balances and are identified separately.

31 March 2013 £000		Transfers (In)/Out £000	31 March 2014 £000
	<u>Council Fund Revenue Balances</u>		
(8,368)	General Balances	(300)	(8,668)
(1,140)	Earmarked Balances	135	(1,005)
(290)	Environmental Services Balances	48	(242)
<b>(9,798)</b>	<b>Total Council Fund Balances</b>	<b>(117)</b>	<b>(9,915)</b>
<b>(1,046)</b>	<b>Housing Revenue Account Balances</b>	<b>(241)</b>	<b>(1,287)</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.

2012/13 £000			2013/14		
			Council Fund £000	Housing Revenue Account £000	Total 2013/14 £000
<b>(1,594)</b>		<b>Balance at 1 April</b>	<b>(2,639)</b>	<b>(158)</b>	<b>(2,797)</b>
(1,563)	Plus	Receipts – Asset Sales	(298)	(220)	(518)
(17)		Receipts – Grants Repaid	(39)	0	(39)
(3)		Deferred Capital Receipts	0	(5)	(5)
<b>(3,177)</b>			<b>(2,976)</b>	<b>(383)</b>	<b>(3,359)</b>
322	Less	Applied During year:			
58		Finance Capital Expenditure - Other	679	56	735
		Debt Redemption	0	168	168
<b>(2,797)</b>		<b>Balance at 31 March</b>	<b>(2,297)</b>	<b>(159)</b>	<b>(2,456)</b>

## Capital Grants Unapplied

2012/13 £000		2013/14	
		£000	£000
(4,935)	<b>Balance at 1 April (Amended)</b>		(3,577)
	Plus Grants and Contributions received in year		
(16,354)	- Council Fund	(17,914)	
(2,400)	- HRA	(2,400)	
(1,958)	- Revenue Expenditure funded by Capital Under Statute	(1,410)	(21,724)
	Less Grant and Contributions applied in the year		
10,942	- Grants received in year	16,402	
3,083	- Grants received previous years	2,742	
7,995	- Other grants and contributions received	3,173	22,317
<b>(3,627)</b>	<b>Balance at 31 March</b>		<b>(2,984)</b>

The opening balance has been amended because it included a Houses to Homes Scheme grant which should have been treated as agency.

## 24. Unusable Reserves

31 March 2013 £000		31 March 2014 £000
(76,304)	Revaluation Reserve	(63,266)
(207,190)	Capital Adjustment Account	(206,960)
336	Financial Instruments Adjustment Account	341
(6)	Deferred Capital Receipts Reserve	(1)
196,202	Pensions Reserve	172,961
2,551	Accumulated Absences Account	2,441
<b>(84,411)</b>	<b>Total Unusable Reserves</b>	<b>(94,484)</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.

2012/13 £000		2013/14	
		£000	£000
<b>(206,312)</b>	<b>Balance at 1 April</b>		<b>(76,304)</b>
(9,958)	Upward revaluation of assets	(14,932)	
137,266	Downward revaluation of assets & impairment losses not charged to the Surplus/Deficit on the Provision of Services	25,167	
127,308	Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services		10,235
2,301	Difference between fair value depreciation & historical cost depreciation	2,566	
(38)	Adjustment	0	
437	Accumulated gains on assets sold or scrapped	237	
2,700	Amount written off to the Capital Adjustment Account		2,803
<b>(76,304)</b>	<b>Balance at 31 March</b>		<b>(63,266)</b>

**Capital Adjustment Account**

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

2012/13 £000		2013/14 £000	2013/14 £000
(219,008)	<b>Balance at 1 April</b>		(207,190)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement:		
21,419	• Charges for depreciation & impairment of non-current assets	22,017	
20,126	• Revaluation losses on Property, Plant & Equipment	8,850	
135	• Revaluation losses on Held for Sale	30	
5,406	• Revenue expenditure funded from capital under statute	4,646	
1,533	• 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	520	
48,619			36,063
(2,700)	Adjusting amounts written out of the Revaluation Reserve		(2,803)
45,919	Net written out amount of the cost of non-current assets consumed in the year		
	Capital Financing applied in the year:		
(380)	• Use of the Capital Receipts Reserve to finance new capital expenditure	(903)	
(18,937)	• Capital grants & contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	(19,575)	
(3,083)	• Application of grants to capital financing from the Capital Grants Unapplied Account	(2,742)	
(9,546)	• Statutory provision for the financing of capital investment charged against the Council Fund & HRA balances	(9,256)	
(2,413)	• Capital expenditure charged against the Council Fund & HRA balances	(3,105)	
(34,359)			(35,581)
258	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement		2,551
<b>(207,190)</b>	<b>Balance at 31 March</b>		<b>(206,960)</b>

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**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.

2012/13 £000		2013/14	
		£000	£000
339	<b>Balance at 1 April</b>		336
0	Premiums/Discounts incurred/received in the year & charged/credited to the Comprehensive Income & Expenditure Statement	0	
(3)	Proportion of premiums/discounts incurred/received in previous financial years to be charged/credited to the Council Fund Balance in accordance with statutory requirements	5	
(3)	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		5
336	<b>Balance at 31 March</b>		341

**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.



2012/13 Restated £000		2013/14 £000
153,834	<b>Balance at 1 April</b>	<b>196,202</b>
39,106	Remeasurements of the net defined benefit liability/(asset)	(30,066)
17,936	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	21,822
(14,674)	Employer's pension contributions payable in the year	(14,997)
<b>196,202</b>	<b>Balance at 31 March</b>	<b>172,961</b>

#### Deferred Capital Receipts Reserve

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

2012/13 £000		2013/14 £000
(9)	<b>Balance at 1 April</b>	(6)
	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & expenditure Statement	
3	Transfer to the Capital Receipts Reserve upon receipt of cash	5
(6)	<b>Balance at 31 March</b>	(1)

#### Accumulated Absences Account

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

2012/13 £000		2013/14 £000	2013/14 £000
3,233	<b>Balance at 1 April</b>		<b>2,551</b>
(3,233)	Settlement or cancellation of accrual made at the end of the preceding year	(2,551)	
2,551	Amounts accrued at the end of the current year	2,441	
(682)	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		(110)
<b>2,551</b>	<b>Balance at 31 March</b>		<b>2,441</b>

## 25. Cash Flow Statement – Operating Activities

2012/13 Restated £000		2013/14 £000
12,369	<b>Net (surplus) or deficit on the provision of services</b>	<b>3,223</b>
	<b>Adjustments to net surplus or deficit on the provision of services for non-cash movements</b>	
(206)	Increase/(Decrease) in Inventories	(247)
(46)	Increase/(Decrease) in Long Term Debtors	(69)
4,442	Increase/(Decrease) in Debtors/Payments in Advance	(2,109)
(219)	Increase/(Decrease) in Investment interest accrual	60
2,527	(Increase)/Decrease in Creditors/Receipts in Advance	(1,980)
(3)	(Increase)/Decrease in Loan Interest accrual	(29)
(353)	Transfers (to)/from Provisions	333
(443)	Bad Debt Provision	(600)
(21,419)	Depreciation	(22,017)
(20,261)	Revaluations Losses on Property, Plant and Equipment & Impairment	(8,880)
(258)	Movements in Market Value of Investment Properties	(2,551)
(3,262)	Pension Fund Adjustments	(6,825)
13,768	Other	16,553
	<b>Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities.</b>	
1,580	Sale of Property, Plant and Equipment	557
<b>(11,784)</b>	<b>Net cash flows from Operating Activities</b>	<b>(24,581)</b>

## 26. Cash Flow Statement – Investing Activities

2012/13 £000		2013/14 £000
35,373	Purchase of property, plant and equipment, investment property and intangible assets	40,680
45,400	Purchase of short-term and long-term investments.	102,000
172	Other payments for investing activities	149
(1,580)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets.	(557)
(61,400)	Proceeds from short-term and long-term investments	(78,000)
(15,333)	Other receipts from investing activities	(29,226)
<b>2,632</b>	<b>Net cash flows from investing activities</b>	<b>35,046</b>

## 27. Cash Flow Statement – Financing Activities

2012/13 £000		2013/14 £000
0	Cash receipts of short-term and long-term borrowing.	(10,015)
0	Other receipts from financing activities	0
321	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	116
1,652	Repayments of short-term and long-term borrowing	1,652
0	Other payments for financing activities	0
<b>1,973</b>	<b>Net cash flows from financing activities</b>	<b>(8,247)</b>

## 28. Amounts Reported for Resource Allocation Decisions

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

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

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

Service Block Income and Expenditure	Schools	Adult & Business Services	Corporate	Highways & Environmental Services	Children's & Family Services and Housing & Community Development	Customers & Education Support and School Improvement & Inclusion	Communication, Marketing & Leisure and Planning & Public Protection	All Other Service Blocks	Total
2013/14	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(2,960)	(10,794)	(34,529)	(13,987)	(2,042)	(6,723)	(7,981)	(8,704)	(87,720)
Government grants	(7,190)	(3,035)	(33)	(497)	(448)	(2,240)	(416)	(3,314)	(17,173)
<b>Total Income</b>	<b>(10,150)</b>	<b>(13,829)</b>	<b>(34,562)</b>	<b>(14,484)</b>	<b>(2,490)</b>	<b>(8,963)</b>	<b>(8,397)</b>	<b>(12,018)</b>	<b>(104,893)</b>
Employee expenses	56,310	14,657	2,336	8,729	5,898	8,217	9,835	13,967	119,949
Other service expenses	16,956	32,539	49,530	25,656	6,351	7,523	7,273	9,625	155,453
Support service recharges	0	0	45	59	0	0	0	0	104
<b>Total Expenditure</b>	<b>73,266</b>	<b>47,196</b>	<b>51,911</b>	<b>34,444</b>	<b>12,249</b>	<b>15,740</b>	<b>17,108</b>	<b>23,592</b>	<b>275,506</b>
<b>Net Expenditure</b>	<b>63,116</b>	<b>33,367</b>	<b>17,349</b>	<b>19,960</b>	<b>9,759</b>	<b>6,777</b>	<b>8,711</b>	<b>11,574</b>	<b>170,613</b>

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

### 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>2012/13 Restated £000</b>	<b>2013/14 £000</b>
Net expenditure in the Service Block Analysis	<b>156,175</b>	<b>170,613</b>
Net expenditure of services & support services not included in the Analysis	19,825	26,758
HRA	17,158	1,712
Amounts in the Comprehensive Income & Expenditure Statement not reported to management in the Analysis	(1,579)	479
Amounts included in the Analysis not included in the Comprehensive Income & Expenditure Statement	(1,283)	(5,546)
<b>Cost of Services in the Comprehensive Income &amp; Expenditure Statement</b>	<b>190,296</b>	<b>194,016</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.

2013/14	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
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(87,720)	(2,109)	(12,749)	2,323	2,401	(15,912)	(113,766)		(113,766)
Interest & investment income								2,031	2,031
Income from council tax				193			193	(51,946)	(51,753)
Government grants & contributions	(17,173)		(91)		1,579		(15,685)	(172,714)	(188,399)
<b>Total Income</b>	<b>(104,893)</b>	<b>(2,109)</b>	<b>(12,840)</b>	<b>2,516</b>	<b>3,980</b>	<b>(15,912)</b>	<b>(129,258)</b>	<b>(222,629)</b>	<b>(351,887)</b>
Employee expenses	119,949	(1,430)	2,203			12,408	133,130		133,130
Other service expenses	155,453	5,285	5,787	(2,074)	(8,185)	(564)	155,702	325	156,027
Support Service recharges	104	18	689			2,373	3,184		3,184
Depreciation, amortisation & impairment		24,994	5,873			1,695	32,562		32,562
Interest payments				37	(1,341)		(1,304)	16,949	15,645
Precepts & Levies								14,560	14,560
Gain or Loss on Disposal of Non Current Assets								2	2
<b>Total Expenditure</b>	<b>275,506</b>	<b>28,867</b>	<b>14,552</b>	<b>(2,037)</b>	<b>(9,526)</b>	<b>15,912</b>	<b>323,274</b>	<b>31,836</b>	<b>355,110</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>170,613</b>	<b>26,758</b>	<b>1,712</b>	<b>479</b>	<b>(5,546)</b>	<b>0</b>	<b>194,016</b>	<b>(190,793)</b>	<b>3,223</b>

2012/13	Service Block Analysis	Restated 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	Restated Cost of Services	Restated Corporate Amounts	Restated Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(94,682)	(196)	(11,956)	(199)	2,833	(15,788)	(119,988)		(119,988)
Interest & investment income								(221)	(221)
Income from council tax				490			490	(50,643)	(50,153)
Government grants & contributions	(20,680)			(162)	1,630		(19,212)	(157,826)	(177,038)
<b>Total Income</b>	<b>(115,362)</b>	<b>(196)</b>	<b>(11,956)</b>	<b>129</b>	<b>4,463</b>	<b>(15,788)</b>	<b>(138,710)</b>	<b>(208,690)</b>	<b>(347,400)</b>
Employee expenses	119,009	(4,786)	2,143			11,953	128,319	281	128,600
Other service expenses	152,389	3,640	5,908	(1,746)	(4,445)	(154)	155,592	135	155,727
Support Service recharges	139	0	685			2,635	3,459		3,459
Depreciation, amortisation & impairment		21,167	20,378			1,354	42,899		42,899
Interest payments				38	(1,301)		(1,263)	16,200	14,937
Precepts & Levies							0	14,177	14,177
Gain or Loss on Disposal of Non Current Assets							0	(30)	(30)
<b>Total Expenditure</b>	<b>271,537</b>	<b>20,021</b>	<b>29,114</b>	<b>(1,708)</b>	<b>(5,746)</b>	<b>15,788</b>	<b>329,006</b>	<b>30,763</b>	<b>359,769</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>156,175</b>	<b>19,825</b>	<b>17,158</b>	<b>(1,579)</b>	<b>(1,283)</b>	<b>0</b>	<b>190,296</b>	<b>(177,927)</b>	<b>12,369</b>



## 29. Trading Operations

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

2012/13			ACTIVITY	2013/14		
Turnover £000	Expenditure £000	(Surplus)/ Deficit £000		Turnover £000	Expenditure £000	(Surplus) /Deficit £000
(426)	523	97	<u>Environmental Services</u>			
(1,108)	948	(160)	Sign Shop	(508)	542	34
(2,734)	2,734	0	Building Cleaning	(1,213)	1,198	(15)
			Catering	(2,895)	2,894	(1)
<b>(4,268)</b>	<b>4,205</b>	<b>(63)</b>	<b>Total Environmental Services</b>	<b>(4,616)</b>	<b>4,634</b>	<b>18</b>

2012/13 (Underspend) /Overspend £000	Activity	2013/14				
		Turnover £000	Expenditure £000	(Surplus) / Deficit £000	Budget £000	(Underspend) /Overspend £000
	<u>Other Trading Activities</u>					
(30)	Industrial Estates	(673)	442	(231)	(342)	111
(2)	Cefndy Enterprises	(3,731)	3,881	150	98	52
<b>(32)</b>	<b>Total Other Trading Activities</b>	<b>(4,404)</b>	<b>4,323</b>	<b>(81)</b>	<b>(244)</b>	<b>163</b>

The Schools Standards and Framework Act 1998 set out the framework for further delegation of funds to governing bodies and clearer division of responsibility between local authorities and schools. On this basis there are various packages of services offered to schools that can be commissioned directly from the Authority under the Fair Funding arrangements. The services must ensure that their provision gives value for money for schools as those choosing not to buy in are likely to commission the service from an alternative provider. In 2013/14 income of £2,177k was achieved against a budget of (£2,078k) resulting in an underspend of £99k (an underspend of £351k was incurred in 2012/13).

**Partnership Arrangements**

**The Welsh Penalty Processing Partnership (WPPP)** is managed by the Council and is responsible for the administration of Penalty Charge Notices for Denbighshire, Gwynedd, Anglesey, Wrexham, Pembroke, Powys, 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 2013/14 the Council charged £276k to operate the WPPP Unit. This sum was recharged as follows:

Denbighshire £34k, Gwynedd £45k, Anglesey £4k, Wrexham £13k, Pembroke £40k, Powys £25k, Ceredigion £27k, Bridgend £54k, Vale of Glamorgan £26k and Flintshire £6k.

**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. Gross expenditure incurred by the joint committee in 13/14 was £783k (£843k in 12/13). This was matched by equal contributions from all the participating authorities of £116.6k and a grant from Welsh Government of £200k. Denbighshire County Council's share of the gross expenditure (£156.6k) and income (£40k) is recorded in the Net Cost of Services in the Comprehensive Income and Expenditure Statement.

**North East Wales Food Waste Hub** - 3 local authorities (Conwy, Denbighshire and Flintshire) have joined together to look to procure solutions for the treatment of food waste. Denbighshire County Council are leading on the project and the Welsh Government are providing funding. In 13/14 a total amount of £554k associated costs have been incurred and the Welsh Government have contributed £109k towards the project with £28k being brought forward as an unapplied revenue grant. A final payment is due from the Welsh Government as and when the final business case is approved.

**Emergency Planning Unit** - Denbighshire contributes towards the running costs of the Emergency Planning Unit operated by Flintshire County Council. Denbighshire's contribution for the year ended 31 March 2014 was £155k.

**North Wales Emergency Duty Team** - the Emergency Duty Team aims to provide a high quality emergency social work response to emergencies that occur outside normal office opening hours. The Team provide a service to people (both children and adults) who are in crisis and are living in the counties of Wrexham, Flintshire or Denbighshire. In 13/14 Denbighshire's contribution was £246k.

**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 13/14 a total of £181k associated costs were incurred.

**Taith (North Wales Regional Transport Consortium)** – Flintshire County Council is the lead body responsible for preparing this Joint Committee's financial statements. The Council's share of the Taith income and expenditure (£537k) is included in the Net Cost of Services in the Comprehensive Income & Expenditure Statement, based on population.

**GwE** – Gwynedd County Council is the lead body for preparing this Joint Committee's financial statements. The Council's contribution for 2013/14 was £531k.

### 30. Agency Services

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

Highways and Infrastructure undertakes North Wales Trunk Road Agency (NWTRA) work on behalf of the Welsh Government. Gwynedd County Council is the lead authority for the

NWTRA. Denbighshire County Council is responsible for maintaining the trunk road network within the County and Gwynedd County Council reimburses the Authority for this work. The Council will receive £2.510m in respect of NWTRA work undertaken in 2013/14 (£3.237m in 2012/13): of this £0.326m related to the site supervision and administration services provided (£0.263m in 2012/13).

The six North Wales councils act as agents of Welsh Government in providing recyclable loans under the Houses into Homes Scheme, for the repair of properties which have been long term vacant, with the aim of bringing them back into use. Flintshire County Council is the lead/banker authority for the North Wales region and responsible for administering the fund. Total income of £2,333k was received from Welsh Government during 2013/14 with payments against this sum amounting to £1,855k, of which Denbighshire County Council received £475k.

### 31. Pooled Budgets

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

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

	2013/14		2012/13	
	£000	£000	£000	£000
Funding provided to the pooled budget:				
• Denbighshire County Council	(211)		(211)	
• Betsi Cadwaladr University Health Board	(130)		(130)	
• Other Grants	(139)		(95)	
		(480)		(436)
Expenditure met from the pooled budget				
• Equipment Purchases	188		177	
• Operating Expenditure	297		268	
		485		445
Net (surplus)/deficit arising on the pooled budget during the year.		5		9

- ii. The Authority has a second pooled budget with Betsi Cadwaladr University Health Board. Its aim is the integrated service provision of Health and Social Care support workers, who will support service users in the community. They have an agreement in place for the funding of health, enablement and social care support needs of service users that runs from 2013/14 for five years. The funding contributed by the partners is subject to annual review and agreement. Proportions are equal to the partners' contributions, so annually, or at the conclusion of the arrangement, the surplus or deficit relating to Pooled Funds would be determined on that basis. The Council is the host Partner for the arrangement and acts as lead commissioner or provider of the services.

	2013/14	
	£000	£000
Funding provided to the pooled budget:		
• Denbighshire County Council	(50)	
• Betsi Cadwaladr University Health Board	(50)	
• Other	(6)	(106)
Expenditure met from the pooled budget		
• Employee Expenses	74	
• Other Operating Expenditure	8	
		82
Net (surplus)/deficit arising on the pooled budget during the year		(24)

- iii. The Council also had one other formal Section 33 Agreement during 2013/14, which came to an end in July 2013: the Adult Mental Health Partnership with Conwy County Borough Council, which was a joint management and commissioning arrangement.

The Council's financial contribution to all partnerships is included in the Adult Social Care Cost of Services in the Comprehensive Income and Expenditure Statement. The gross expenditure on the Mental Health Partnership was £245k in 2013/14 (£201k net).

### 32. Members' Allowances

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

	2013/14 £000	2012/13 £000
Salaries	808	783
Allowances	0	21
Expenses	37	35
<b>Total</b>	<b>845</b>	<b>839</b>

**33. Officers' Remuneration**

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

2012/13		2013/14			
Total Employees	Remuneration Band	School Based Staff	Non-School Staff	Total Employees	Left During Year
11	£60,000 - £64,999	7	8	15	1
7	£65,000 - £69,999	3	3	6	2
4	£70,000 - £74,999	3	2	5	0
4	£75,000 - £79,999	2	0	2	0
3	£80,000 - £84,999	0	1	1	0
0	£85,000 - £89,999	1	0	1	0
1	£90,000 - £94,999	0	2	2	1
3	£95,000 - £99,999	1	1	2	0
0	£100,000 - £104,999	0	0	0	0
1	£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	0	0	0	0
0	£125,000 - £129,999	0	1	1	0
0	£130,000 - £134,999	0	0	0	0
0	£135,000 - £139,999	0	0	0	0
1	£140,000 - £144,999	0	0	0	0
<b>35</b>	<b>Total</b>	<b>17</b>	<b>18</b>	<b>35</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.

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 and car allowances, including the element of car allowances as declared to HM Revenue and Customs on form P11D.

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

2013/14 Post Title	Salary, fees & allowances £	Compensation for Loss of office £	Expense allowances (inc. Returning Officer Allowance) £	Total excluding pension contributions £	Current service rate pension costs at 11.8% Note 1 £	Total inc. current service rate pension costs £	Deficit recovery pension costs Note 2 £	Total Remuneration inc. total pension costs £	Repaid to Denbighshire C.C. Note 3 £	Total Cost to Denbighshire C.C. £
Chief Executive	128,411		169	128,580	15,228	143,808	13,938	157,746	(55)	157,691
Corporate Director: Customers	94,901		209	95,110	11,202	106,312	10,253	116,565		116,565
Corporate Director: Modernisation & Wellbeing to 31/03/2014	94,931		31	94,962	11,202	106,164	10,253	116,417		116,417
Corporate Director: Economic & Community Ambition	94,901		(323)	94,578	11,202	105,780	10,253	116,033		116,033
Director of Social Services from 10/03/2014	4,781		0	4,781	566	5,347	518	5,865		5,865
Head of Children & Family Services	79,746		333	80,079	9,413	89,492	8,615	98,107		98,107
Head of Education	74,747		220	74,967	8,823	83,790	8,075	91,865		91,865
Head of Highways & Environmental Services	74,747		(1,412)	73,335	8,823	82,158	8,075	90,233		90,233
Head of Finance & Assets	64,750		(267)	64,483	7,643	72,126	6,995	79,121		79,121
Head of Planning & Public Protection	63,274		(313)	62,961	7,643	70,604	6,995	77,599		77,599
Head of Business Improvement & Modernisation	65,375		(45)	65,330	7,717	73,047	7,063	80,110		80,110
Head of Customers & Education Support	61,438		(315)	61,123	7,252	68,375	6,637	75,012		75,012
Head of HR	61,438		163	61,601	7,252	68,853	6,638	75,491		75,491
Head of Housing & Community Development	64,750		213	64,963	7,643	72,606	6,995	79,601		79,601
Head of Adult & Business Services	68,642		(3,033)	65,609	8,102	73,711	7,416	81,127		81,127
Head of Legal & Democratic Services	64,750		(210)	64,540	7,643	72,183	6,995	79,178		79,178
Head of Communication, Marketing & Leisure	60,223		257	60,480	7,252	67,732	6,638	74,370		74,370
	<b>1,221,805</b>	<b>0</b>	<b>(4,323)</b>	<b>1,217,482</b>	<b>144,606</b>	<b>1,362,088</b>	<b>132,352</b>	<b>1,494,440</b>	<b>(55)</b>	<b>1,494,385</b>

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

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

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

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

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	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
£0 - £20,000	19	16	51	49	70	65	£522,065	£364,810
£20,001 - £40,000	4	1	8	9	12	10	£326,811	£272,559
£40,001 - £60,000	0	0	0	1	0	1	£0	£41,470
£60,001 - £80,000	0	0	0	0	0	0	£0	£0
£80,001 - £120,000	0	1	3	0	3	1	£291,312	£84,585
<b>Total</b>	<b>23</b>	<b>18</b>	<b>62</b>	<b>59</b>	<b>85</b>	<b>77</b>	<b>£1,140,188</b>	<b>£763,424</b>

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



**34. External Audit Costs**

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

	2013/14 £000	2012/13 £000
Fees payable to Wales Audit Office with regard to external audit services carried out by the appointed auditor for the year	166	166
Fees payable to the Auditor General for Wales in respect of statutory inspections and the LG Measure	120	121
Fee payable for the certification of grant claims and returns	110	94
Fees payable in respect of other services provided by Wales Audit Office during the year	1	4
	<b>397</b>	<b>385</b>
Wales Audit Office fee refund for 2013/14	(43)	
<b>Total External Audit Costs</b>	<b>354</b>	<b>385</b>

The Wales Audit Office fee refund relates to a refund equivalent to around 15% of the 2012/13 audit fee in respect of external audit services and fees paid in respect of the LG measure. The refund does not relate to the fees payable in respect of certification of grant claims and returns.

**35. Grant Income**

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2013/14

	<b>2013/14 £000</b>	<b>2012/13 £000</b>
<b>Credited to Taxation &amp; Non Specific Grant Income</b>		
Other Grants and Contributions	(399)	(1,142)
Welsh Government - Flood Alleviation Grant	(2,267)	(322)
Welsh Government - General Capital Grant	(1,844)	(1,934)
Welsh Government Transforming 3-18 Welsh Medium Education in North Denbighshire	(1,741)	0
Welsh Government - Strategic Regeneration Area Grants (W.R.H.I.P.)	(5,976)	(5,685)
Welsh Government - Regional Transport Grant	(853)	(458)
Welsh Government - Major Repairs Allowance	(2,400)	(2,400)
Welsh Government 21 <sup>ST</sup> Century Schools	(1,170)	0
Welsh Government – Learning in Digital Wales Grant	(557)	0
Welsh Government – Rhyl Harbour Development	(2,441)	(4,573)
Other Welsh Government Grants	(666)	(2,240)
<b>Total</b>	<b>(20,314)</b>	<b>(18,754)</b>
<b>Credited to Services</b>		
Welsh Government DCELLS Post – 16 Grant	(3,859)	(4,749)
Welsh Government Foundation Phase Grant	(3,103)	(3,041)
Welsh Government Flying Start Grant	(1,521)	(1,096)
Welsh Government Families First Grant	(1,302)	(1,152)
Other Education Grants from Welsh Government	(505)	(678)
Welsh Government Supporting People Grant	(6,359)	(6,053)
Welsh Government Mental Health Services Grant	(119)	(1,099)
Other Social Services Grants from Welsh Government	(836)	(432)
Welsh Government Sustainable Waste Management Grant	(2,376)	(2,475)
Welsh Government Concessionary Fares Grant	(465)	(1,788)
Welsh Government Convergence Grant	(2,256)	(1,020)
Pupil Deprivation Grant (received via Gwynedd CC 13/14)	(1,087)	(1,073)
School Effectiveness Grant (received via Gwynedd CC 13/14)	(986)	(839)
Welsh Government Outcome Agreement Grant	(1,057)	(1,054)
DWP Housing Benefit/Council Tax Benefit Admin Grant	(736)	(797)
Other Grants	(8,321)	(8,669)
<b>Total</b>	<b>(34,888)</b>	<b>(36,015)</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 2014 £000	31 March 2013 £000
<b>Capital Grants Receipts in Advance</b>		
Commutated Sums	(1,731)	(1,765)
<b>Total</b>	<b>(1,731)</b>	<b>(1,765)</b>
<b>Revenue Grants Receipts in Advance</b>		
National Heritage Memorial Fund Grant	0	(2)
Welsh Government Flying Start Grant	(54)	(55)
Welsh Government Foundation Phase Grant	(99)	(40)
Other Education Grants from Welsh Government	(107)	(107)
Welsh Government Minority Ethnic Language Grant	(14)	(20)
ESF Potential Grant	(96)	(20)
Llwyddo'n Lleol Grant	(13)	(2)
School Effectiveness Grant from Welsh Government	0	(11)
Welsh Government Families First Grant	(1)	(106)
LA Broadcasting Scheme Fund from Welsh Government	(3)	0
DWP Housing Benefits Subsidy	(1,656)	(6)
Welsh Government Bryn y Neuadd Learning Disability Resettlement Grant	(2)	(2)
Other Social Services Grants from Welsh Government	(18)	(18)
Welsh Government Supporting People Grant	(291)	(202)
Welsh Government Additionality Funding	(81)	(79)
Welsh Government Concessionary Fares Grant	0	(18)
Welsh Government Community Learning Grant	(16)	0
Welsh Government Literacy & Numeracy Programmes Grant	(12)	0
Welsh Government Language & Play Grant	(2)	0
Welsh Government 14-19 Learning Pathways Grant	(1)	0
Grant for the Education of Travellers' Children	(13)	0
Local Investment Fund Grant	(11)	0
Welsh Government Cycling Centre of Excellence Grant	0	(6)
Other Welsh Government Grants	0	(3)
<b>Total</b>	<b>(2,490)</b>	<b>(697)</b>

### 36. Related Parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to deal freely with the Council.

### **Central Government**

Central Government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in more detail in Note 35.

### **Elected Members**

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

The following material declarations have been made for 2013/14:

- An elected member's spouse is Chief Executive of Denbighshire Enterprise Agency (see related companies below)
- An interest was declared in Denbigh Museum Group which received £50,000 in respect of a Rural Development Plan contribution.
- An elected member declared an interest in a company paid £15,330 for translation services

A list of all elected members interests is maintained by the Head of Legal and Democratic Services and are open to the public inspection. A number of elected members are also appointed by the Council to serve on other bodies that have a financial relationship with the Council. These are detailed in the Companies section below.

### **Officers**

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

### **Companies**

The Accounting Code of Practice requires that where an authority has material interests in one or more subsidiary and associated companies, it should prepare a group revenue account and balance sheet. Denbighshire County Council's interests in the related companies either do not meet the criteria for being a subsidiary or associate company as set out in the Code or where they do meet the criteria, they are not deemed material in relation to the overall scale of the Council's operations and consequently Group Accounts have not been prepared.

Details of the related companies are as follows:

#### **Clwydfro Cyfyngedig (trading as Denbighshire Enterprise Agency)**

Clwydfro is a company limited by guarantee, having no share capital. The objective of the company is to promote and encourage industrial and commercial activity or enterprise within the county with a view to reducing unemployment. Its payroll and accounting services are provided by the Council. The Clwydfro audited financial statements for 2012/13 show the net assets of the company as at 31 March 2013 were £189,159 and the net loss for the year was £16,212.

The Board of Directors as at 31 March 2013 consisted of five members in total, all of which were Denbighshire County Councillors.

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

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

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

### **ECTARC**

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

Denbighshire County Council gives an annual grant to the company and during 2013/14 ECTARC received £30,291. In addition Denbighshire County Council allowed ECTARC to lease its premises on Parade Street, Llangollen at a peppercorn rental. The value of this lease has been assessed at £12,500 per annum. The Council also provides its payroll services. The audited financial statements for the year ended 31 March 2014 are not available. However, the net assets of the company as at 31 March 2013 were £1,243,891 and the net surplus achieved was £135,962.

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

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

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

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

Bodelwyddan Castle Trust Group is a company limited by guarantee, having no share capital. It is a registered charity set up in February 1994. The objectives of the Trust are the advancement of education by acquiring, housing and exhibiting objects and collections of an educational nature and by establishing, acquiring and managing museums, galleries and libraries for use as such purposes. The Trust acquires artefacts that it restores, conserves and exhibits. It also manages a public park for recreation and promotion of appreciation of the natural world. Denbighshire County Council gives an annual grant to Bodelwyddan Castle Trust and during 2013/14 the Trust received £149,681. The Council provides its payroll services. The Board of Directors consists of twelve members in total, of which two were Denbighshire County Councillors.

The audited financial statements for the financial year 2013/14 are not yet available. However, the net assets of the Group as at 31 March 2013 were £739,974 and the net surplus achieved by the company was £9,368.

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

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

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

#### **Clwyd Leisure Ltd.**

Clwyd Leisure Limited was established on 1 April 2001 as a Non Profit Distributing Organisation. The objectives of the company were to provide and operate facilities, attractions, goods and services for recreation and leisure time primarily for the community and visitors to Denbighshire.

The company ceased trading on Friday 7<sup>th</sup> February 2014 and an insolvency practitioner is managing the winding-up of the company. This work is still on-going. Under the terms of a debenture, the council is deemed a preferential creditor and received a payment of £237,000 in April 2014 in this respect. The council is a guarantor of the company's pension commitments which are estimated to be £845,000. The cost implication to the council will be less than this and will be confirmed when the winding-up exercise is finalised.

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

The Scala is run as a charity and not for profit Company Limited by Guarantee. The objective of the company is to make the Scala Cinema a major cultural and entertainment destination for North Wales. It is grant aided by Denbighshire County Council and during 2013/14 the Scala Prestatyn Company Ltd received a grant allocation of £54,470. In addition, Denbighshire County Council allowed the Scala Prestatyn Company Ltd to lease its premises on High Street, Prestatyn at a discounted rental. The value of the lease has been assessed as £20,000 per annum. In 2009/10 the Council agreed to give a loan of £80,000 to the Company and the terms of the loan state that it can be for up to ten years. The commencement of the repayments has been deferred until 2014/15. The audited Financial Statements for 2012/13 show the net liabilities of the company as at 31 March 2013 were (£128,171) and the net outgoing resources for the year were (£24,336).

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

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

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

**Other Public Bodies**

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

**37. Capital Expenditure and Capital Financing**

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

	2013/14 £000	2012/13 £000
<b>Opening Capital Financing Requirement</b>	179,463	175,525
<b>Capital Investment</b>		
Property, Plant & Equipment	37,357	32,939
Investment Properties	0	1
Revenue Expenditure Funded from Capital Under Statute	4,646	5,406
<b>Sources of Finance</b>		
Capital receipts	(903)	(380)
Government grants & other contributions	(23,828)	(23,932)
Sums set aside from revenue:		
Direct revenue contributions	(1,594)	(501)
MRP & Long Term Debtors	(9,306)	(9,595)
<b>Closing Capital Financing Requirement</b>	<b>185,835</b>	<b>179,463</b>

	2013/14 £000	2012/13 £000
<b>Explanation of movements in year</b>		
Increase in underlying need to borrow (supported by government financial assistance)	5,418	4,469
Increase in underlying need to borrow (unsupported by government financial assistance)	10,427	9,121
MRP & Long Term Debtors	(9,190)	(9,273)
Set aside Capital Receipts	(168)	(58)
Assets acquired under finance leases	(4)	(4)
Assets acquired under PFI contracts	(111)	(317)
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>6,372</b>	<b>3,938</b>

**38. Leases****Introduction**

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

**Authority as Lessee**Finance Leases

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

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

	31 Mar 13 £000	31 Mar 14 £000
Other Land and Buildings	3,349	3,408
Vehicles, Plant, Furniture and Equipment	4	0
	<b>3,353</b>	<b>3,408</b>

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

	31 Mar 13 £000	31 Mar 14 £000
Finance lease liabilities (net present value of minimum lease payments):		
Current	5	0
Non-Current	0	0
Finance costs payable in future years	0	0
<b>Minimum lease payments</b>	<b>5</b>	<b>0</b>

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 Mar 13 £000	31 Mar 14 £000	31 Mar 13 £000	31 Mar 14 £000
Not later than 1 year	5	0	5	0
Later than 1 year and not later than 5 years	0	0	0	0
Later than 5 years				
	<b>5</b>	<b>0</b>	<b>5</b>	<b>0</b>



Operating Leases

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

	31 Mar 13 £000	31 Mar 14 £000
Not later than 1 year	35	2
Later than 1 year and not later than 5 years	42	10
Later than 5 years	17	13
	<b>94</b>	<b>25</b>

The minimum lease payment charged to services in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £35k in 2013/14 and £147k in 2012/13.

**Authority as Lessor**Operating Leases

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

	31 Mar 13 £000	31 Mar 14 £000
Not later than 1 year	815	783
Later than 1 year and not later than 5 years	2,414	2,479
Later than 5 years	11,249	12,131
	<b>14,478</b>	<b>15,393</b>

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

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

*Property, Plant and Equipment*

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

*Finance Lease Liability*

At the inception of the lease the fair value of the fixed assets were matched by a finance lease liability. The initial liability was £12.195m, reduced by a capital contribution from Denbighshire County Council of £0.300m. The table below shows the writing down of the lease liability in 2012/13 and 2013/14.

2012/13 £000		2013/14 £000
(10,201)	Balance at start of year	(9,884)
317	Repayment of Lease Creditor	111
(9,884)	Closing Finance Lease Liability	(9,773)
	Split between:-	
(9,772)	Long term Finance Lease Liability	(9,684)
(112)	Short term Finance Lease Liability	(89)
<b>(9,884)</b>	<b>Total</b>	<b>(9,773)</b>

*Unitary Payments*

The amount payable to the PFI operators each year is now analysed into five elements:

- Fair value of the services received during the year – debited to the relevant service in the Income & Expenditure Account. In 2013/14 this was £0.550m (£0.534m in 2012/13) plus payments for utilities and insurance.
- Finance cost - £1.231m in 2013/14 (£1.276m in 2012/13)
- Contingent rent – increases in the amount to be paid for the property arising during the contract £0.110m in 2013/14 (£0.025m in 2012/13)
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator as shown in the table above.
- Lifecycle replacement costs – recognised as fixed assets on the Balance Sheet if they have occurred or as a prepayment. There was a balance at the start of the year on the prepayments of £0.212m. In 2013/14 £0.017m of lifecycle costs were incurred. The balance of £0.399m was set up as a prepayment. At the end of 2013/14 the total balance on the prepayment in the balance sheet is £0.611m.

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

Payments due to be made under the PFI contract

	Fair Value of Service Charge (including Lifecycle costs) £000	Interest and Contingent Rents £000	Repayment of Liability £000	Total £000
Within one year	1,021	1,312	89	2,422
Within two to five years	3,476	4,608	1,411	9,495
Within six to ten years	5,096	4,730	2,761	12,587
Within eleven to sixteen years	5,508	2,211	5,511	13,230
	<b>15,101</b>	<b>12,861</b>	<b>9,772</b>	<b>37,734</b>

*Grants and Reserves*

The Welsh Government awarded the Council a PFI revenue grant of £19m over 25 years with a pool rate of 6.7% so that £35.549m will be paid to Denbighshire over the 25 years. In 2013/14 a grant of £1.579m was paid (£1.630m in 2012/13).

The weighting of the PFI grant is heavier in earlier years so any surplus in funds have been allocated to a reserve to be used to offset payments in later years. The balance on the reserve at the end of 2013/14 is £3.864m (£3.689m in 2012/13).

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

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. In 2013/14, the county council paid £4.826m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2012/13 were £4.802m and 14.1%. In addition, payments in respect of premature retirements were made of £0.585m (£0.868m in 2012/13). There were no contributions remaining payable at the year end. The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 41.

#### **41. Defined Benefit Pension Schemes**

##### **Participation in Pension Schemes**

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments (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:

Funds Section  
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	
	2013/14 £000	2012/13 £000	2013/14 £000	2012/13 £000
<b>Comprehensive Income and Expenditure Statement</b>				
<i>Cost of Services:</i>				
<i>Service cost comprising:</i>				
• Current Service Cost	13,372	10,291		
• Past Service Costs/(Gains)	277	211		
• (Gain)/Loss from Settlements	0	0		
<i>Other Operating Expenditure:</i>				
• Administration Expenses	295	281		
<i>Financing and Investment Income and Expenditure:</i>				
• Net Interest Expense	7,521	6,744	357	409
<i>Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services</i>	21,465	17,527	357	409
<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)	9,285	(11,346)		
• Actuarial (Gains) and Losses Arising on Changes in Demographic Assumptions	10,362	4,418	335	126
• Actuarial (Gains) and Losses Arising on Changes in Financial Assumptions	(38,551)	44,843	(404)	1,065
• Other	(10,694)		(399)	
<i>Total Post Employment Benefit Changes to the Comprehensive Income and Expenditure Statement</i>	<b>(8,133)</b>	<b>55,442</b>	<b>(111)</b>	<b>1,600</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	(21,465)	(17,527)	(357)	(409)
<i>Actual amount charged against the Council Fund Balance for pensions in the year:</i>				
• Employer's contributions payable to the scheme	14,144	13,819		
• Retirement benefits payable to pensioners			853	855

**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:

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2013/14 £000	2012/13 £000	2013/14 £000	2012/13 £000
Present Value of the defined benefit obligation	440,953	458,855	9,103	10,067
Fair value of plan assets	(277,095)	(272,720)		
Sub-total	163,858	186,135	9,103	10,067
Other movements in the liability (asset)				
<b>Net liability arising from defined benefit obligation</b>	<b>163,858</b>	<b>186,135</b>	<b>9,103</b>	<b>10,067</b>

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

	Local Government Pension Scheme	
	2013/14 £000	2012/13 £000
Opening fair value of scheme assets	272,720	245,555
Interest Income	11,506	12,129
Administration Expenses	(295)	(281)
Remeasurement gain/(loss):		
• The return on plan assets, excluding the amount included in the net interest expense	(9,285)	11,346
• Other		
The effect of changes in foreign exchange rates		
Contributions from employer	14,144	13,819
Contributions from employees into the scheme	3,722	3,574
Benefits paid	(15,417)	(13,422)
Other		
<b>Closing fair value of scheme assets</b>	<b>277,095</b>	<b>272,720</b>

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

	Funded Liabilities Local Government Pension Scheme		Unfunded Liabilities Discretionary Benefits Arrangements	
	2013/14 £000	2012/13 £000	2013/14 £000	2012/13 £000
Opening balance at 1 April	458,855	390,067	10,067	9,322
Current service cost	13,372	10,291		
Interest cost	19,027	18,873	357	409
Contributions from scheme participants	3,722	3,574		
Remeasurement (gains) and losses:				
▪ Actuarial (Gains) and Losses Arising on Changes in Demographic Assumptions	10,362	4,418	335	126
▪ Actuarial (Gains) and Losses Arising on Changes in Financial Assumptions	(38,551)	44,843	(404)	1,065
▪ Other	(10,694)		(399)	
Past service cost	142	151		
Losses/(gains) on curtailment	135	60		
Liabilities assumed on entity combinations				
Benefits paid	(15,417)	(13,422)	(853)	(855)
Liabilities extinguished on settlements				
<b>Closing balance at 31 March</b>	<b>440,953</b>	<b>458,855</b>	<b>9,103</b>	<b>10,067</b>

## Local Government Pension Scheme Assets Comprised:

	Fair value of scheme assets	
	2013/14 £000	2012/13 £000
<b>Cash and cash equivalents</b>	<b>8,313</b>	<b>5,454</b>
<b>Equities</b>		
• UK quoted	27,707	27,273
• Global quoted	16,626	13,636
• Global quoted	11,084	10,909
• US	8,313	8,182
• Japan	8,313	8,182
• Europe	8,313	5,454
• Emerging markets	16,626	19,090
• Frontier	2,771	2,727
• Far East	16,626	19,090
<b>Sub-total Equity</b>	<b>116,379</b>	<b>114,543</b>
<b>Overseas Other Bonds</b>	<b>38,793</b>	<b>40,908</b>
<b>Property:</b>		
• UK	8,313	8,182
• Overseas	13,855	13,636
<b>Sub-total Property</b>	<b>22,168</b>	<b>21,818</b>
<b>Alternatives:</b>		
• Hedge Funds	11,084	10,909
• Private equity	33,251	32,726
• Infrastructure	5,542	5,454
• Timber & Agriculture	5,542	5,454
• Commodities	8,313	8,182
• GTAA	27,710	27,272
<b>Sub-total Alternatives</b>	<b>91,442</b>	<b>89,997</b>
<b>Total Assets</b>	<b>227,095</b>	<b>272,720</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	
	2013/14 £000	2012/13 £000	2013/14 £000	2012/13 £000
Mortality assumptions:				
Longevity at 65 for current pensioners:				
• Men	23.3 years	22.2 years	23.3 years	22.2 years
• Women	25.8 years	24.8 years	25.8 years	24.8 years
Longevity at 65 for future pensioners:				
• Men	26.2 years	24.1 years		
• Women	29.2 years	26.8 years		
Rate of inflation	2.40%	2.40%	2.40%	2.40%
Rate of increase in salaries	3.90%	3.90%		
Rate of increase in pensions	2.40%	2.40%	2.40%	2.40%
Rate of discounting scheme liabilities	4.50%	4.20%	4.30%	4.20%

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 2014	Impact on the Net Liability arising from the Defined Benefit Obligation in the Scheme
Longevity (increase in 1 year)	8,609
Rate of inflation (increase by 0.1%)	8,432
Rate of increase in salaries (increase by 0.1%) not provided	2,070
Rate for discounting scheme liabilities (increase 0.1%)	(8,275)

### 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 £14,860k expected contributions to the scheme in 2014/15.

The weighted average duration of the defined benefit obligation for scheme members is 19 years, 2013/14 (15 years 2012/13).

## 42. Contingent Liabilities

A contingent liability is defined as either:

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

or

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

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

or

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

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 21 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 85%. 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 indicated that the levy could range between 9.5% and 28%.

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

Clwyd Leisure Ltd ceased trading on Friday 7<sup>th</sup> February 2014. Work is still on-going on the winding-up of the company, so the final cost implications to the Council are not known. Please refer to note 36, Related Parties, for the present position.

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

A contingent asset is an asset that may be received but only if a future event occurs that is not under the control of the Council. There are no such items to report in 2013/14.

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

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

As part of the adoption of the Treasury Management Code, the Council approved the Treasury Management Strategy for 2013/14 on 26 February 2013. The Strategy sets out the parameters for the management of risks associated with Financial Instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

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

The main risks covered are:

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

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

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

**Credit Risk****Investments**

The Council manages this risk by ensuring that investments are placed with central government, other local authorities or Banks and Building Societies having sufficiently high credit ratings as set out in the Treasury Management Strategy. A limit of £8m is placed on the amount of money that can be invested with a single counterparty. No more than £6m in total can be invested for a period longer than one year.

The Council has no historical experience of counterparty default. The Council uses a range of indicators in addition to credit ratings to decide who to invest with. These include Government guarantees, financial strength of the Country and share prices. The Council and its treasury adviser will continue to analyse and monitor these indicators and credit developments on a regular basis and respond as necessary to ensure the security of the sums invested.

**Debtors**

It is recognised that in the current economic environment there will be greater difficulty in collecting monies due, however the Authority has previously invested in strong Credit Control methodology, with highly trained staff supported by effective procedures which should maintain cash flow and reduce the incidences of contractual delinquency.

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

		Long Term Rating when Investment Made	Long Term Rating at 31/03/2014	Balance Invested at 31/03/2014 £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			
	Lloyds	A	A	4,000	4,000			
	NatWest	A	A	500	500			
	Barclays	A	A	6,000	6,000			
	Close Brothers	A	A	5,000	5,000			
	Santander UK	A	A	5,000	5,000			
				24,500	24,500			
UK Building Society	Nationwide	A	A	8,000	8,000			
	<b>Total</b>			<b>32,500</b>	<b>32,500</b>			

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

## Liquidity Risk

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

The maturity analysis of the Council's PWLB debt at 31<sup>st</sup> March 2014 was as follows:

	Years	31-Mar-13 £000	31-Mar-14 £000	
<b>Short Term Borrowing</b>	<b>Less than 1 year</b>	1,621	6,662	4.70
<b>Long Term Borrowing</b>	Over 1 under 6	17,119	16,260	11.48
	Over 6 under 10	8,839	9,756	6.88
	Over 10 under 15	5,818	8,763	6.19
	Over 15 under 20	5,922	6,256	4.42
	Over 20 under 25	0	0	0.00
	Over 25 under 30	6,000	6,000	4.24
	Over 30 under 35	0	0	0.00
	Over 35 under 40	11,053	19,125	13.50
	Over 40 under 45	71,897	63,826	45.06
	Over 45 under 50	5,000	5,000	3.53
<b>Total Long Term Borrowing</b>		<b>131,648</b>	<b>134,986</b>	<b>95.30</b>
<b>Total Borrowing at Nominal Amount</b>		<b>133,269</b>	<b>141,648</b>	
Accrued Interest		1,394	1,423	
Deferred Premium		(991)	(983)	
<b>Total Borrowing at Amortised Cost</b>		<b>133,672</b>	<b>142,088</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 2013 and 31 March 2014, 100% of the debt portfolio was held in fixed rate instruments.

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

## (2) Price risk:

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

## (3) Foreign exchange risk

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

**45. Education Trust Funds**

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

Further details in respect of the Community Foundation in Wales can be found at [www.cfiw.org.uk](http://www.cfiw.org.uk), or write to them at

The Community Foundation in Wales  
St Andrews House  
24 St Andrews Crescent  
Cardiff  
CF10 3DD

**46. Welsh Church Acts Fund**

Under the requirements of the Welsh Church Act Funds (Designation and Specification) Order 1996, the former Clwyd County Council fund is administered by Flintshire County Council and income is distributed to successor authorities on a population basis. Denbighshire County Council's distribution was £12,421 in 2013/14.

The County Council's proportion of the Fund is administered by Denbighshire Voluntary Services Council (DVSC). During 2013/14 the DVSC awarded £7,228 in grants on the authority's behalf. The application of this fund covers a wide field ranging from education, social and recreational needs, and the relief of sickness and protection of historical buildings.

The total balance on the fund, held by Flintshire County Council, is £562,282 (£599,782 in 2012/13). Denbighshire County Council keeps a separate balance sheet for the Welsh Church Acts Fund. The balance in the Fund as 31 March 2014 was £5,257 (£63 as at 31 March 2013).

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

The following is an extract of the Welsh Church Acts Fund 31 March 2014:

	Income £000	Expenditure £000	Investments £000
31 March 2014	(113)	52	502
31 March 2013	(25)	23	599

The March 2014 Income figure of £113k includes £99k for sale proceeds of Liquidity 1<sup>st</sup> Stock. (£11k was included in the March 2013 figure).

## 47. Heritage Assets

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

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

	Scheduled Ancient Monument	Plas Newydd	Ruthin Gaol	Nant Clwyd Y Dre	Total Heritage Assets
	£000	£000	£000	£000	£000
Cost or Valuation 1 April 2013	361	3,009	4,834	3,594	11,798
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
Revaluations - Gains	0	86	4	0	90
Revaluations - Losses	0	(1,941)	(248)	(565)	(2,754)
Impairment Losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	0
Impairment Losses/(reversals) recognised in Surplus or Deficit on the Provision of Service	0	0	0	0	0
Depreciation	0	(8)	(33)	(15)	(56)
31 March 2014	361	1,146	4,557	3,014	9,078

**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**

During the year it was identified that a High School has a painting by the Welsh Landscape painter, Sir John "Kyffin" Williams. No formal valuation has been made but it is estimated to be worth between £14,000 - £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.

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

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

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

##### **Heritage Service**

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

##### **Collections Management**

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

##### **Loans**

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

## Acquisitions and Disposals

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

## 50. Accounting Policy and Other Changes Required by the Code of Practice for Local Authority Accounting in the United Kingdom

### Adoption of 2011 amendments to IAS19

Local Authorities are required by the Code to account for post-employment benefits in accordance with IAS19. There have been several significant changes to the standard, which have been required to be adopted for accounting years starting on or after 1 January 2013. The key change affecting LGPS employers relates to what was the Expected Return on Assets.

- Under the revised standard, the Expected Return on Assets is replaced with the Interest on Plan Assets. This is the interest on assets held at the start of the period and cashflows occurring during the period, calculated using the discount rate at the start of the year.
- The pension cost under the revised standard sees what was the Interest Cost and Expected Return on Assets replaced with Net Interest Expense. This is calculated as interest on pension liabilities less the interest on assets.
- Another new class of component to be recognised in the financial statements is the Remeasurement of the Net Defined Benefit Liability/(Asset). This comprises:
  - Actuarial Gains and Losses
  - The Return on Plan Assets (excluding amounts included in the net defined benefit liability (asset))

Actuarial Gains and Losses on liabilities due to changes in actuarial assumptions need to be split between the effect of changes in financial assumptions and changes in demographic assumptions.

The effects of these changes on the Comprehensive Income and Expenditure Statement are shown below:

	Previously Reported			Total IAS 19 adjustments £000	2012/13 Gross Expenditure £000	Restated 2012/13 Income £000	2012/13 Net Expenditure £000
	2012/13 Gross Expenditure £000	2012/13 Income £000	2012/13 Net Expenditure £000				
Central services to the Public	12,641	(10,797)	1,844	10	12,651	(10,797)	1,854
Culture & Related Services	21,699	(7,302)	14,397	26	21,725	(7,302)	14,423
Children's & Education Services	110,279	(24,268)	86,011	84	110,363	(24,268)	86,095
Environmental & Regulatory Services	22,853	(10,753)	12,100	18	22,871	(10,753)	12,118
Highways & Transport Services	24,617	(15,692)	8,925	20	24,637	(15,692)	8,945
Local Authority Housing (HRA)	29,114	(11,956)	17,158	7	29,121	(11,956)	17,165
Housing Services	38,537	(36,031)	2,506	6	38,543	(36,031)	2,512
Adult Social Care	53,241	(18,775)	34,466	54	53,295	(18,775)	34,520
Planning Services	6,762	(2,611)	4,151	10	6,772	(2,611)	4,161
Corporate & Democratic Core	15,507	(7,226)	8,281	11	15,518	(7,226)	8,292
Non Distributed Costs	211	0	211	0	211	0	211
<b>Cost of Services</b>	<b>335,461</b>	<b>(145,411)</b>	<b>190,050</b>	<b>246</b>	<b>335,707</b>	<b>(145,411)</b>	<b>190,296</b>
Other Operating Expenditure	14,312	(34)	14,278	281	14,593	(34)	14,559
Financing & Investment Income & Expenditure	15,034	(566)	14,468	1,514	16,548	(566)	15,982
Taxation & Non-specific Grant Income		(208,468)	(208,468)			(208,468)	(208,468)
<b>(Surplus) or Deficit on Provision of Services</b>			<b>10,328</b>				<b>12,369</b>
Surplus or deficit on revaluation of non-current assets			123,196				123,196
Impairment losses on non-current assets charged to the Revaluation Reserve			4,112				4,112
Remeasurement of the Net Defined Benefit Liability/(Asset)			41,147	(2,041)			39,106
<b>Other Comprehensive Income &amp; Expenditure</b>			<b>168,455</b>				<b>166,414</b>
<b>Total Comprehensive Income &amp; Expenditure</b>			<b>178,783</b>	<b>0</b>			<b>178,783</b>

There are no changes to the Balance Sheet however the following notes have been amended:

Movement in Reserves Statement

Cash Flow Statement

Note 7 Adjustments Between Accounting Basis and Funding Basis under Regulations

Note 8 Other Operating Expenditure

Note 9 Financing and Investment Income and Expenditure

Note 24 Unusable Reserves

Note 25 Cash Flow Statement – Operating Activities

Note 28 Amounts Reported for resource Allocation Decisions

Note 41 Defined Benefit Pension Schemes

Housing Revenue Account Income and Expenditure Statement

Statement of Movement in the HRA Balance

Supplementary Note 6 Transactions Relating to Retirement Benefits

# **SECTION 4: SUPPLEMENTARY STATEMENTS**

## **AND**

# **NOTES TO THE SUPPLEMENTARY STATEMENTS**

## Housing Revenue Account Income and Expenditure Statement

2012/13 Restated £000		Note	2013/14 £000
	<b>EXPENDITURE</b>		
2,967	Repairs & maintenance		2,913
2,527	Supervision & management		2,345
13	Rents, rates, taxes & other charges		15
3,081	Negative Housing Revenue Account subsidy payable		3,121
20,378	Depreciation and impairment of non-current assets	5	5,873
17	Debt management costs		18
92	Increase in bad debt provision		130
<b>29,075</b>	<b>Total Expenditure</b>		<b>14,415</b>
	<b>INCOME</b>		
(11,800)	Dwelling Rents (Gross)		(12,591)
(156)	Non-Dwelling Rents (Gross)		(158)
<b>(11,956)</b>	<b>Total Income</b>		<b>(12,749)</b>
<b>17,119</b>	<b>Net Expenditure of HRA Services as included in the Comprehensive Income and Expenditure Statement</b>		<b>1,666</b>
46	HRA Share of Corporate & Democratic Core		46
<b>17,165</b>	<b>Net Expenditure of HRA Services</b>		<b>1,712</b>
	<b>HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement</b>		
8	Pension Administration Costs		8
1,327	Interest payable and similar charges		1,366
(4)	Interest and investment income		(5)
204	Net interest on the net defined benefit liability (asset)	6	222
(2,400)	Capital grants and contributions receivable		(2,400)
<b>16,300</b>	<b>(Surplus) or deficit for the year on HRA services</b>		<b>903</b>

Movement on the HRA Statement

2012/13 Restated £000		2013/14 £000	
(871)	<b>Balance on the HRA at 1 April</b>		<b>(1,046)</b>
16,300	(Surplus) or deficit for the year on the HRA Income & Expenditure Statement	903	
(16,438)	Adjustments between accounting basis and funding basis under statute (see below)	(1,144)	
(138)	Net (increase) or decrease before transfers to or from reserves		(241)
(37)	Transfers to or (from) reserves		0
(175)	(Increase) or decrease in year on the HRA		(241)
<b>(1,046)</b>	<b>Balance on the HRA at 31 March</b>		<b>(1,287)</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>		
(20,378)	Charges for depreciation and impairment of non-current assets		(5,873)
2,400	Capital grants and contributions applied		2,400
0	Revenue Expenditure Funded from Capital Under Statute		0
(75)	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		(220)
	<u>Insertion of items not debited or credited to the Comprehensive Income &amp; Expenditure Statement</u>		
1,341	Statutory provision for the financing of capital investment		1,524
331	Capital Expenditure charged against HRA balances		1,034
	<b>Adjustments primarily involving the Capital Receipts Reserve</b>		
75	Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the HRA Income & Expenditure Statement		220
	<b>Adjustments primarily involving the Financial Instruments Adjustment Account</b>		
19	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		11
	<b>Adjustments primarily involving the Pensions Reserve</b>		
(506)	Reversal of items relating to retirement benefits debited or credited to the HRA Income & Expenditure Statement		(606)
368	Employer's pension contributions payable in the year		361
	<b>Adjustments involving the Accumulated Absence Account</b>		
(13)	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		5
<b>(16,438)</b>	<b>Total Adjustments</b>		<b>(1,144)</b>

## 1. Housing Stock

The Council's total housing stock was as follows:

2012/13 No. of Properties		2013/14 No. of Properties
1,865	Houses	1,863
975	Flats	973
617	Bungalows	618
<b>3,457</b>	<b>Total</b>	<b>3,454</b>

During the year three properties were sold under the Right to Buy Scheme. Also a reclassification of property has affected the balance of bungalows and flats.

## 2. Rent Arrears

At the 31st March 2014, tenants' net rent arrears were £0.231m, (£0.223m as at 31st March 2013) which represented 1.85% of the net rent income due in the year. Arrears totalling £0.007m were written off during the year. A contribution to the provision for Bad and Doubtful Debts of £0.063m was made during the year and the balance at year end is £0.305m.

## 3. Capital Receipts

HRA capital receipts for 2013/14 are summarised below:

2012/13 £000	Housing Receipts	2013/14 £000
72	Sales - Right to Buy Scheme	200
	Sales - Land	20
2	Repaid Discounts	0
3	Mortgages	5
<b>77</b>	<b>Total Receipts</b>	<b>225</b>

## 4. Analysis of Housing Revenue Account Capital Expenditure

During 2013/14, capital expenditure of £6.525m was incurred on improvements to the Council's housing stock. Total capital expenditure has been financed by four sources: the Major Repairs Allowance (a government grant), capital receipts (from the 'Right to Buy' scheme), Direct HRA revenue contributions and prudential borrowing as detailed in the table below.



2012/13 £000	Housing Capital Expenditure	2013/14 £000
0	Quality Performance Management - IT Project	294
6,462	Improvement Works	6,231
<b>6,462</b>	<b>In-year Expenditure</b>	<b>6,525</b>
	<i>Financed by:</i>	
2,400	Major Repairs Allowance (Grant)	2,400
19	Usable Capital Receipts	56
331	Direct HRA Revenue Contributions	1,034
3,712	Prudential Borrowing	3,035
<b>6,462</b>	<b>Total</b>	<b>6,525</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 Item 8 (Wales) General Determination 2013/14. The depreciation charge, impairment and revaluation losses have no effect on HRA balances.

The total depreciation charges and impairment and revaluation losses for 2013/14 are shown below:

2012/13 £000	HRA Depreciation Charges & Impairment Losses	2013/14 £000
3,639	Operational Assets – Dwellings	3,160
42	Operational Assets - Garages	0
83	Operational Assets – Communication Systems	86
<b>3,764</b>	<b>Total Depreciation</b>	<b>3,246</b>
<b>16,614</b>	<b>Impairment and Revaluation Losses</b>	<b>2,627</b>
<b>20,378</b>	<b>Total HRA Depreciation &amp; Impairment Losses</b>	<b>5,873</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:

2012/13 Restated £000	Comprehensive Income and Expenditure Statement	2013/14 £000
	<u>Net cost of services:</u>	
294	Current Service Cost	376
	Past Service Cost	
	<u>Net Operating Expenditure</u>	
8	Pension Administration Expenses	8
204	Net Interest Expense	222
<b>506</b>	<b>Net charge to the Comprehensive Income &amp; Expenditure Statement</b>	<b>606</b>
	<b>Movements on the HRA statement</b>	
(506)	Reversal of net charges made for retirement benefits in accordance with the Code	(606)
<b>368</b>	<b>Employer's contribution payable to the Clwyd Pension Fund Scheme</b>	<b>362</b>

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



## **SECTION 6**

# **Delivering good governance and continuous improvement**

## **Assessment of the Council's governance and improvement arrangements for 2013-14**

## Table of Contents

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<u>Introduction</u> .....	123
<u>Summary of our governance arrangements</u> .....	124
<u>Review of effectiveness</u> .....	124
<u>Focusing on our purpose and on the outcomes for citizens and service users</u> .....	126
<u>Performing effectively in clearly defined functions &amp; roles</u> .....	129
<u>Promoting values for the whole organisation and demonstrating good governance through our behaviour</u> .....	130
<u>Taking informed and transparent decisions and managing risk</u> .....	132
<u>Developing our capacity and capability to be effective</u> .....	134
<u>Engaging with local people and other stakeholders to ensure robust public accountability</u> .....	136
<u>Significant governance issues</u> .....	139
<u>Appendix 1 – Governance Improvement Action Plan</u> .....	141

## Introduction

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### Why do we need 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 both the Council and the public. It supports the Council in making the right decisions, reduces the likelihood of things going wrong and protects it when problems do occur. It inspires confidence in the public that we are taking decisions for the right reasons, protecting service quality and spending public money wisely.

This document explains and assesses our governance arrangements for 2013-14 and identifies any improvements that we need to make the arrangements more robust.

### Self-assessment of our arrangements

Within our annual governance review, we are required to carry out a self-assessment of our arrangements. In the past we have also carried out a corporate self-assessment showing how we achieve continuous improvement, so we have now combined these self-assessments in an approach to avoid duplication, as managing and monitoring of performance and improvement is also an important element of good governance. This innovative self-assessment helps us to understand our strengths and weaknesses in relation to the 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 includes:

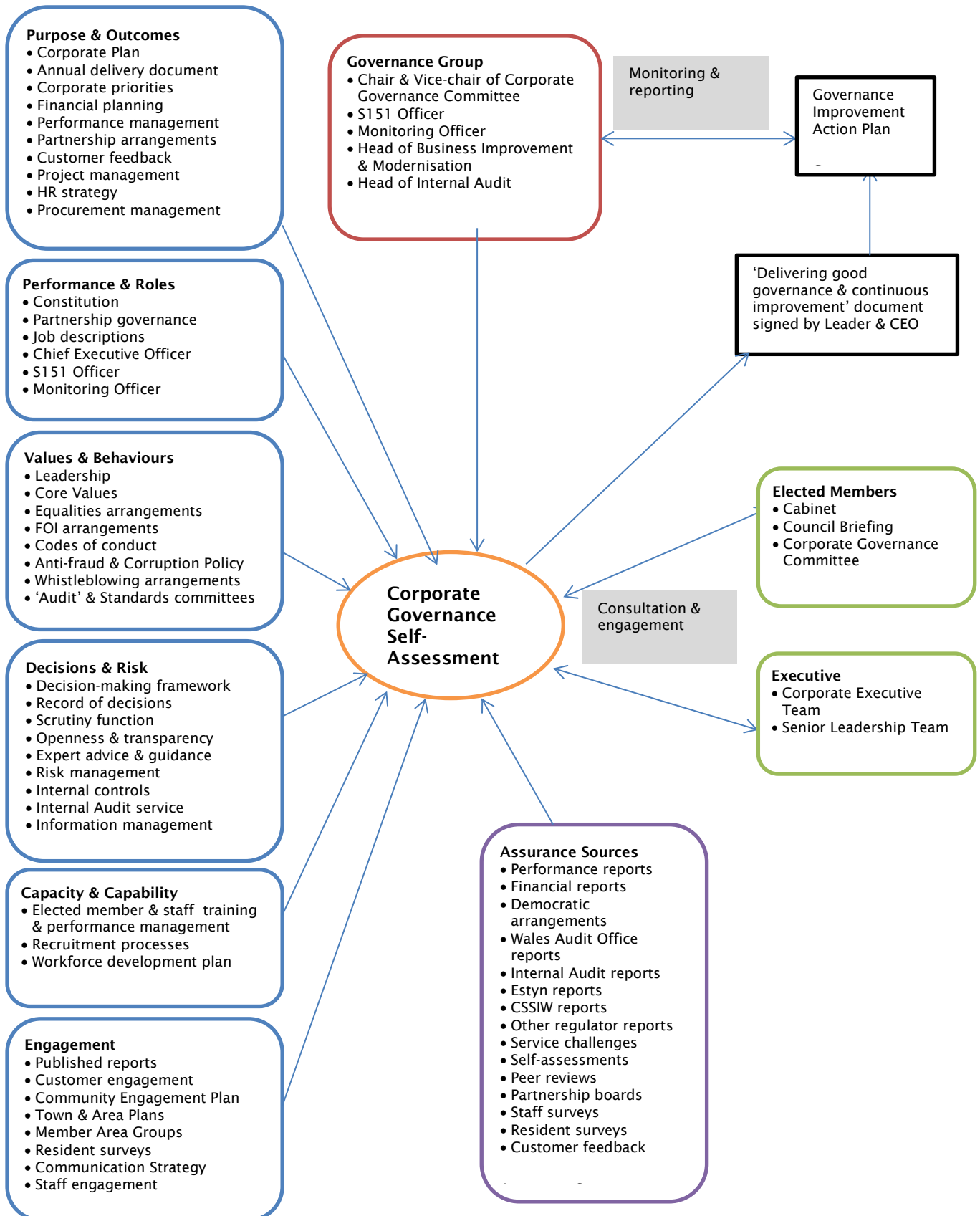
- maintaining an on-going evidence framework showing how we can give assurance on our governance arrangements;
- regularly reviewing the effectiveness of the Council's Constitution;
- reviewing governance arrangements within services delivered on our behalf by partnerships, arms-length organisations etc.;
- having a Governance Group comprising the Chair and Vice-chair of the Corporate Governance Committee, Head of Finance & Assets (S151 Officer), Head of Legal & Democratic Services (Monitoring Officer), Head of Business Improvement & Modernisation, and Head of Internal Audit to monitor governance arrangements, development of our self-assessment and any action plans arising from it;
- consulting widely on our self-assessment with the Corporate Executive Team, Senior Leadership Team, Council Briefing, Cabinet and Corporate Governance Committee;
- providing training for elected members to ensure that they fully understand their roles and responsibilities relating to corporate governance; 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).**

**The Governance Group 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 Annual Improvement Reports conclude that we are making good progress in delivering our improvement programme, that our corporate performance management arrangements support reliable self-evaluation and that our arrangements to support improvement are good.

We have clearly stated how our corporate priorities link to our medium-term financial plan and have identified financial and staffing resources to support the delivery of our 2013-14 objectives.

However, we recognise that local government in Wales is facing enormous pressure and change. The public's expectations of our services are increasing as are the demands and needs for social care and wellbeing. In education our performance against international standards is low and must improve. Our towns and villages need investment, as do our roads. These are significant challenges at a time when our services are facing unprecedented financial cuts. All this implies that we must become better at focusing on what is really important, accepting that some services and functions will stop or be transferred to others who may be able to deliver them at lower or no extra cost.

As part of this, we will also need to review our governance arrangements to ensure that public money is spent wisely and the public continues to receive good services and value for money. We will be implementing new monitoring arrangements during 2014 to ensure that any third party or arms-length service providers have robust governance arrangements, and will implement scrutiny arrangements to monitor their financial and operational performance.

We have a comprehensive partnership governance toolkit that provides guidance to ensure that, for each partnership, there should be a clear statement of the partnership principles, objectives and proposed outcomes. It also includes guidance on measurement of service quality so that customers receive good service, however we deliver our services. However, we are aware that not all partnerships use the toolkit, so, as part of a comprehensive review of the partnership landscape, we will need to review the guidance to ensure that it is user-friendly and effective. This review will also provide a greater knowledge and understanding of partnership activity and develop a better corporate understanding of the challenges of operational partnerships.

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

We monitor our performance regularly and take half-yearly reports to Scrutiny and Cabinet meetings and produce an Annual Performance Report to evaluate progress. As part of our aim to be amongst the top six performing Councils in Wales, we have introduced an 'excellence threshold' approach, prioritising improvement in areas where our performance is below that of half of the other Welsh local authorities. However, we still have some improvements to make to ensure that all services are clear about this approach to implementing corporate priorities and how they will measure success.

We maintained our position as the highest performing council in Wales for a third year, based on the National Strategic Indicators, performing in the:

- top quarter of councils for more indicators than anyone else (17 out of 30);
- top half of councils for more indicators than anyone else (22 out of 30);
- bottom quarter of councils for fewer indicators than anyone else (4 out of 30).

During the year, we reviewed our Service Performance Challenge programme to provide an annual challenge by senior management and elected members for all services that is significantly more robust and focused more on service performance and improvement. The Challenge 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 that the service may need to respond to. The new process addresses the Wales Audit Office's concerns that our assessment of performance and efficiency may have been based on too narrow a range of evidence in the past.

The Wales Audit Office provided an unqualified audit report on our financial statements for 2012-13, raising no significant issues or material weaknesses in our internal controls. Our Internal Audit service reviews our key financial systems annually and provided positive reports during the year apart from a critical report on the procurement of construction services that highlighted several weaknesses, including that our procurement strategy is out of date. Internal Audit's recent follow up of the improvement action plan shows that, although we have developed a new draft strategy and Contract Procedure Rules, progress with improvement is slow and behind schedule.

Also in procurement, we are involved in the development of some key projects:

- We are developing a business case for a sub-regional procurement service - the Three County Project, which will be a collaboration arrangement between Denbighshire County Council, Gwynedd County Council and Flintshire County Council. This new organisation will introduce a category management approach to procurement that will bring significant economy of scale for regularly purchased commodities. At this stage it is too early to say whether this arrangement will be successful, but early indications suggest that the project could realise efficiencies of up to £4m per year, based on similar related projects undertaken in other local authorities.
- In addition to this, Denbighshire and Flintshire Councils are merging their procurement services to streamline procurement processes and have a more effective use of resources in readiness for the development of the Three County Project.
- We are implementing a new e-sourcing system and centralised invoice registration project that will also impact on the procurement function.
- The creation of the National Procurement Service has also added to the complexity of procurement arrangements and led to a loss of staff to the new organisation, with potential further staffing losses.

We are aware that we are entering a critical period in relation to strategic procurement and the major changes that we are making; therefore, we will need to keep this area under regular review to ensure that the identified improvements are implemented and that the strategic programmes of change are successfully delivered.

During the year, we have continued to improve management of our programmes and projects but realise that we still have work to do to fully embed this into the Council's culture. We have developed the Verto system and tailored it with the PRINCE2 methodology to provide a consistent approach to project and programme delivery, which is rigorous and flexible, allowing for overall improved delivery in quality, cost, time and scope of projects across the Council. We will continually improve the use of the system as a project management tool to enable closer working with performance management and the service business planning process.

There are two Corporate Programmes - Economic and Community Ambition and Modernisation, both developed in response to corporate priorities. We also have two service-led programmes - Modernising Education and Modernising Social Services. Each Programme has a Senior Responsible Owner at Corporate Director level and a dedicated Programme Manager. Each of the Programme Boards has Member representation, which includes Cabinet Members with a relevant portfolio responsibility.

## Performing effectively in clearly defined functions & roles

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

The Council's 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, although it needs to be updated to take account of changed role titles and elected member portfolios;
- 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.

Our partnership governance toolkit provides guidance on defining each partner's role in the partnership, line management responsibilities for staff supporting the partnership and legal status but does not provide clear guidance on the roles of partnership board members. We have already identified the need to review this guidance, as we are aware that it is not always used by partnerships.

### **...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 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; and
- Our Monitoring Officer is responsible for ensuring that the organisation follows agreed procedures and complies with all applicable statutes and regulations.

We have clear arrangements for the remuneration of employees and elected members.

## 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, Partnership Governance Framework, Financial Regulations, Contract Procedure Rules and employee appraisal process.

Our leadership sets the tone for the organisation by creating a culture of openness, support and respect. The staff survey in 2013 reported that 83% of employees feel that the leadership team has a clear vision for the future compared to only 58% in the 2011 survey. There is also a high level of confidence (84%) in the leadership team. This same level of improved confidence is reflected at service level, with 81% believing that their service has a clear vision for the future and having confidence in their manager.

We are continuing our work to improve awareness of equalities issues. During the year we issued our Respect booklet as an introduction to equalities legislation, although Internal Audit's staff survey found that there is still work to do to improve awareness of corporate equalities arrangements. Equality Impact Assessments are now mainstreamed into our decision-making process, but we still need to improve the quality of some of these assessments and will be introducing a quality assurance process during 2014. We took part in a regional engagement event with other North Wales public sector authorities to ensure that service provision and employment practice are equally accessible to all members of the community.

### **...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, although we need to ensure that we have arrangements in place to ensure that we regularly raise awareness of these codes;
- 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, although we have not reviewed and updated this since 2006;
- we have revised our whistleblowing procedures that enable issues to be raised freely with a wide range of people or bodies and these are currently out for consultation with trade unions;

- a recent Internal Audit review confirmed that 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);
- our Corporate Governance Committee recently carried out a self-assessment that confirmed that its terms of reference conform to the Local Government (Wales) Measure 2011;
- the Head of Internal Audit recently provided training to elected members on their governance responsibilities, as we realised that we had previously concentrated this training on the Corporate Governance Committee members and needed to ensure that all elected members are aware of their responsibilities;
- the Head of Internal Audit, Wales Audit Office and Chief Accountant provided specific refresher training to the Corporate Governance Committee on its role and responsibilities, as members had identified that they now have more knowledge of how the Council works and that this training may be more effective at this stage;
- 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.

One weakness that we have identified is that our environmental policy is out of date and we have not developed a corporate approach to environmental management that would help to demonstrate our values and ethics by committing to ensuring that we help to maintain, enhance and use natural resources sustainably now and in the future.

## **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, although we are aware that we need to carry out some quality control reviews on equality impact assessments to ensure that they are robust.

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.

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

Elected members are provided with clear, concise but comprehensive reports and advice for decision-making that clearly explains 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 that has to be completed 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. We have also created a Corporate Research and Intelligence team, bringing together former members of the Information and Mapping and Corporate Improvement Team. The main work of the team this year has been in providing research to support the Service Challenge process, the development of the Economic and Community Ambition Strategy and upgrading the Council's internet mapping provision. The team has also worked to enhance research capacity in individual services, for example, training in geographical information systems delivered to the Housing and Community Development Service and the mapping of various new data sources for adult social services.

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

During the year, we updated and simplified our Risk Management Guidance, including the reporting of the Corporate Risk Register, which is now monitored by Cabinet as well as the Corporate Executive Team, giving risk management a higher profile in the organisation. The guidance is easier to follow and should help to embed risk management further in the Council's culture. 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.

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



has not yet carried out the required self-assessment review to ensure that it complies with the new Public Sector Internal Audit Standards but plans to do this early in 2014/15.

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

Information management was a significant governance weakness in our last two Annual Governance Statements following adverse internal and external audit reports. We have now made significant improvements to address this by forming a Corporate Information Team. In particular, we have:

- appointed a Corporate Information Manager;
- launched an Information Management Strategy;
- developed an Information Charter signed by the Chief Executive;
- developed an Information Risk Policy;
- provided access to information training;
- achieved Public Sector Network (PSN) accreditation;
- developed an Information Assets Register;
- appointed an Access to Information Officer to manage the increasing number of access to information requests; and
- made good progress with rolling out EDRMS (electronic document records management system).

However, we recognise that we still have a lot of work to do but have identified this in our Information Management Strategy, for example:

- develop e-learning modules for several areas of training;
- improve the policy framework in areas such as email, records management and information security;
- digitise catalogues and collections in our archives;
- enhance our Publication Scheme and Disclosure Logs;
- revise and embed the corporate retention schedule; and
- achieve PSN accreditation for 2014.

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. In May 2014, the Council's Senior Information Risk Officer (SIRO) reported the following to the Corporate Governance Committee for 2013/14:

- There has been no major breach of the Data Protection Act by the Council during the year.
- The SIRO reported two information risk incidents to the Information Commissioner during the year.
- These incidents affected two individuals and the Council took immediate action to address the issues and improve processes.

## Developing our capacity and capability to be effective

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### **...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 and have recently rolled out new 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 significantly more inductions are being carried out.

Our performance management framework for Cabinet and individual Lead Members assesses their performance and helps to address improvement needs; however, we need to assess how well this works in practice and whether it is leading to improvement.

Scrutiny Committees produce annual reports on their work to County Council but the Corporate Governance Committee's self-assessment highlighted that it had not formed part of this performance monitoring arrangement in recent years. It will address this in May 2014 to report on this year's performance.

Employees receive annual performance appraisals, resulting in training and development plans to help them achieve their objectives and fulfil their roles effectively. We have improved performance in this area during the year, with 90% of eligible employees receiving an annual appraisal.

We are trying to modernise 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 also what support we can provide. To improve our efficiency and mobility, we are:

- rolling out new IT equipment;
- reviewing our office accommodation requirements;
- agreeing a hot-desk policy;
- rolling out EDRMS to more services;
- implementing Central Invoice Registration, which will reduce the number of invoices not paid on time and avoid late payment fines; and
- developing a Customer Access Strategy to look at future service delivery, customer requirements, how technology can support service delivery and how we can manage customer data to improve services.

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

Strategic HR Business Partners undertake a workforce planning exercise with each service annually to identify their priorities for the coming 12 months. This enables 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 HR to develop a Workforce Priority Plan, agreed with the Senior Leadership Team. In addition, the data collected from performance appraisals enables us to identify corporate people development priorities for the coming 12 months.

To help develop potential senior managers of the future, we use Middle Managers conferences to engage them and we have appointed a new cohort of 'yr Hwb', consisting of members of staff across the organisation and engaging them in change activities, providing them with mentorship, training and experience in skills that maybe under-utilised in their usual day to day role.

We are developing a process for the strategic allocation of resources to project management. A risk with the current business model (where our project management team relies on income from project management) is that fee-earning capital projects can take priority over important corporate improvement projects, as the fees are required to fund the salaries of our corporate project managers. With the completed training, some services may decide to manage projects themselves, therefore enabling project managers to gain the experience following their qualification.

Our Volunteering Strategy offers a useful starting point for developing corporate vision for volunteering. We will develop this Strategy to take into account developments across the county in areas such as time-banking pilots, partnership working, and developing initiatives to support employees to volunteer their time and expertise to benefit their communities.

## 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, their work and outcomes;
- involving and consulting them on key decisions that may affect our governance arrangements;
- acting on any improvements that they identify in their reports; and
- presenting their 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.

We have improved our community engagement during the year, for example:

- launching our Corporate Community Engagement Strategy and Toolkit, which is on our intranet and is a useful resource for all services. The next step is to ensure that the Strategy becomes embedded in the engagement philosophy of all services so that minimum standards are adopted;
- undertaking further work to manage our on-line consultation polices and use of on-line survey tools such as 'Survey Monkey'; and
- adopting the National Principles of Public Engagement.

We carried out a resident survey during the year with over 2000 residents taking part. Some of the key points arising from the survey are that:

- most residents are satisfied with their local area as a place to live and feel safe;
- most are satisfied with the overall level of cleanliness of the streets in their local area;
- most are satisfied with the range of shops, services, parking and cleanliness in their town centre but mainly dissatisfied with the availability of entertainment for young people and job opportunities;
- most are satisfied with the condition of the county's roads and pavements;
- most feel that the Council provides good value for money, is efficient and well run but do not feel well-informed about the Council's performance and a range of other issues asked in the survey; and
- most are satisfied with the level of customer service they receive.

In addition to the resident survey, services carry out individual engagement and consultation, usually on a specific issue, for example on our review of schools provision, or for user feedback. These influence current and future delivery of services.

The Council is the lead partner in delivering an Engagement Strategy and Action Plan on behalf of the Local Services Board (LSB). A working group, chaired by the Council is delivering work packages as part of the Strategy's action plan.

We reviewed Member Area Groups (MAGs) during 2013 to consider their effectiveness and efficiency, and to assess how well they meet their objectives and terms of reference. All of the recommendations arising from the review have been implemented and their terms of reference reviewed. We are also commencing a review of the Town and Area Plan process to assess how the Plans will help to deliver our corporate priorities, what impact the Plans will have, whether they represent value for money and whether they have robust and effective governance arrangements in place.

We have completed and initiated several actions that have either changed or will change our engagement with businesses:

- The Leader and/or Corporate Director aim to visit the top 10 businesses in the county annually to provide an opportunity for senior Council representatives to hear from and speak with our most influential local businesses.
- We have developed a business survey that we intend to run annually and will soon be issued to provide an initial baseline for the programme and annual performance information. The majority of questions are seeking to build our knowledge and understanding of businesses in the county, their priorities and preferred communication and engagement methods.
- We have received very positive feedback from business and community respondents to the Economic and Community Ambition Strategy Consultation Programme and there is already evidence of positive feedback from businesses that we provide supportive and helpful regulatory services, so we are building on a positive relationship, adding more value.
- We have organised a high profile business engagement event for April 2014 where we will be building relationships, explaining our approach and seeking further business feedback.
- We have set targets for increasing the amount of procurement spend that goes to local businesses and started work on a local supplier engagement and development programme.
- We have progressed discussions on the creation of a multi-agency business advice and support partnership and potential one stop shop website.

However, it has become apparent that we are starting from a very low base, where the value of effective business engagement is only just being recognised, which means that we have a lot more work to do before we see the benefits that result from the above developments. We need to ensure that effective opportunities exist for businesses to provide feedback on the delivery of the Economic and Community Ambition Strategy / Programme and identify what we need to do to make engagement with the Council a valuable activity for businesses. In the longer term, as key stakeholders in the delivery of the overall vision for our economy, we need to increase business participation in making decisions about how we plan and invest Council budgets and resources for greatest economic effect.

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

We have a human resources strategy, policies, procedures, workforce planning etc. to help manage our staffing resources effectively, consistently and fairly. Our Strategic HR service is working on a major programme to improve its performance since being identified as a significant governance

issue in last year's Annual Governance Statement. The service has also reported its progress on implementing improvements arising from an adverse Internal Audit report to the Corporate Governance Committee. There are still concerns over the delivery of the improvement programme, so, to ensure that it has assurance that the service has improved and is making good progress, the Committee requested a further internal audit review in April 2014.

We 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 2013 survey resulted in an increased response rate from 37% to 44.6% over the 2011 survey. The latest survey highlighted that:

- more employees (83%) are proud to work for the Council;
- more employees (88%) are satisfied with the Council as an employer;
- 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 60% feel that we plan and deliver changes well; and
- communication has improved, but can perhaps be better, as only 64% feel well informed about what is going on in their service.

Our whistleblowing procedures ensure that employees can raise issues of concern freely with a wide range of people/bodies.

## Significant governance issues

Last year's Annual Governance Statement included two significant governance issues relating to Strategic Human Resources and information governance. We have taken steps to improve both areas during the year so that they are no longer considered as significant governance issues, but we have highlighted above that we still have work to do in both areas.

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

### Significant Governance Issue 1

In future, we accept that some services and functions will stop or be transferred to others who may be able to deliver them at lower or no extra cost. We need to review our governance arrangements to take account of this, ensuring that public money is spent wisely and the public continues to receive good services and value for money.

Proposed action to address the issue	We will be implementing new monitoring arrangements during 2014 to ensure that any third party or arms-length service providers have robust governance arrangements, and will implement scrutiny arrangements to monitor their financial and operational performance.
Responsibility for the action	Initial review by Head of Internal Audit, which will lead to further action plan for implementation of new arrangements
Timescale for improvement	Preliminary report by 31 May 2014, with further action plan for implementation of new arrangements to be agreed

### Significant Governance Issue 2

Our Internal Audit provided a critical report on the procurement of construction services that highlighted several weaknesses, including that our procurement strategy is out of date. Internal Audit's recent follow up of the improvement action plan shows that, although we have developed a new draft strategy and Contract Procedure Rules, progress with improvement is slow and behind schedule.

Also in procurement, we are involved in the development of some key projects but the creation of the National Procurement Service has also added to the complexity of procurement arrangements and led to a loss of staff to the new organisation, with potential further staffing losses.

We are aware that we are entering a critical period in relation to strategic procurement and the major changes that we are making; therefore, we will need to keep this area under regular review to ensure that the identified improvements are implemented and that the strategic programmes of change are successfully delivered.

Proposed action to address the issue	There is a separate action plan for dealing with the issues raised in the Internal Audit report. <i>A review of the current Approved List system is currently being undertaken by Property Services in conjunction with the Strategic Procurement Unit. Several commodity areas will be removed from the Approved List and replaced by Framework Agreements.</i>
Responsibility for the action	<i>The Head of Finance and Assets will review progress of the changes to the current working practices in conjunction with the Property Manager and Acting Strategic Procurement Manager</i>

**Timescale for improvement**

*The review commenced in October 2013 with the intention of completion by March 2014. Due to the number and diverse range of commodity areas involved it is now intended to complete the review and implementation by March 2015*

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

**Signed: ..... (Leader) .....2014**

**Signed: ..... (Chief Executive) .....2014**



## Appendix 1 – Governance Improvement Action Plan

Improvement Area	Action	Responsibility	Timescale
<b>Significant Governance Issues</b>			
<p>In future, we accept that some services and functions will stop or be transferred to others who may be able to deliver them at lower or no extra cost. We need to review our governance arrangements to take account of this, ensuring that public money is spent wisely and the public continues to receive good services and value for money.</p>	<p>We will be implementing new monitoring arrangements during 2014 to ensure that any third party or arms-length service providers have robust governance arrangements, and will implement scrutiny arrangements to monitor their financial and operational performance.</p> <p>The Head of Internal Audit produced a 'good practice' report in May 2014 that CET will discuss in July 2014 to agree the way forward.</p>	<p>Initial review by Head of Internal Audit, which will lead to further action plan for implementation of new arrangements</p>	<p>Preliminary report by 31 May 2014, with further action plan for implementation of new arrangements to be agreed</p>



Improvement Area	Action	Responsibility	Timescale
<b>Partnership Governance</b>			
We are aware that not all partnerships use the toolkit, so, as part of a comprehensive review of the partnership landscape, we will need to review the guidance to ensure that it is user-friendly and effective. This review will also provide a greater knowledge and understanding of partnership activity and develop a better corporate understanding of the challenges of operational partnerships.	Practice-based review of governance toolkit	Head of Business Improvement & Modernisation	Oct 2014
Our partnership governance toolkit provides guidance on defining each partner's role in the partnership, line management responsibilities for staff supporting the partnership and legal status but does not provide clear guidance on the roles of partnership board members. We have already identified the need to review this guidance, as we are aware that it is not always used by partnerships.	Practice-based review of governance Toolkit	Head of Business Improvement & Modernisation	Oct 2014
<b>Constitution</b>			
The Council's 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, although it needs to be updated to take account of changed role titles and elected member portfolios.	A new Model Constitution has been developed for Wales. The Council's current Constitution will be reviewed in light of the new model and updated to reflect changed job titles and portfolios.	Head of Legal & Democratic Services	Constitution working group to meet by September 2014, with further reports to Corporate Governance Committee and Council. New model to be adopted by 31 December 2014
Our codes of conduct for elected members and employees form part of induction training, although we need to ensure that we have arrangements in place to ensure that we regularly raise awareness of these codes.	Elected members have been provided with several training sessions on the Code of Conduct and refresher sessions are made available each year. A strategy for maintaining awareness among employees will be developed.	Head of Legal & Democratic Services	Refresher sessions for elected members will be provided before March 2015. An awareness raising strategy for employees will be implemented by March 2015

Improvement Area	Action	Responsibility	Timescale
<b>Equalities</b>			
We are continuing our work to improve awareness of equalities issues. But Internal Audit's staff survey found that there is still work to do to improve awareness of corporate equalities arrangements.	The Corporate Equalities Group will discuss the Internal Audit report at its July 2014 meeting. At the same meeting, the Group will consider for approval a new e-learning training module on equalities issues. Following approval, this new module will be rolled out.	Head of Business Improvement & Modernisation	Autumn 2014
Equality Impact Assessments are now mainstreamed into our decision-making process, but we still need to improve the quality of some of these assessments and will be introducing a quality assurance process during 2014.	The Head of Internal Audit will carry out a quality control review of a sample of Equality Impact Assessments during 2014/15 and feed back to Heads of Service to improve the quality of future Assessments.	Head of Internal Audit	Commencing September 2014
<b>Policy Framework</b>			
We have an anti-fraud and corruption policy, although we have not reviewed and updated this since 2006.	This policy has been reviewed and a new draft policy will be presented to Corporate Governance Committee	Head of Legal & Democratic Services	November 2015
Our environmental policy is out of date and we do not have a formal corporate approach to environmental management that would help to demonstrate our values and ethics by committing to ensuring that we help to maintain, enhance and use natural resources sustainably now and in the future.	There are currently no plans to revisit our existing policies; however, sustainability is now a core principle in our community planning and is reflected in Denbighshire's draft Well-being Plan, due for publication in November 2014.	Head of Business Improvement & Modernisation	Nov 2014
<b>Regulations &amp; Standards</b>			
We have an independent and objective internal audit service providing assurance across the whole range of DCC's services, including partnerships. The service has not yet carried out the required self-assessment review to ensure that it complies with the new Public Sector Internal Audit Standards but plans to do this early in 2014/15.	Self-assessment review against Public Sector Internal Audit Standards and report outcome to Corporate Governance Committee	Head of Internal Audit	Review complete by 30 September 2014 and reported to next available committee meeting

Improvement Area	Action	Responsibility	Timescale
<p>We have made significant improvements in information governance during the year; however, we recognise that we still have a lot of work to do but have identified this in our Information Management Strategy, for example:</p> <ul style="list-style-type: none"> <li>• develop e-learning modules for several areas of training;</li> <li>• improve the policy framework in areas such as email, records management and information security;</li> <li>• digitise catalogues and collections in our archives;</li> <li>• enhance our Publication Scheme and Disclosure Logs;</li> <li>• revise and embed the corporate retention schedule; and</li> <li>• achieve PSN accreditation for 2014.</li> </ul>	<p>We will continue to implement the Information Strategy</p> <p>E-learning on data protection is now in place</p> <p>Other actions on-going</p>	<p>Head of Business Improvement &amp; Modernisation</p>	<p>Roll out to be completed September 2014</p>
<b>Elected Members</b>			
<p>Our performance management framework for Cabinet and individual Lead Members assesses their performance and helps to address improvement needs; however, we need to assess how well this works in practice and whether it is leading to improvement.</p>	<p>Head of Internal Audit to discuss an approach to this with the Leader</p>	<p>Head of Internal Audit/Leader</p>	<p>31 July 2014</p>
<p>Scrutiny Committees produce annual reports on their work to County Council but the Corporate Governance Committee's self-assessment highlighted that it had not formed part of this performance monitoring arrangement in recent years.</p>	<p>Head of Internal Audit to work with Chair of Corporate Governance Committee to produce report on the Corporate Governance Committee's performance and effectiveness for 2013-14</p>	<p>Head of Internal Audit/Chair Corporate Governance Committee</p>	<p>Draft report by 31 July 2014</p>
<b>Stakeholder Engagement</b>			

Improvement Area	Action	Responsibility	Timescale
<p>Our latest resident survey highlighted that most people do not feel well-informed about the Council's performance and a range of other issues asked in the survey.</p>	<p>We will continue to publish user-friendly performance information on the Council's website.</p> <p>The Council's Corporate Communications Strategy Year 2 Action Plan includes various actions that will improve communication with residents to raise more awareness. This Strategy forms part of the team's service plan for 2014/15.</p>	<p>Head of Business Improvement &amp; Modernisation</p> <p>Various</p>	<p>On-going</p> <p>Various timescales but Strategy to be implemented fully by 31 March 2015</p>
<p>The value of effective business engagement is only just being recognised, which means that we have a lot more work to do before we see the benefits that result from recent developments. We need to ensure that effective opportunities exist for businesses to provide feedback on the delivery of the Economic and Community Ambition Strategy / Programme and identify what we need to do to make engagement with the Council a valuable activity for businesses. In the longer term, as key stakeholders in the delivery of the overall vision for our economy, we need to increase business participation in making decisions about how we plan and invest Council budgets and resources for greatest economic effect.</p>			
<p>Our Strategic HR service is working on a major programme to improve its performance since being identified as a significant governance issue in last year's Annual Governance Statement. The service has also reported its progress on implementing improvements arising from an adverse Internal Audit report to the Corporate Governance Committee. There are still concerns over the delivery of the improvement programme.</p>	<p>Internal Audit review to assess progress with improvement. Report to Corporate Governance Committee on outcome of review.</p>	<p>Head of Internal Audit</p>	<p>Review complete by 30 June 2014 and reported to next available committee</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.

Mae tudalen hwn yn fwriadol wag