

To: Members of the Corporate
Governance Committee

Date: 23 September 2015

Direct Dial: 01824712575

e-mail: dcc_admin@denbighshire.gov.uk

Dear Councillor

You are invited to attend a meeting of the **CORPORATE GOVERNANCE COMMITTEE** to be held at **9.30 am** on **MONDAY, 28 SEPTEMBER 2015** in **CONFERENCE ROOM 1A, COUNTY HALL, RUTHIN.**

Yours sincerely

G. Williams
Head of Legal, HR and Democratic Services

AGENDA

1 APOLOGIES

2 DECLARATION OF INTERESTS

Members to declare any personal or prejudicial interests in any business identified to be considered at this meeting.

3 URGENT MATTERS

Notice of items, which in the opinion of the Chair should be considered at the meeting as a matter of urgency pursuant to Section 100B(4) of the Local Government Act 1972.

4 MINUTES (Pages 5 - 20)

To receive the minutes of the Corporate Governance Committee meeting held on the 27th July, 2015.

5 CORPORATE SAFEGUARDING (Pages 21 - 46)

To consider a report by the Head of Internal Audit (copy enclosed) on a recent Internal Audit report on Corporate Safeguarding that received a 'Low' assurance rating.

- 6 PROCUREMENT TRANSFORMATION PROGRAMME** (Pages 47 - 64)
To consider a report by the Programme Manager Procurement (copy enclosed) on the Procurement Transformation Programme.
- 7 BUDGET PROCESS 2015/16** (Pages 65 - 74)
To consider a report by the Chief Finance Officer, which provides an update on the process to deliver the revenue budget for 2016/17 (copy enclosed).
- 8 APPROVAL OF STATEMENT OF ACCOUNTS 2014/15** (Pages 75 - 252)
To consider a report by the Chief Finance Officer (copy enclosed) on the Statement of Accounts 2014/15.
- 9 ANNUAL TREASURY MANAGEMENT REPORT 2014/15 - UPDATE 2015/16** (Pages 253 - 276)
To consider a report by the Chief Finance Officer (copy enclosed) on the Treasury Management activities (copy enclosed).
- 10 YOUR VOICE ANNUAL REPORT** (Pages 277 - 286)
To consider a report by the Corporate Complaints Officer (copy enclosed) which provides an overview of the feedback received via Denbighshire's customer feedback policy "Your Voice" during the period 01.04.14 – 31.03.15.
- 11 MONITORING OF COUNCIL FUNDED SERVICE PROVIDERS** (Pages 287 - 302)
To consider a report by the Head of Business Improvement and Modernisation (copy enclosed) which provides the Committee with an opportunity to comment on and contribute to the draft framework for setting up and monitoring Council Funded Service Providers.
- 12 CORPORATE GOVERNANCE COMMITTEE WORK PROGRAMME** (Pages 303 - 308)
To consider the Committee's forward work programme (copy enclosed).

MEMBERSHIP

Councillors

Ann Davies
Stuart Davies
Peter Duffy

Alice Jones
Jason McLellan
Barry Mellor

Lay Member

Paul Whitham

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CORPORATE GOVERNANCE COMMITTEE

Minutes of a meeting of the Corporate Governance Committee held in Conference Room 1a, County Hall, Ruthin on Monday, 27 July 2015 at 9.30 am.

PRESENT

Councillors Ann Davies, Alice Jones, Jason McLellan (Chair) and Mr P. Whitham (Lay Member).

Councillors R.L. Feeley and J. Thompson-Hill attended as observers.

ALSO PRESENT

Head of Legal, HR and Democratic Services (GW), Head of Internal Audit (IB), Head of Business, Improvement and Modernisation (AS), Head of Children and Family Services (LR), Deputy Monitoring Officer/Solicitor (LJ), Public Protection Business Manager (IM), Wales Audit Office Representatives (GB and GE) and Committee Administrator (CIW).

The Chair welcomed Councillor E.A. Jones to her first meeting following her appointment to the Committee.

1 APOLOGIES

Apologies for absence were received from Councillors Barry Mellor.

2 DECLARATION OF INTERESTS

Mr P. Whitham declared a personal interest in Agenda Item 8 ("Auditor General Report – Managing Early Departures") as a former Wrexham CBC Officer who had retired in 2010, and would be included in the statistics shown in the report.

3 URGENT MATTERS

No items were raised which in the opinion of the Chair, should be considered at the meeting as a matter of urgency pursuant to Section 100B(4) of the Local Government Act, 1972.

4 MINUTES

The Minutes of a meeting of the Corporate Governance Committee held on the 20th May, 2015.

Accuracy:-

Mr P. Whitham explained that he had submitted an apology for absence for the meeting.

RESOLVED – that, subject to the above, the minutes be received and approved as a true and correct record.

5 BUDGET PROCESS 2015/16

A report by the Chief Finance Officer, which provided an update on the process to deliver the revenue budget for 2015/16 and 2016/17, had been circulated previously.

Councillor J. Thompson-Hill introduced the report and provided details of the first two member budget workshops which had focussed on proposals deferred from previous budget workshops, and those proposals upon which there was consensus were taken to Council and approved on 7th July. The proposals totalled £650k and were focussed on efficiency and modernisation. A further set of measures totalling £640k had been presented to Council outlining the savings generated by management decisions within services. A further proposal submitted by Members was also approved and could save up to £900 per year.

As difficulty in assessing the impact assessment information had been highlighted the process would be reviewed. No concerns had been raised following consideration of the proposals at the Local Joint Consultative Committee.

The budget workshop held in June had focussed on financial planning and economic forecasts, and had set out national considerations which would impact upon the Council's budget planning. The forecast budget gap for 2016/17 was set at approximately £8.8m and to date proposals totalling £4m had been approved. The significant level of uncertainty around the likely Local Government Settlement was likely to remain in the coming months. In the absence of more reliable Settlement information, budget plans would need to continue to develop proposals to cover a range of different scenarios.

The impact of the Summer Budget announcements on devolved administrations was unclear, and a spending review was planned for the autumn which would inform the level of Block Grant to Wales. It was understood that there would be a review at Welsh Government level when detail of the Local Government Settlement would emerge. Indications suggested the Welsh Block Grant may be broadly flat in cash terms for the next two years, but there would be policy decisions then to inform the distribution between the two most significant Welsh national budgets: local government and health. Due to the two spending reviews the Draft Settlement for local government would be published later this year.

A series of budget meetings had been held with services reviewing budgets and considering new budget proposals. The June Workshop had considered an outline of some of the proposals emerging and these would be developed further over the summer. A pro forma had been issued to Members to help capture any proposals they would like to put forward for consideration, and to date six proposals had been submitted and were being assessed.

Budget proposals identified would be refined and presented to the budget workshop in October, 2015 with the intention to present some to Council for approval in December. The workshop in December would focus on final proposals to balance the budget, and formal minutes would be taken at all budget workshops in future.

All proposals emerging would be assessed by Finance to determine the likely budget impact in 2016/17. The latest budget process chart had been included as Appendix 1, and details of the consultation process had been included in the report.

Members referred to the uncertainty with regard to the UK budget to Wales and suggested that more Workshops might be required to consider any implications, and the management of any consequential risks, following publication of the settlement. Councillor Thompson-Hill outlined the process, including timescales, and provided an assurance that additional Budget Workshops could be convened as required. He noted the importance of considering Members views, the input from services and feedback following public engagement. During the ensuing discussion the Committee agreed that a Budget Workshop be convened during, or following, the second week in September.

In reply to a question from Mr P. Whitham regarding the provision of assurances that the 2015/16 budget proposals would be delivered, Councillor Thompson-Hill explained that regular reports on the progress of the delivery of the current year's plans were presented to Cabinet on a monthly basis. He confirmed that 73% of the identified savings had already been achieved with no major issues having been identified, and that there would be no detrimental impact on the 2016/17 budget.

The Chair expressed concern regarding low attendance figures at Workshops and suggested that consideration be afforded to the timing of meetings, and the possibility of convening evening meetings. The HLHRDS referred to the outcome of the survey undertaken which had sought Members views on holding evening meetings. He agreed to raise the matter with Group Leaders and convey the concerns expressed by Members regarding low attendance figures.

RESOLVED – *that Corporate Governance Committee:-*

- (a) *receives and notes the contents of the report on the latest update.*
- (b) *agrees that a Budget Workshop be convened in September, 2015, and*
- (c) *requests that the HLHRDS conveys the concerns expressed by the Committee regarding low attendance figures at Budget Workshops to Group Leaders.*

(GW, RW to Action)

6 WAO ANNUAL IMPROVEMENT REPORT 2014/15

A report by the Strategic Planning and Performance Officer (SPPO), which provided an update on the process to deliver the revenue budget for 2016/17, had been circulated previously.

The SPPO introduced the report which summarised the key findings from the WAO's Annual Improvement Report regarding Denbighshire's planning and reporting arrangements in order to meet statutory continuous improvement duties. The report informed the Committee of the WAO's Conclusion and Improvement Proposals. The overall conclusion had been that:-

"The Council continued to make progress in delivering improvements in all of its

priority objectives and its track record in delivering its financial objectives mean it is well placed to secure continuous improvement in 2015-16.”

There had been no formal recommendations and only two Improvement Proposals had been made. It was explained that the WAO would expect their recommendations to be actioned, and the proposals had been included in the report. A list of key conclusions from various auditing bodies had been listed from Page 8 of the report, and they covered the areas of Performance, Use of Resources, Governance, Improvement Planning and Reporting Audits, and Audit of Accounts. The key messages had been summarised in the report.

With the aid of a PowerPoint presentation the WAO Representative (GB) provided a detailed summary of the following issues and areas:-

- Performance Assessment Contributors.
- Performance Assessment Findings.
- User Resources.
- Governance.
- Proposals for Improvement.
- Overall Conclusion.

The two proposals for improvement were highlighted by the WAOR which recommended that the Council should:-

- Ensure that roles and responsibilities are clear for the achievement of the new affordable housing objective.
- Review its working practices against the recommendations in the Auditor General’s 2014-15 Local Government National Reports, and implement improvements as necessary

The following issues were raised by Members, and were applicable responses provided:-

- The WAOR explained that examining performance with regard to the provision of Adult Social Care had not been included in the WAO work programme. However, he confirmed that the matter could be raised with CSSIW officers, or presented to the relevant Scrutiny Committee for consideration. The Chair agreed to raise the issue at the Scrutiny Chairs and Vice Chairs Group meeting.

- In response to questions regarding the accuracy of figures provided in relation to the provision of Affordable Housing in Denbighshire, the WAOR provided details of the figures for 2014/15. He explained that it had been commendable that the problem had been identified by Denbighshire who had met the Welsh Housing Quality Standard. Reference was made to the significant contribution by Welsh Government towards affordable housing and the Housing Revenue Subsidy Reform. The HLHRDS referred to the Task and Finish Group report which had been endorsed by Cabinet. This would be encompassed in the Housing Strategy and Delivery Plan prior to approval being sought following guidance from the Scrutiny Chairs and Vice Chairs Group regarding the process, and it was agreed that the Chair be updated in respect of future progress.

- The WAOR responded to a question from Councillor J.A. Davies regarding the care of patents discharged from hospital. He explained that a summary of the CSSIW Annual Report, detailing work undertaken had been provided, with the next Annual Report, including a progress update, being scheduled for submission in the autumn.

- The Chair referred to the recommendations in Appendix 5. The WAOR explained that although there was no obligation to accept them the WAO would seek evidence that the recommendations had been considered. The Chair felt that in view of the important nature of the issues highlighted it would be appropriate to provide reasons for instances of non-acceptance. He also requested the provision of evidence regarding the action being taken to address the recommendations. The HBIM provided an assurance that the recommendations had been afforded serious consideration, and that Heads of Services had been consulted with regard to national studies. He outlined the procedures adopted for dealing with recommendations, and the implications of national studies, and confirmed that a summary report would be presented to Council in September.

- In response to a question from Mr P. Whitham, the WAOR confirmed that he felt the Council's risk management arrangements were robust and fit for purpose.

The Committee noted the Conclusions, Improvement Proposals, and Key Findings from the WAO's report. Follow up Plans in relation to the Improvement Proposals would be reported back to the WAO as part of a whole Council response to the Annual Improvement. The Committee were informed that the Council's response was being co-ordinated by the Strategic Planning and Performance Team, and a response had been requested from services to relevant areas by the end of July, 2015, prior to presentation to Council in September, 2015.

RESOLVED – that Corporate Governance Committee:-

- (a) receives the report and notes the conclusions, improvement proposals, and key findings from the WAO's report.
 - (b) supports the establishment of Plans for following up on the Improvement Proposals.
 - (c) notes that the Plans be reported back to the WAO as part of a whole Council response to the Annual Improvement.
 - (d) requests that the Head of Legal, HR and Democratic Services monitors the mechanism with regard to pursuing the Housing Strategy and Affordable Housing Policy, and
 - (e) agrees that the Head of Business, Improvement and Modernisation pursues and expedites the national recommendations as outlined in the report.
- (GW, AS to Action)**

7 WAO REPORT - FINANCIAL RESILIENCE OF COUNCILS IN WALES

A report by the Chief Finance Officer, on the Wales Audit Office national study of the robustness of management and planning arrangements to support financial resilience at each Council, focussing on how Councils plan and deliver their budget commitments, had been circulated previously.

The report by the Auditor General for Wales titled “The Financial Resilience of Councils in Wales” had been included as Appendix 1. The focus of the report covered the 2014-15 financial planning period and the delivery of 2013-14 financial plans. It also analysed the financial performance track-record of Councils in 2011-12 and 2012-13. The Council would carefully consider the report and recommendations made.

Councillor J. Thompson-Hill explained that the Council’s budget setting process had been revised significantly during 2014/15 to consider savings for 2015/16 and 2016/17. The Medium term Financial Plan (MTFP) had been updated in 2014 and was currently being revised for publication in the autumn. The relevant findings of the study and best practice would be incorporated into the revised MTFP, which would include a comprehensive reserves strategy. The Council had delivered balanced budgets every year and was confident that its processes would continue to do so.

The WAOR (GB) provided a brief summary of Appendix 1 and made particular reference to the recommendations on pages 10 and 11. He confirmed that the further update report scheduled for consideration in January, 2016, would include details of the work being undertaken in the autumn, and incorporate consideration of the nine recommendations.

Mr P. Whitham made reference to page 35 of the report “Characteristics of good governance arrangements” and suggested that these could be considered and incorporated into the self-assessment to improve the exercise. The WAOR confirmed that these issues would be incorporated in the work being undertaken and included in the local report to be presented to the Committee.

In reply to a question from the Chair, the WAOR confirmed that there had been no dramatic changes to the Council’s Reserves Policy during the past year. The WAOR (GB) explained that the focus would be in respect of usable and non-usable reserves. It was confirmed that the work to be undertaken would include the issue of outsourcing and the direction of travel issue.

During the ensuing discussion it was agreed to receive a further update in January, 2016 as a more detailed assessment aimed at ‘examining authorities’ financial health, together with, how they were budgeting and delivering on required savings, to provide assurance that Authorities were financially resilient’ was completed by the Wales Audit Office.

RESOLVED – *that Corporate Governance Committee:-*

- (a) *receives and notes the contents of the report, and*
- (b) *agrees to receive a further update in January, 2016.*

(GB to Action)

8 AUDITOR GENERAL REPORT - MANAGING EARLY DEPARTURES

A report by the Chief Finance Officer had been circulated previously.

Councillor J. Thompson-Hill introduced the report on the Wales Audit Office national study examining whether Welsh public bodies could demonstrate that they were securing value for money from the use of early departures to control or reduce workforce costs.

The Wales Audit Office Representative (WAOR) (GB) introduced the report by the Auditor General for Wales titled 'Managing Early Departures across Welsh Public Bodies, Appendix 1. He explained that progress on the recommendations on Page 11 would be analysed and the outcomes included in next year's report.

The Committee's attention was invited to the number, cost, average cost, and average payback period of early departures by individual public body, April 2010 to December 2013, as detailed on Page 55 of the report. The WAOR outlined the statistics pertaining to Denbighshire, in comparison with other Local Authorities, and confirmed that the figures provided demonstrated that early departures had been reasonable and indicated good value for money.

The HLHRDS confirmed that the figures and statistics contained in the report had been relayed to the Human Resources Services Manager.

RESOLVED – *that Corporate Governance Committee receives the report and endorses the recommendations made.*

9 NEW MODEL CONSTITUTION

A report by the Head of Legal, HR and Democratic Services (HLHRDS), which provided an update on the future adoption of a new model constitution for Wales, had been circulated previously.

It was explained by the HLHRDS that the Corporate Governance Committee Terms of Reference required any intended changes to the Council Constitution to be considered first before formal adoption by the Full Council. The proposed Articles following consultation with the Constitution Working Group, Appendix 1, reflected the changes made to the Welsh Model Constitution. The proposed draft key changes in approach in respect of those decisions delegated to officers or Members had been included as Appendix 2 with the Officer Employment Procedure Rules having been encompassed in Appendix 3. The Members' Schedule of Remuneration, Appendix 4, included the scheme which had been made under the Local Government (Wales) Measure 2011 with regard to Independent Remuneration Panel for Wales (IRPW) Regulations, which applied to payments made to Members and Co-opted Members of Local Authorities. Cabinet and Officer Delegated Decisions and key Decisions, as included in the report, were outlined by the HLHRDS.

The Committee were informed that Council had on the 4th November, 2014 delegated authority to the Monitoring Officer to make the necessary changes to the Constitution as a consequence of the provisions of the Local Authorities (Standing Orders)(Wales)(Amendment) Regulations 2014. The relevant changes had been indicated in Appendix 3. At its meeting on the 7th July, 2015 Council endorsed a motion that travel expenses would not be paid to Members attending at meetings in

the capacity of observer. An amended Schedule of Remuneration had been included as Appendix 4.

The HLHRDS provided a detailed summary of the report and its Appendices and the following areas and issues were highlighted:-

Model Welsh Constitution, Appendix 1.

The HLHRDS summarised the main changes:-

- Section 2.6 - Changes to the Constitution.
- Section 3.3 – Getting Involved – Members.
- Section 4 – Responsibilities of Full Council and Standing Orders.
Specific reference being made to:-
 - 4.11 – Ordinary Meetings, and specific reference to 4.11.12.
 - 4.17 – Remote Attendance.
 - 4.18 - Questions by the Public.
 - 4.19 - Questions by Members.
 - 4.20 – Motions of Notice.
 - 4.25 – Voting, and 4.25.3 Method of voting and flexibility.
 - 4.31 – Filming and Use of Social Media During Meetings.
 - 4.34 – Appointment of Substitute Members on Council Bodies.
- Section 5 – The Cabinet.
 - 5.6 – Delegation of Functions.
- Section 6 – The Leader. Reference being made to Section 4.
 - 6.3 – Resignation, Dismissal, Disqualification and Suspension.

In response to a question from Mr P. Whitham, the HLHRDS confirmed that the Lay Member on the Standards Committee had been covered by the definition of a Member in 2.2 Definitions in the Constitution.

The HLHRDS responded to questions from the Committee in respect of the issue of sanctioning tweeting during Council meetings.

Delegations to Cabinet Members, Appendix 2.

- Key Matters and Non-Key Strategic Matters.
- Definition of a Key Decision.
- The process for Members delegated decisions as set out in the flowchart.

In reply to a question from the Chair, the HLHRDS provided details of the new approach to the default position, that all ‘non–key’ decisions would be made by individual portfolio holders and not full Cabinet, with discretion to refer to Cabinet if considered necessary. He did explain that this would be subject to the issue in question and an element of judgement in respect of key decisions.

Officer Employment Procedure Rules, Appendix 3.

Reference was made by the HLHRDS to the Local Authorities (Standing Orders) (Wales) (Amendment) Regulations 2014. He outlined the three main changes to the previous Standing Order Regulations, as detailed in the report.

In reply to a question from the Chair, the HLHRDS provided details of the misconduct procedure and made reference to the contents of Section 6 of the document which related to Disciplinary Action. He also provided confirmation that the process for implementing changes to the Constitution had not changed and reference was made to 2.6.1 of the new Model Constitution.

Members Schedule of Remuneration, Appendix 4.

The HLHRDS made reference to the Notice of Motion carried at Council in July. He referred to the change outlined in Schedule 2 which specified that payment will not be made for travel expenses incurred by observers.

In reply to a request from the Chair regarding the consideration of steps to consult the wider membership of the Council on the proposed changes, the HLHRDS agreed that a report be presented to the September, 2015 meeting of the Committee detailing and addressing the other aspects of the Model Constitution. He also agreed that a special workshop could be convened, after September, to consider aspects pertaining specifically to the Constitution.

RESOLVED – *that Corporate Governance Committee:-*

- (a) receives and notes the contents of the report.*
- (b) agrees that a further report be presented to the Committee in September, 2015 to consider Part 2 of the Model Constitution, and*
- (c) requests that a special workshop be convened, after September, to consider aspects pertaining specifically to the Constitution.*

(GW to Action)

10 RIPA AND SURVEILLANCE COMMISSIONERS REPORT

A report by the Head of Legal, HR and Democratic Services (HLHRDS) had been circulated previously.

The Deputy Monitoring Officer (DMO) introduced the report which included a copy of the recent inspection report, Appendix 1, following the visit to the Council by the Office of Surveillance Commissioners on the 21st May, 2015. The Council was required under the Home Office Code of Practice to make regular, at least annually, reports to Members on the use of the powers under RIPA, and the Corporate Governance Committee received all external inspection reports.

There had been very little activity in the use of the powers, with only one application having been received at Legal, HR and Democratic Services, since the last inspection on the 14th June, 2012. This may be due in part to other advanced methods of obtaining evidence being developed such as 'data matching' and information sharing. Legal, HR and Democratic Services held the RIPA Central Record and were responsible for the carrying out of managerial oversight of the

applications and conducting quality assurance checks on the standards of the applications.

Currently all members of CET were named Authorising Officers on applications from Investigating Officers. Any surveillance of employees, where there were allegations of criminal offences, should be considered and authorised by the Monitoring Officer, who was also the Senior Responsible Officer under the legislation. All members of CET (save for the recently appointed s.151 Officer) had received bespoke RIPA training to equip them in their role as 'Authorising Officers'. Details of the training provided, together with future arrangements, had been included in the report.

The RIPA Policy and Procedures document had been updated to reflect the recommendations in paragraph 11 of the report. The risk in not improving application standards and ensuring officers were equipped to make lawful decisions which were compliant with the Human Rights Act and the Data Protection Act was highlighted.

Details of the visit to the Council by the Office of Surveillance Commissioners on the 21st May, 2015 were provided. This incorporated the one case undertaken in Denbighshire during the past three years, for which the Council had been commended for the process adopted in respect of the test purchased operation. The Inspector had indicated the need for more information on the type of intelligence acquired, more care with the completion of the application form, improvement with paper work relating to surveillance, and enhancement of the cancellation process. He indicated that he was satisfied with the arrangements regarding CCTV which he felt were robust.

The DMO made reference to the recommendations included on Page 6 of the Inspection Report. She confirmed that the issues referred to had been noted and would be addressed, and that the Policies and Procedures document had been updated and amended in accordance with the recommendations. Details of the training programme provided by the Authority for the relevant members of staff was outlined.

The Committee endorsed the work of the Councils 'RIPA Working Group' in respect of the provision of training and keeping the Council's RIPA Policy and Procedures document up to date, and available, to all officers exercising the powers. The Chair and Members thanked the officers for the work undertaken, and it was

RESOLVED – *that Corporate Governance Committee receives and notes the contents of the report.*

(GW, LJ to Action)

11 INTERNAL AUDIT CHARTER

A report by the Head of Internal Audit (HIA), which presented a revised Internal audit Charter (IAC) for approval, had been circulated previously.

The HIA explained that the IAC had been updated following a recent restructure within the Internal Audit service. The Public Sector Internal Audit Standards (PSIAS) required the Head of Internal Audit to develop and maintain an up to date IAC. The Charter defined the purpose, authority and responsibility of the internal audit activity and included details of:-

- the definition of internal auditing;
- the Head of Internal Audit's reporting lines;
- Internal Audit's access rights;
- the scope of Internal Audit's work;
- Internal Audit's structure and resources; and
- Internal auditor responsibilities.

The Corporate Governance Committee was responsible for approving the IAC, and as the current Charter was out of date following changes to the Internal Audit service structure, a revised IAC had been included as Appendix 1.

The HIA provided the following responses to questions and issues raised by Members:-

- the Internal Audit Charter be circulated to all Elected Members informing them that this significant area of work had been presented to the Corporate Governance Committee.
- work be undertaken in relation to developing a Corporate Fraud Plan, and awareness of the matter be raised with CET and SLT with a view to producing an annual report.
- reference to financial resilience and details were provided of the work undertaken for Natural Resources Wales, and the production of the North Wales Police Authority Audit Report.
- details of the monitoring process with regard to the Section 151 Officer, and confirmation that a further review be could be undertaken in 2016, if required.
- monitoring of grants to outside bodies to be encompassed within the Arms-Length Organisations Framework, with risk assessments being undertaken each year to assess areas which might require auditing. A further report to be presented in September, 2015.

Following further discussion, it was

RESOLVED – *that, subject to the above agreed actions, Corporate Governance Committee receives and notes the contents of the report.*
(IB to Action)

12 FEEDBACK ON CORPORATE EQUALITY MEETING

As Councillor M.L. Holland was no longer a member of the Committee, it was:-

RESOLVED – *that HLHRDS seek nominations from Members of the Committee to serve as the Corporate Governance Committee representative on the Corporate Equalities Group.*

(GW to Action)

13 CORPORATE GOVERNANCE COMMITTEE WORK PROGRAMME

The Corporate Governance Committee's Forward Work Programme (FWP) (previously circulated) was presented for consideration.

The Committee confirmed the Corporate Governance Committee Forward Work Programme subject to the inclusion of the following reports:-

28th September, 2015:-

- New Model Constitution – Part 2.
- Council Funding to Service Providers.

18th November, 2015:-

- Corporate Governance Committee Self Evaluation Report.

27th January, 2016:-

- Feedback on Financial Resilience.

The following responses were provided to questions from Mr P. Whitham regarding the submission of reports to the Committee:-

- Confirmation was provided that the Corporate Governance Committee's Annual Report had been presented to Council in May, 2015, and would be presented on an annual basis.
- A Self Evaluation exercise of the Corporate Governance Committee had been undertaken in 2013, and would be included in the Forward Work Programme for the November, 2015 meeting.
- The Corporate Risk Register was presented to the Performance Scrutiny Committee on a six monthly basis to assess the management of risks, and the Corporate Governance Committee would receive an annual report on the overall risk management framework. The HLHRDS agreed to liaise with the Head of Business, Improvement and Modernisation on this matter.

Mr P. Whitham referred to the draft Corporate Governance Committee Forward Work Programme schedule prepared and circulated by the HIA in 2014. He suggested that this be reviewed with a view to directing the compilation of business items for the Forward Work Programme.

RESOLVED – *that, subject to the above, the Committee approves the Forward Work Programme.*

(GW, AS to Action)

PART II

EXCLUSION OF PRESS AND PUBLIC

RESOLVED – that under Section 100A of the Local Government Act 1972, the Press and Public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Paragraphs 12,13,14 of Part 4 of Schedule 12A of the Local Government Act 1972.

14 CHILD PRACTICE REVIEW

A confidential report by the Head of Children and Family Services (HCFS) had been circulated previously.

The report from the Child Practice Review, undertaken on a Denbighshire child by the Regional Safeguarding Children Board, had been circulated with the papers for the meeting. It was explained that Welsh Government guidance provided the framework for undertaking Child Practice Reviews when children die and there was an indication that it may relate to abuse or neglect. The child referred to in the report was known to the department and was on the child protection register.

In response to questions from Members the HCFS confirmed that the review process was not a mechanism to attribute blame, but focused on what learning could be gained which would help practice generally improve and reduce future risk. The process had been instigated by the Child Practice Review Group of the Regional Safeguarding Children Board (RSCB) and would identify whether a review should be undertaken, and what form of review was required in the circumstances. The Panel would establish the nature of the review, terms of reference and the aspects to be focussed on. This would be informed by the multi-agency timeline and the professional perspectives, and the HCFS provided details of both the new and old methods of investigation.

The bereaved family would engage with the review facilitators to share their perspective, and with this gained information a facilitated event would be held involving key participants in the case. The process adopted had been outlined in the report and at the end it sought to identify areas for action as a result of the analysis and perspectives. A report and Action Plan would be prepared, reported to the RSCB and subsequently published.

In response to concerns raised by Members regarding the tragic circumstances relating to the case in question, the HCFS provided a detailed summary of the case and outlined the various methods adopted to undertake an investigation and the differing approaches adopted in England and Wales. The HLHRDS explained that the Corporate Governance Committee had been the most appropriate forum to receive the report, and to provide Members with an assurance that the review had resulted in an Action Plan which would be monitored by the RSCB.

The officers provided the following responses to questions and issues raised by Members of the Committee:-

- The HCFS confirmed that safeguarding children had been included on the Risk Register as part of the risk management process.

- It was explained by the HCFS that it would be important to learn from the reviews and that outcomes are shared with other Authorities, organisations and interested parties.
- The WAOR highlighted the importance of the encompassing the lessons learnt with regard to adults as well as vulnerable children. An outline of the process and focus for providing support and assistance for adults in these circumstances was provided by the HCFS.
- The need to realise the nature and serious effects and implications arising from post-natal depression was highlighted.
- The possible production of a check list for utilisation during the hand over process.

During the ensuing discussion the Committee noted:-

- the tragic facts pertaining to the case in question.
- the processes and systems instigated by the Child Practice Review Group of the Regional Safeguarding Children Board.
- that a number of areas for improvement were identified as part of the Review.
- that the review undertaken had been thorough, and that it had been anticipated that the lessons learnt would be incorporated into future best practice.

The Chair highlighted the three main strands identified in the report which included issues pertaining to communication, transfer of information and the level of support offered. The WAOR explained that it would be important for the Committee to receive a reassurance that the Action Plan had been fully implemented, and it was agreed that a progress report be presented to the Committee following a period of twelve months.

Following further discussion, it was:-

RESOLVED – *that Corporate Governance Committee:-*

- (a) *receives the report.*
- (b) *notes the outcome of the review and the learning gained and steps proposed to address identified deficits.*
- (c) *requests a progress report on the implementation of the Action Plan in 12 months time.*
(LR, GW to Action)

15 PFI CONTRACT UPDATE

A confidential report by the Chief Finance Officer (CFO), which provided an update on the project to terminate the Council's County Hall PFI agreement, had been circulated with the papers for the meeting.

Councillor J. Thompson-Hill introduced the report and explained that the detailed report presented to Cabinet, Appendix 1, outlined the position with regard to the project to terminate the legal agreement underpinning the County Hall PFI. The report set out details of the PFI scheme and the rationale for termination, namely to

save the Council money and avoid a long term liability, and set out the basic business case for termination. He confirmed that a final agreement between the parties had not been reached through voluntary negotiations, and as a consequence a formal notice of termination had been issued on the 14th May, 2015.

Since the Cabinet meeting negotiations had recommenced and appeared positive. An earlier termination than was contractually required seemed possible which benefited the Council financially, and following agreement of a date the process of negotiating compensation values could begin. The Council had commissioned expert technical advice from Local Partnerships, a branch of the Local Government Association, who were assisting with negotiations and the project planning. The Council's treasury advisors had been consulted on treasury management issues arising from the transaction. A project team were considering the various elements of the project as they develop, to ensure a smooth transition of the facilities management functions in the building following termination of the agreement.

Details of the termination costs, consultation process and steps implemented to mitigate risks had been incorporated in the report.

The following issues were raised and responses provide to questions from Members of the Committee:-I

The following issues were raised and responses provide to questions from Members of the Committee:-I

- Confirmation was provided that the Wales Audit Office had been informed of developments and progress regarding the PFI Project.
- In response to concerns raised by Mr P. Whitham regarding the need to ensure that any associated risks were properly managed, it was explained that the risks and costs associated with the project had been entered in the Corporate Risk Register. Councillor Thompson-Hill highlighted the risks which could arise from not proceeding with the project.
- The complex nature of the financial aspect of the project was outlined by Councillor Thompson-Hill. He referred to Page 3 of the report to Cabinet which included the financial aspect and process for the evaluation of the property.
- The WAOR (GW) emphasised the importance of explaining clearly in the Council's Final Accounts the financial aspect and process with regard to the valuation figures to ensure transparency from a press and public prospective.

Following further debate it was:-

RESOLVED – that Corporate Governance Committee receive and note the latest update on the project.

(RW to Action)

Meeting ended at 13.55 p.m.

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Report To: Corporate Governance Committee

Date of Meeting: 28 September 2015

Lead Member / Officer: Ivan Butler - Head of Internal Audit

Report Author: Ivan Butler - Head of Internal Audit

Title: Internal Audit Report - Corporate Safeguarding

1. What is the report about?

This report is to inform the Committee of a recent Internal Audit report on Corporate Safeguarding that received a 'Low' assurance rating.

2. What is the reason for making this report?

The Committee receives an Internal Audit Progress report for each meeting that includes details of Internal Audit reports issued. These are normally 'High' or 'Medium' assurance reports.

When we issue a 'Low' or 'No' assurance rating in a report, the Committee will receive the report as part of its agenda to ensure that it is fully aware of the report and can discuss the improvements to be implemented with the relevant manager.

3. What are the Recommendations?

The Committee comments on the Internal Audit report and agrees the assurance it needs that the action plan within the report is being implemented effectively and within the agreed timescales.

4. Report details

The full Internal Audit report is included as Appendix 1 to this covering report. The key message arising from the report is that, while the Council has measures in place to manage safeguarding, these are not robust and have not been embedded across all of the Council's functions.

Safeguarding needs to be seen as a 'corporate' area, rather than just an area for Social Services or Education, so the Council needs to raise awareness through launching the Corporate Safeguarding Policy and ensuring that its elected members and officers are sufficiently trained.

The Internal Audit report includes an action plan that raises 12 areas for improvement. The Corporate Safeguarding Panel has taken

ownership of the action plan through the Corporate Director: Communities, and actions, responsibilities and timescales have been agreed to address all of the issues.

5. How does the decision contribute to the Corporate Priorities?

There is no decision required on this report.

6. What will it cost and how will it affect other services?

There are no costs attached to this report.

7. What are the main conclusions of the Equality Impact Assessment (EqIA) undertaken on the decision?

This report does not require a decision or proposal for change, so there is no impact on people who share protected characteristics.

8. What consultations have been carried out with Scrutiny and others?

The report has been discussed and agreed with the Corporate Director: Communities and Corporate Safeguarding Panel

9. Chief Finance Officer Statement

There are no financial implications attached to this report.

10. What risks are there and is there anything we can do to reduce them?

The Council has a statutory duty to protect children and vulnerable adults, so failure to address the action plan and have robust safeguarding arrangements can have serious implications in the event of an incident, both legislatively and reputational.

11. Power to make the Decision

There is no decision required on this report.



Denbighshire Internal Audit Services
Caledfryn, Smithfield Road, Denbigh LL16 3RJ

Corporate Safeguarding

August 2015



Lisa Hodson BA (Hons) PG (Dip) CMIIA
lisa.hodson@denbighshire.gov.uk

07747 461646

Samantha Davies
samantha.davies@denbighshire.gov.uk

01824 706982





Ivan Butler CMIIA, MBA, Head of Internal Audit Services

Purpose & Scope of Review

The Chief Executive requested an internal audit review of corporate safeguarding to ensure that there are robust arrangements in place to safeguard children and vulnerable adults across the Council and in organisations providing services on its behalf. Our review covered the following areas:

- Governance and scrutiny arrangements
- Risk management
- Policy and procedures
- Recruitment
- Training and awareness
- Voluntary organisations and third party contractors

Assurance Rating (Based on areas reviewed)

	High Assurance	Risks and controls well managed
	Medium Assurance	Risks identified but are containable at service level
	Low Assurance	Risks identified that require meeting with Corporate Director/Lead Member
	No Assurance	Significant risks identified that require member / officer case conference

Audit Opinion

The Council has got measures in place to manage safeguarding, but these are not robust and have not been embedded across all of the Council's functions.

Our review highlighted that there is still the misconception that safeguarding is the role of Social Services and not a corporate responsibility. Increasing awareness of safeguarding through ensuring that the Corporate Safeguarding Policy is available to members of staff and elected members, and providing training will ensure that roles and responsibilities are clear, so that any safeguarding concerns can be reported and addressed promptly.

The Corporate Safeguarding Panel has a role in embedding safeguarding arrangements across the Council. While the Panel provides an opportunity to share information and ensure that there are effective processes in place to manage safeguarding, it is not currently fulfilling its roles and responsibilities as detailed in its terms of reference. There has also been a lack of independent scrutiny of the Panel, as it does not report to senior management or elected members, although a Director and two elected members do sit on the Panel.

Safeguarding arrangements could also be strengthened through having a corporate mechanism for recording and managing safeguarding risks, and similarly for the reporting of safeguarding incidents. This would provide a tool for encapsulating key information to raise awareness of safeguarding issues, so that preventative measures can be put in place and to learn lessons where necessary.

While there is evidence of good practice in place to manage safeguarding within some services, arrangements lack cohesion corporately. A low assurance rating has been given due to the number of risks/issues raised.

Action Plan

Audit Review of: Corporate Safeguarding
Date: August 2015
Action Plan Owner: Corporate Director - Communities

Corporate Risk/Issue Severity Key	
	Critical - Significant CET and Cabinet intervention
	Major - intervention by SLT and/or CET with Cabinet involvement
	Moderate - Containable at service level. Senior management and SLT may need to be kept informed

Risk/Issue No.	Risk/Issue	Action	Who	When
Page 25 1.	The Corporate Safeguarding Panel is not fulfilling its roles and responsibilities as detailed in its Terms of Reference. Once the membership of the Panel is reviewed, there needs to be better marketing of the Panel, as currently there is a lack of awareness and scrutiny of its work	The Panel's terms of reference will be circulated and reviewed to confirm that the roles and responsibilities detailed are still relevant.	Corporate Safeguarding Panel	November 2015
		Where services are not represented currently on the Panel, Heads of Service have been contacted to identify officers who can attend. We will also establish whether services can provide a deputy if the service representative is unable to attend.	Corporate Director: Communities	September 2015
		Service representatives will ensure that their service is aware of the existence of the Panel and that they are aware to use them as a point of contact.	Corporate Safeguarding Panel	September 2015
		The Panel will develop a forward work programme.	Corporate Safeguarding Panel	October 2015
2.	Safeguarding risks are not always recorded and shared corporately to ensure that key risks have been identified and managed appropriately by services.	A communication will be sent to ensure that Heads of Service consider safeguarding when reviewing their risk registers. A question on safeguarding will also be included in the service challenge.	Corporate Director: Communities	October 2015

Risk/ Issue No.	Risk/Issue	Action	Who	When
3.	The Deprivation of Liberty Safeguards (DoLS) process would benefit from a review as, currently, applications are not being prioritised and passed for assessment promptly. This results in poor customer service and could put the Council at risk of a legal challenge.	<p>Establish a DoLS Co-ordinator post to manage and prioritise applications.</p> <p>Train more Best Interest Assessors (BIA) to undertake BI assessments.</p> <p>Incorporate role of BIA within new practitioner job descriptions.</p>	Head of Service: Community Support Services	<p>September 2015</p> <p>December 2015</p> <p>January 2016</p>
4.	The Corporate Safeguarding Policy has not been made available to members of staff to help ensure that they are clear of their roles and responsibilities in relation to safeguarding. A lack of awareness could result in ineffective controls being put in place to prevent or manage safeguarding incidents, resulting in serious harm or death.	<p>The Corporate Safeguarding Policy will be reviewed to ensure that it is up-to-date. The intention is to re-launch the Policy in April 2016 to take account of new legislation and guidance.</p> <p>The Policy is currently included in the induction process and on our website, but we will consider other briefing notes and guidance on safeguarding in the meantime.</p>	Corporate Safeguarding Panel & Communications Group	April 2016
5.	The Safeguarding Action Plan would benefit from a review to ensure that the actions are up-to-date and still relevant. The Plan has not been effectively monitored, which could result in actions not being effectively managed. Consideration should be given to passing the responsibility of monitoring the Plan to the Corporate Safeguarding Panel.	The Social Services Education Management Team (SSEMT) no longer exists, so the Corporate Safeguarding Panel will take over responsibility for monitoring the Safeguarding Action Plan. The Plan will be reviewed to determine whether existing actions are relevant and to take account of any new actions that should be included. This will be linked to the review of the Corporate Safeguarding Policy.	Corporate Safeguarding Panel	October 2015

Risk/ Issue No.	Risk/Issue	Action	Who	When
6.	There is no formal mechanism for recording and sharing safeguarding incidents and near misses corporately. This could result in a lack of awareness, so appropriate measures may not be put in place to prevent safeguarding incidents.	<p>This is a standing item on the Corporate Safeguarding Panel agenda. We will also share case reviews where there is a corporate perspective for lessons learned.</p> <p>As part of the development of the CRM system, we will look at the feasibility of having a corporate system for recording safeguarding incidents.</p> <p>Service representatives will report any key messages from Panel meetings to members of staff within their services.</p>	<p>Corporate Safeguarding Panel</p> <p>Corporate Director: Communities & Head of Service: Customer and Education Support</p> <p>Corporate Safeguarding Panel</p>	<p>November 2015</p> <p>December 2015</p> <p>October 2015</p>
7.	Not all services have considered what performance measures are needed in relation to safeguarding. Having this in place will assist in providing assurance that safeguarding arrangements are working effectively.	To be incorporated into the review of the Panel's terms of reference to identify whether performance management information needs to be obtained from services.	Corporate Safeguarding Panel	November 2015
8.	There is insufficient vetting of new starters, as the authenticity of certificates supplied to prove qualifications and professional membership are not verified for key posts within the Council. This increases the risk of inappropriate appointments and may mean that children and vulnerable adults are not adequately protected if certificates are fake.	Determine the key posts within the Council that could have an impact on safeguarding. Then we will review the process for these posts to ensure that there are adequate checks done, either by the Council or through an external body. Every new employee contract issued makes reference to safeguarding.	Corporate Safeguarding Panel	October 2015
9.	HR advises that new employees should not start work before a Disclosure Barring Service (DBS) check is returned, unless in exceptional cases. However, services are not allowing sufficient time for the DBS check to be cleared before the employee starts work. If adequate arrangements are not being put in place to counteract this, this may result in a lack of adequate protection for children and vulnerable adults.	<p>To be included in the above review. HR does monitor this and the relevant head of service is contacted where an employee has started employment without a DBS check being in place. The Corporate Safeguarding Panel also receives a report from HR detailing this.</p> <p>HR is doing a presentation to SLT on Safer Recruitment in September.</p>	Corporate Safeguarding Panel	October 2015

Risk/ Issue No.	Risk/Issue	Action	Who	When
10.	There is a general lack of awareness about safeguarding amongst staff due to a lack of training. This could result in employees not fulfilling their duty of care in reporting safeguarding issues.	There have been training initiatives on safeguarding in some services, but a corporate safeguarding training package is currently being developed by the Learning & Development Specialist (HR). It is hoped that this package will be piloted in October 2015.	Corporate Safeguarding Panel	December 2015
11.	Not all of the elected members have attended mandatory training on safeguarding so may not be clear of their roles and responsibilities. Having an elected member responsible for corporate safeguarding will assist in preventing the misconception that safeguarding is the role of Social Services and Education.	<p>We have recently carried out a training session for elected members on safeguarding.</p> <p>There are planned briefing sessions on safeguarding and Child Sexual Exploitation to County Council starting in November 2015. The Leader has agreed to include corporate safeguarding into his portfolio.</p>	Corporate Director: Communities	December 2015
12.	Safeguarding arrangements with third party contractors are not robust to ensure that they have appropriate processes in place to manage safeguarding. Due to a lack of awareness, project managers within the Council may not incorporate safeguarding into the contract management process.	<p>To be discussed with the Interim Head of Finance and Assets & Head of Legal, HR and Democratic Services.</p> <p>Key points of conversation to be addressed include:</p> <ul style="list-style-type: none"> • Contractor DBS checks • Ensuring that Council staff responsible on site for the contractor and managing the tendering/contract process are clear of their responsibilities in respect of safeguarding • Ensure contracts terms and conditions (including JCT) in relation to DBS checks are appropriate • Ensure that self-assessment arrangements as part of contract management are appropriate 	Corporate Director: Communities	December 2015

Background

There have been several reports that have included a review of safeguarding arrangements within the Council during the past year, including the following:

- Wales Audit Office's report on *Local Authority Arrangements to Support Safeguarding of Children 2014/15: Denbighshire County Council* (July 2014)
- Internal Audit's report on *Corporate Safeguarding* (February 2014)
- *Annual Report on Adult Protection in Denbighshire 1st April 2013 to 31st March 2014*, reported to Partnership Scrutiny Committee (December 2014)
- *Regional and Local Arrangements to Safeguard Children and Vulnerable Adults* report to Cabinet (June 2014)

Review Outcomes & Risks Arising

Does the Council have clear and appropriate governance and scrutiny arrangements for managing its safeguarding arrangements and responsibilities?

Opinion

Governance and scrutiny arrangements are in place for managing the Council's safeguarding arrangements, but are not embedded. The Corporate Safeguarding Panel needs to review its terms of reference to ensure that it is clear of its responsibilities for safeguarding. Additionally, there is insufficient independent scrutiny of the Panel, as it does not report directly to Corporate Executive Team (CET), Cabinet or a scrutiny committee.

The Social Services and Well-being Act (Wales) will be implemented in April 2016 (although public sector organisations can introduce measures earlier than this) to reform existing safeguarding arrangements for children and introduce new measures for adults at risk. This includes putting in place new regional structures to replace the Local Safeguarding Children Boards and the Adult Protection Committee.

Governance arrangements for the North Wales Safeguarding Children Board (NWSCB) appear to be robust, as there is a clear reporting structure and documented terms of reference for both the NWSCB and the local safeguarding delivery groups. A similar two-tier approach is being put in place to provide oversight of safeguarding arrangements for vulnerable adults.

The Council established a Corporate Safeguarding Panel in February 2014, with membership that includes senior managers, lead elected members and designated managers to represent every service. Its purpose is to ensure that there are robust arrangements in place for managing safeguarding and there is a documented terms of reference for the Panel that includes some of the following responsibilities:

- Bring together interdepartmental work in the safeguarding field and ensure effective corporate communication.
- Ensure that appropriate training is available for officers and elected members.
- Accept and challenge the Annual Report of the Statutory Director.
- Approve the Policy and Guidelines for Safeguarding of every service in the Council and receive information about the performance management arrangements of every service in relation to their safeguarding responsibilities.
- Produce an Annual Report for CET, Cabinet and the appropriate scrutiny committee.

Our discussions with the designated managers represented on the Panel established that they are, overall, clear of their roles and responsibilities for safeguarding and have received training in this area. However, it is evident

from our review of the meeting minutes that the arrangements for the Panel are not fully embedded and, while there is good practice, for example with Panel representatives raising awareness of safeguarding at their service managers meetings, this is not consistently applied by the service representatives.

**Risk/Issue
1
Moderate**

Arrangements for the Corporate Safeguarding Panel are not fully embedded as:

- it is not fulfilling its responsibilities as detailed in its terms of reference. For example, the Panel has not received the Annual Report of the Statutory Director and no annual report has been submitted to CET, Cabinet or the appropriate scrutiny committee. This has resulted in a lack of corporate oversight in monitoring and challenging the work of the Panel;
- the membership of the Panel needs to be reviewed in light of recent restructures and the Revenues & Benefits team transferring to Civica. It would also be useful to ensure that there is a designated person in place to cover in the absence of a Panel member;
- there is a general lack of awareness from members of staff as to who their Panel representative is; and
- minutes detailed a number of apologies from Panel members who could not attend.

At Senior Leadership Team (SLT) in January 2015, the Corporate Director: Communities raised the need to review membership of the Corporate Safeguarding Panel and asked heads of service to prioritise attendance at these meetings.

Does the Council have a comprehensive risk management approach to support how it meets its safeguarding responsibilities?

Opinion

There are measures in place to ensure that safeguarding risks are being identified but the process is not robust, as all key risks may not have been identified and there is a lack of corporate oversight of these risks to confirm that they are being appropriately managed. Improvements are also needed in the Deprivation of Liberty Safeguards (DoLS) process to ensure that applications are prioritised promptly.

A review of services’ risks registers identified that safeguarding risks are not always included. While this may be reasonable depending on the nature of the service, some key services that come into regular contact with children and vulnerable adults, such as Education, and Planning and Public Protection (when transporting children and vulnerable adults in taxis), do not include safeguarding risks.

From our discussions with designated service representatives of the Corporate Safeguarding Panel, there is also a noticeable difference in how services manage safeguarding risks. For example, the Communication, Marketing and Leisure Service has a risk in relation to safeguarding on its risk register, and there is a meeting held monthly to raise awareness of safeguarding issues and highlight risks within the service. The Panel representative for Highways and Environmental Services has asked each manager to carry out a risk assessment to identify safeguarding risks within their area. However, currently, there is no process to ensure that any safeguarding risks identified by services are shared corporately to ensure that they are being effectively managed.

**Risk/Issue
2
Moderate**

The process for managing safeguarding risks by services is currently inconsistent, as some risks are detailed on a service’s risk register, others have developed risk assessments for each section within their service, and other risks may not have been detailed at all. Additionally, there is a lack of corporate oversight of safeguarding risks to ensure that key risks are being identified and appropriately managed.

While the Community Support Service (formerly known as the Adult and Business Service) does not have a specific risk in relation to safeguarding on its risk register, there is a risk in relation to a successful challenge that the Council could be illegally depriving people of their liberty due to a Supreme Court ‘Cheshire West’ ruling in March 2014. As with other local authorities, Denbighshire has seen a considerably increase in the number of DoLS cases it receives (approximately 250 cases compared to 17 the previous year). To manage this risk, the Council has been:

- training more social workers to be best interest assessors to determine whether care home residents or hospital patients who lack the capacity

to consent to their care are being deprived of their liberty;

- ensuring that all DoLS applications are passed to the Service Manager: Specialist Services to prioritise cases based on risk; and
- putting in place a dedicated administrative post (on a fixed-term basis) to ensure that there is no delay in processing DoLS applications.

A RAG status is used to prioritise applications when they are received and our review established that there are a significant number of applications received that have not been given a priority status (approximately 90 cases). The Ministry of Justice’s Code of Practice for DoLS (2008) details that:

“The regulations for Wales specify that all assessments required for a standard authorisation must be completed within 21 days from the date the assessors were instructed by the supervisory body.” (p.46)

However, there is no timescale given in the Code of Practice for passing the application to the assessor upon receipt by the Council.

Risk/Issue 3 Moderate	Due to the number of DoLS applications being received by the Council, there is a delay in prioritising these applications and passing them to assessors for assessment, with some applications dating back to May 2014. This could mean that there are some applications that are of higher priority that are not being dealt with, and puts the Council at risk of a legal challenge.
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The Corporate Director: Communities explained that assessments for deprivation of liberty are not done purely by reviewing the DoLS application, but there will be a care plan in place that will have considered issues of capacity.

Are the Council's policies, procedures and processes providing adequate assurance on safeguarding?

Opinion

This area is weak, due to there being no Corporate Safeguarding Policy available to members of staff and elected members, and the Safeguarding Action Plan not being regularly monitored, resulting in a lack of awareness, and possibly key actions not being undertaken. While there is good work being carried out in services, there is no mechanism for recording and sharing safeguarding incidents corporately.

County Council approved a Corporate Safeguarding Policy in October 2013 as, despite a range of approaches in place, the Council could not be confident that robust safeguarding practice had been embedded within all of its functions. The Policy is comprehensive, detailing the responsibilities of the Council, its staff and elected members. At the time of its approval, discussions were underway to devise the most appropriate method for raising awareness of the Policy, with a target date of publication being April 2014.

**Risk/Issue
4
Moderate**

Despite the Corporate Safeguarding Policy having been approved in 2013, it has never been shared with members of staff. The Corporate Safeguarding Panel has been working on the Policy recently and plans to make it available via the intranet. Having a clear policy that is available to members of staff and elected members will increase their awareness of safeguarding and help to ensure that they are clear of their roles and responsibilities.

A Safeguarding Action Plan has been in existence since 2009 and is used as a driver for making improvements to manage safeguarding corporately. The overall responsibility for monitoring the implementation of the Action Plan is with the Social Services and Education Management Team (SSEMT) and the latest version of the Plan is dated March 2014, although the Corporate Director: Communities believes that it has been updated since then.

**Risk/Issue
5
Moderate**

The Safeguarding Action Plan does not appear to have been reviewed since March 2014, and there are some timescales detailed within the Plan dating back to 2011. It would therefore benefit from a full review to ensure that the actions detailed are still relevant and that there are appropriate timescales provided to implement them.

While there may be actions detailed within the Plan that apply specifically to Education and/or Social Services, there are other corporate actions detailed, for example to manage safeguarding arrangements with the Council's partners. Therefore, we consider that it would be more appropriate for the Corporate Safeguarding Panel to monitor the implementation of the Action Plan.

Discussions with representatives of the Corporate Safeguarding Panel

identified that most, but not all, services have processes in place to record safeguarding incidents and that these are discussed at Panel meetings.

**Risk/Issue
6
Moderate**

While safeguarding issues may be raised at the Corporate Safeguarding Panel meetings, the process for sharing information is still not robust due to a lack of a formal mechanism to record and share safeguarding incidents corporately. This will assist in raising awareness of safeguarding issues, as well as ensure that they are handled consistently, and that the Council learns lessons from incidents if they do occur. Without the Corporate Safeguarding Policy being available to members of staff, there is a risk that they are unclear of their responsibilities in reporting safeguarding incidents.

**Risk/Issue
7
Moderate**

Some services, such as Community Support Service and Communication, Marketing and Leisure, have specific performance indicators in relation to safeguarding that are reported through to the Performance Scrutiny Committee. In February 2014, the Corporate Safeguarding Panel was considering what performance data in relation to safeguarding needs to be collated but no progress appears to have been made in gathering this information from services.

Has the Council assured itself that it has appropriate systems for the safe recruitment of staff and that these are working effectively?

Opinion

There are appropriate systems in place to ensure that safeguarding is considered during the recruitment process, but members of staff should only commence employment before their Disclosure and Barring Service (DBS) check has been cleared in exceptional circumstances, and this does not always appear to be the case. Additionally, more rigorous checks should be undertaken on the authenticity of certificates supplied for qualifications and professional membership.

The corporate Recruitment and Selection Procedure states that for posts that involve working with vulnerable adults and children, there should be particularly vigilant checks of references and employment history. Recruiting managers are asked to check qualifications listed on the person specification at interview through reviewing original or certified copies of the certificates (or contacting the relevant organisation if these cannot be provided).

**Risk/Issue
8
Moderate**

We have raised in a previous HR review about the importance of checking the authenticity of certificates for qualifications and to prove membership of a professional organisation for key posts. At the time, HR planned to review which posts may need extra verification, but we were advised by HR that no additional check is being carried out currently and the Recruitment and Selection Procedure does not tell recruiting managers that they need to do this.

The corporate DBS policy details that for posts requiring an enhanced check, these must be sought as soon as the employment offer has been accepted. HR advises that employees should not start work before the DBS check is returned. In exceptional circumstances, a head of service/ head teacher’s approval is needed so that the employee can commence employment before the DBS check has been cleared; however, they need to complete a risk assessment to confirm that there are appropriate supervision arrangements in place in the meantime.

**Risk/Issue
9
Moderate**

Our testing of a sample of recruitments that required a DBS check identified that the majority of members of staff had commenced employment before their DBS check had been cleared. While our discussions with their line managers identified that most had carried out a risk assessment, we are still concerned that line managers are not allowing sufficient time for the DBS check to be returned before the employee starts work. In fact, there were four school-based posts in our sample of ten where two had started within two weeks of the date of the offer letter, and two who had started before the appointment letter had been issued (although references had been taken up prior to them starting).

Has the Council assured itself that members of staff and elected members are appropriately trained in safeguarding?

Opinion

While safeguarding is incorporated in the induction process, members of staff and elected members have not been adequately trained in safeguarding and this has led to a general lack of understanding of what safeguarding is.

The corporate induction process for new starters is now incorporated in the 'Denbighshire Way', to assist with improvements in the Council's approach for customer services. An officer within the Customers and Education Support Service monitors the induction process quarterly to check that an induction has been carried out for all new starters and covered the key elements, including safeguarding. However, there is currently no check to ensure that people moving posts have an induction to their new role.

As part of our equalities awareness review, we carried out a telephone survey of Council staff (including school staff) and elected members and incorporated questions relating to safeguarding. The survey highlighted a lack of awareness around safeguarding, as most members of staff were unaware of their key contact for safeguarding (apart from those located in schools), and that a Corporate Safeguarding Policy exists. There was more awareness amongst elected members, as they knew who their key contact for safeguarding was and were aware of the Policy.

The Corporate Director: Communities explained that they are planning to put in place a corporate safeguarding training group and are currently reviewing online safeguarding training packages that could deliver training to all members of staff.

**Risk/Issue
10
Moderate**

The training and guidance provided to members of staff is inconsistent across services. Both the Children and Family Service and Education, for example, provide comprehensive training on safeguarding to their members of staff but some other services do not provide any training or guidance. Every employee has a duty of care to report safeguarding issues, but a lack of training may mean that they not clear what should be reported.

Safeguarding is classed as a mandatory training course for elected members. The last session was held in 2012, which only 53% of members attended. Further sessions for safeguarding are being planned between May and July 2015 where it is hoped that attendance will be improved. The Corporate Director: Communities also plans to carry out several briefing sessions on safeguarding to County Council starting in September 2015. This will focus on lessons learned from Rotherham Council, to culminate in an action plan for child sexual exploitation prevention.

**Risk/Issue
11
Moderate**

There is a significant number of elected members that have not attended mandatory training on safeguarding. This may mean that they are not clear of their roles and responsibilities in relation to safeguarding. While there are two elected members who are represented on the Corporate Safeguarding Panel, they represent Social Services and Education and there is no overall elected member responsible for safeguarding. This could create a misconception that safeguarding is only the responsibility of these services.

Has the Council assured itself that there are appropriate arrangements in place with voluntary organisations and third party contractors?

Opinion Safeguarding arrangements with both voluntary organisations and third party contractors are currently under review.

Contractors and sub-contractors funded by the Council are responsible for arranging their own checks, e.g. DBS. While safeguarding arrangements form part of social care contracts and some other service contracts, in our previous safeguarding review, we were unable to provide assurance that similar arrangements exist for other standard contract arrangements.

A working group has been set up with representatives from the Collaborative Procurement Service and Property Services to review the current process, using approved contractor lists to identify where framework agreements can be set up instead. The process has taken longer than expected due to the number of submissions received from suppliers.

In addition, the Proactis source-to-contract solution is being rolled out across both Flintshire County Council and Denbighshire County Council for the management of tender and quotation exercises, as well as for approved lists and contracts. This should ensure that safeguarding matters are factored into the process and DBS checks are carried out where appropriate. However, there is still reliance on project managers to decide whether these controls are relevant to the contract.

Due to the general lack of awareness of safeguarding matters across the Council, project managers may be unaware of their roles and responsibilities for this area and may not factor safeguarding checks into the contract management process where appropriate.

During our previous review of safeguarding, we raised some recommended actions to assist in improving controls within the third party contractors’ process. While progress has been made with implementing them, some actions are still not complete, including:

**Risk/Issue
12
Moderate**

- introducing a clause into the formal contract agreement to help ensure that all relevant contractors have robust processes in place in respect of safeguarding;
- capturing small scale service requests into the procurement process, e.g. minor works for vulnerable adults;
- introducing self-assessments for providers within the designated framework agreements, i.e. areas of work that impact on children and vulnerable adults, as part of contract monitoring procedures; and

issuing factual and useful information, e.g. contact details within the Council to contractors within the designated framework agreements (where safeguarding is an essential factor) so that

they are aware of the referral process and the need to report allegations or concerns should they arise.

An officer from the Communication, Marketing and Leisure Service has been involved in collating local intelligence on all voluntary organisations that exist within the area (focusing on children's groups). The work has been extensive due to the number of organisations that exist, but has been useful to assess their knowledge of safeguarding and the processes they have in place to manage it. The profiling of the organisations will continue until the end of the year but, in the meantime, a public awareness campaign is being planned to raise awareness of safeguarding matters with parents of children associated with the voluntary groups.

Once the above work is complete, a lessons learned exercise is planned and results can be fed into a similar exercise for vulnerable adults.

Follow up review of Taxi and Operator Licensing

We carried out a review of Taxi and Operator Licensing in September 2014 and raised four moderate risks/issues. We reviewed these as part of our Corporate Safeguarding audit and the results are detailed in Appendix 1.

Appendix 1- Action Plan

Audit Follow-up Review of: Taxi and Operator Licensing
Date: August 2015
Action Plan Owner: Head of Planning and Public Protection

Corporate Risk/Issue Severity Key	
	Critical – Significant CET and Cabinet intervention
	Major – intervention by SLT and/or CET with Cabinet involvement
	Moderate – Containable at service level. Senior management and SLT may need to be kept informed

Risk/ Issue No.	Risk/Issue	Agreed Action Responsibility & Timescale	Current Status	Further Action Needed
1. Page 42	<p>The Licensing Team does not pursue character reference and bankruptcy checks for new operator licences, despite this being a key step in the revised process.</p> <p>Checks of this nature ensure that the Council discharges its responsibility in this area, in line with the Local Government Act 1976 Part II – Hackney Carriages & Private Hire, and helps to reduce the risk of an unsuitable person being licenced as a taxi operator in the county.</p>	<p>The Licensing Team will undertake character reference and bankruptcy checks for new operator licences.</p> <p>Public Protection Manager – Immediately</p>	<p>In progress</p> <p>No new operator licences have been issued since our previous review.</p> <p>The Public Protection Business Manager does not consider the checks on character references to be beneficial as these are not verified. Therefore, the process needs to be reviewed and bankruptcy checks for new operators incorporated.</p>	<p>Review the current process for new operator licences to incorporate bankruptcy checks. Justification also needs to be provided that the Council is meeting its duty of care in respect of the Local Government Act if character reference checks are not carried out.</p> <p>Update the application forms on Denbighshire County Council’s website to reflect the checks carried out as part of the application process.</p>

Risk/ Issue No.	Risk/Issue	Agreed Action Responsibility & Timescale	Current Status	Further Action Needed
2.	<p>The Licensing Team has arrangements in place with the former First Contact Team (FCT) within Social Services for sharing internal intelligence about prospective taxi drivers that may affect the decision to grant a licence. However, the FCT (now split into two teams - Single Point Of Access (SPOA) and Children's Gateway) only provides a response when there is a potential issue and does not provide confirmation when checks are clear.</p> <p>In our opinion, this is insufficient and Social Services should provide confirmation on all checks carried out regardless of their outcome. There is a risk that a check is not done or the results are overlooked, but the Licensing Team still issues a licence, potentially to an unsuitable individual who poses a safeguarding threat, because they have heard nothing to the contrary.</p>	<p>The process for managing safeguarding checks from the Licensing Team for Taxi Drivers and other Public Service Vehicles is currently being clarified, as agreement is needed on what information should be returned and how.</p> <p>The main issue is that much of the information held by Social Services relates to allegations rather than facts proven by legal process. We need to identify how to respond when the information relates to an allegation and when it has been verified by investigation or other legal process. The legality of sharing this information under the Data Protection Act is currently being considered by the Legal service.</p> <p>Other agencies, such as CSSIW (Care & Social Services Inspectorate Wales) and CAFCASS (Children & Family Court Advisory & Support Service) use forms that ask specific questions, which we will complete and return. These are all recorded and retained in the email database for audit. A similar system may be required for the Licensing Team checks.</p> <p>Strategy and Development Officer/ Safeguarding Service Manager - September 2014</p>	<p>Complete</p> <p>Applications are input onto the Uniform Database and a weekly report is emailed directly to Social Services on a weekly basis. The report details the name of the applicant, their address, date of birth and reference number. Licences are not issued until a response has been received from Social Services.</p> <div data-bbox="1272 651 1357 730" data-label="Image"> </div> <p>licensing driver applications example.</p>	N/A

Risk/ Issue No.	Risk/Issue	Agreed Action Responsibility & Timescale	Current Status	Further Action Needed
		<p>The Strategy and Development Officer is meeting with the service manager responsible for safeguarding in early September to determine how Social Services will respond to these checks and clarify how we will share any relevant information. Following this, a meeting will be held with the Licensing Team to agree the proposed process.</p> <p>Strategy and Development Officer/ Senior Technical Officer (Licensing) – September 2014</p>		
<p>Page 44</p>	<p>DBS and DVLA checks for driver licence renewals are being undertaken retrospectively after a licence is issued. There is a risk that unsuitable or disqualified individuals are licensed to drive taxis in Denbighshire, which poses a threat to the public and safeguarding of vulnerable people. The risk is further perpetuated in relation to DBS checks, as changes to legislation mean that the Council no longer has sight of the DBS results directly and is reliant on the individuals to bring them in for processing. Our testing shows that, in several cases, this has not happened, with some DBS checks still outstanding several months after the licence was renewed. As the licences have already been</p>	<p>We will immediately implement a system of ensuring that no driver is issued with a renewal licence until we have seen the DBS and/or DVLA check, where applicable.</p> <p>We will also review our procedure to implement a system of appropriate warning for drivers due for both renewal of licences and renewal of DBS to ensure that they are clear that no licence will be issued until all relevant documents have been checked.</p> <p>Public Protection Manager – Immediate and new system to be reviewed and implemented from December 2014</p>	<p>Complete</p> <p>Positive results were obtained from our testing of a sample of licence renewals. We also established that:</p> <ul style="list-style-type: none"> • drivers are given three months' notice for renewals, and applicants are advised that the licences will not be issued until DBS and DVLA checks have been completed; • there is on-going work to identify a more appropriate method for accessing DVLA; • the DBS process is currently being reviewed (in conjunction with HR); • there is on-going work to develop an agreement to share information with North Wales Police; and • there is work to develop more appropriate performance measures for granting of licences. 	<p>N/A</p>

Risk/ Issue No.	Risk/Issue	Agreed Action Responsibility & Timescale	Current Status	Further Action Needed
	renewed, there is no incentive for drivers to submit their DBS results, nor is there a trigger point for suspending licences if the DBS check is not returned.			
4.	<p>The general housekeeping and filing of taxi licence records could be improved. During our testing, we were unable to locate some documentation in relation to vehicle plate applications because of the filing backlog. Nor could we verify from the files that two letters confirming driver licence revocations were sent.</p> <p>We acknowledge that current circumstances have contributed to this issue, such as maternity leave, recent restructuring within the service and the transition onto a new computer system.</p> <p>As a paper-intensive function, we consider that taxi licensing would benefit from using the corporate electronic records management system (EDRMS) and suggest its use is considered for the section.</p>	<p>We will review our document management systems, which will involve making better use of the Uniform database and any possible use of EDRMS.</p> <p>Public Protection Manager – April 2015</p>	<p>In progress</p> <p>The Uniform database is now live and should promote more electronic working through scanning and saving documents onto the system (although the process is not consistent at present).</p> <p>The filing backlog has not reduced, as priority has been given to approving applications. This has been compounded by staffing resources being reduced, but approval has been obtained for an additional 0.4 FTE administrative member of staff.</p> <p>The Licensing Team does not currently use the corporate EDRMS system.</p>	<p>Once additional resources are in place, deal with the filing backlog to ensure that documentation can easily be found.</p> <p>Liaise with the Corporate Information Manager to pursue using the EDRMS system.</p>

Report Recipients

- Corporate Director: Communities
- Leader of the Council
- Corporate Safeguarding Panel members
- Strategic Procurement Manager
- HR Services Manager
- Public Protection Manager
- Senior Leadership Team
- Chief Executive
- Section 151 Officer
- Chair - Performance Scrutiny Committee
- Lead Member for Social Care Adult & Children's Services
- Lead Member for Education
- Lead Member for Finance, Corporate Plan & Performance
- Corporate Governance Committee
- Scrutiny Co-ordinator

Key Dates

Review commenced	February 2015
Review completed	May 2015
Reported to Corporate Governance Committee	28 September 2015
Proposed date for 1st follow up review	November 2015

Report To:	Corporate Governance Committee
Date of Meeting:	28th September 2015
Lead Member / Officer:	Cllr Julian Thompson Hill Jamie Groves – Head of Finance, Assets and Housing
Report Author:	Tom Booty – Programme Manager Procurement
Title:	Procurement Transformation Programme

1. What is the report about?

A number of concerns have been raised by Corporate Governance Committee over the last 18 months relating to procurement. At the meeting of 20th May 2015 the Interim Head of Finance, Assets & Housing presented a verbal update on procurement, and outlined that to address these and other short-comings that have been identified in our procurement activity a wider programme of transformation will be required. This report outlines the structure and content of that transformation programme to provide reassurance that issues will be addressed and new structures and processes put in place to improve performance in relation to procurement.

The report will be accompanied by a presentation at the meeting providing further background, along with a breakdown of the contracts procured through the National Procurement Service (NPS) as requested by the Committee at the meeting of 20th May 2015.

2. What is the reason for making this report?

To provide confidence to the committee that issues and short-comings previously identified will be addressed and rectified through the delivery of the Procurement Transformation Programme.

3. What are the Recommendations?

This report is for information.

4. Report details.

New, more robust arrangements have been put in place to ensure the effective delivery of the Procurement Transformation Programme. This has included the appointment of a dedicated Programme Manager to direct the transformational change required in the way the council procures goods, services and works. This approach is expected to have the key outcomes of:

1. saving money through more effective and efficient procurement;

2. delivering more and better community benefits through the procurement process; and
3. providing more and better support to local businesses to improve the quality of bids they submit and improve their chances of winning council contracts.

The programme will be organised into 5 distinct projects:

- **Strategy Document** – which will provide the council with an adopted procurement strategy and detail our position on key policy areas such as community benefits and engagement with local businesses, along with detailing how performance will be measured and monitored;
- **Use of Technology** – which has the key objective of ensuring the eProcurement system is in place and operational;
- **Local Supplier Development** – which will identify and deliver mechanisms that will help local businesses bid and win business from the council and other public sector organisations;
- **Upskilling the workforce** – which will ensure that officers who are involved in procurement activity throughout the council are provided with the right training and support to enable them to undertake their role effectively; and
- **Organisational Structure** – which will review the way in which the current corporate procurement service operates and propose improvements to provide a more effective and cost effective service.

The Transformation Programme is directed by a high level transformation board who will monitor and direct the delivery of the programme. Key roles will be to ensure the constituent projects of the programme are being delivered on time, budget and to an acceptable quality threshold, and that identified benefits of the programme are on track to be delivered. Membership will include the Heads of Service where there is significant procurement activity, relevant Cabinet Members, the Chairs of both Performance Scrutiny and Corporate Governance Committee, along with an external representative from the Federation of Small Businesses (FSB) to ensure the views and requirements of the business community are considered.

More comprehensive details of the programme and governance structures are attached as Appendix 1. Key milestones of the programme include:

30 Sep 15 – A “Brief Guide to Procurement” produced and distributed
01 Oct 15 – internal & external (businesses) electronic procurement training starts
31 Oct 15 – draft Procurement Strategy complete and consultation begins
31 Dec 15 – final Procurement Strategy complete following consultation
31 Dec 15 – “Selling to the Council” guidance for businesses published
23 Feb 16 – Procurement Strategy & revised CPR’s adopted by Council
04 Apr 16 – all DCC tender opportunities undertaken electronically

Failure to address the concerns with procurement activity in the council identified in various audit reports has been identified and recorded as a specific risk within the project to develop the revised procurement strategy. This will mean that as the strategy develops it will be constantly checked against this risk, which will ensure that

any new policies or processes proposed will address these issues and ensure that mistakes are not repeated and any existing shortcomings in processes or approach are addressed.

5. How does the decision contribute to the Corporate Priorities?

Key elements of this programme relate to priorities within the Economic & Community Ambition Strategy and in relation to this will address the two specific pieces of work within the Corporate Plan of:

- How the council works with suppliers; and
- Community Benefits

6. What will it cost and how will it affect other services?

The main financial cost of delivering the programme is the 12 month appointment of the Programme Manager. This role is essential in order that a robust transformational programme is developed and delivered, and the cost of this has been met within the existing budget for the corporate procurement function.

The development and delivery of the programme will impact on all services, as all services procure. A presentation on the programme has already been made to Senior Leadership Team (SLT) and regular updates are programmed in. The development of the strategy will consult with Heads of Service and relevant officers within their teams to ensure that the strategy is realistic and deliverable.

7. What are the main conclusions of the Equality Impact Assessment (EqIA) undertaken on the decision? The completed EqIA template should be attached as an appendix to the report.

The main driver of the Procurement Transformation Programme will be the development and delivery of the revised Procurement Strategy. Once this is developed we will have a clearer understanding of the potential impact of any changes recommended in the strategy on staff and the community. A full equality impact assessment will be undertaken in December 2015 (included as a milestone for the project) following the strategy consultation period. It is at this stage we expect to have a clearer understanding of the procurement policies and proposals and thus will be able to undertake the assessment.

8. What consultations have been carried out with Scrutiny and others?

The development of the procurement strategy will be subject to a comprehensive consultation exercise that is scheduled to commence on completion of the draft strategy document at the beginning of November 2015. This will involve engagement with a wide number of stakeholders both internally and externally, and will include Heads of Service and other key council officers, other North Wales Authorities, partner organisations and the business community. A report detailing the outcome of the consultation will be available in December 2015.

Prior to the formal consultation exercise detailed above, the Federation of Small Businesses (FSB), Business Council for Wales and Business Wales are involved in developing the draft strategy and are there to ensure that the needs of the business community are reflected and that appropriate support and advice is put in place for local businesses.

9. Chief Finance Officer Statement

The new arrangements should enhance the council's procurement processes and help ensure compliance with internal and external regulations. A robust procurement framework will help ensure value for money is achieved.

10. What risks are there and is there anything we can do to reduce them?

Full details of the risks associated with the Procurement Transformation Programme have been entered into Verto – the council's project management system, and include:

- Lack of programme/project management resource – managed through appointment of Programme Manager and ongoing assessment of resource requirements by the Head of Service;
- Lack of impact on the local economy – managed through engagement with the local business community and regular updates to the Economic & Community Ambition Board to ensure the needs of local businesses are considered and appropriate measures put in place to support them to make quality bids in response to requests by the council for quotes or tenders;
- Failure to address concerns identified in various audit reports – managed by full consideration of relevant reports (such as the audit report on construction procurement) and then proposing and implementing new processes to address shortcomings and encourage a “right first time” approach.

11. Power to make the Decision

No decision required.

Procurement Transformation Programme

Version 0.6, July 2015

Programme Organisation

It is proposed that the transformation programme is headed by a Procurement Transformation Board which will be responsible for overall delivery of the programme and ensuring inter-dependencies between projects are recognised and addressed. Below the Programme Board will sit five distinct projects, each entered individually onto the VERTO project management system. To inform both project delivery and the overall programme, a number of task and finish groups will be established. These groups will be multi-disciplinary – and in some cases multi-agency – who will look at specific elements of the transformation programme. This organisation structure is illustrated in the diagram attached at the end of this paper.

PROGRAMME LEVEL

Procurement Transformation Board

It is proposed that the transformation programme is directed by a high level transformation board. The main role of the board is to monitor and direct the delivery of the transformation programme, providing a strategic overview to:

- ensure the constituent projects of the programme are being delivered on time, budget and to an acceptable quality threshold;
- have a clear sight of the benefits that the programme should deliver and continually monitor and evaluate whether or not the constituent projects and associated activities will deliver those benefits;
- help ensure that resources – time and money – are used effectively and in a way that optimises the delivery of benefits;
- Provide clear direction on policy issues relating to procurement (e.g. Fair Trade, Living Wage, etc.);
- be advocates of the transformation to ensure that the change message is delivered effectively and that the required culture change is embedded with both officers and members; and
- more generally ensure that communication with key stakeholders (including national bodies and other public sector organisations) is taking place.

Membership of the Board

Proposed membership is based on specific posts or representation as outlined in the table below:

Organisation & Post	Specific Board Role
Head of Finance, Assets & Housing Jamie Groves	Programme Executive – with overall accountability for the delivery of the programme and its benefits. Also Head of Service with significant responsibilities for procuring major works contracts.
Head of Highways & Environmental Services Steve Parker	Head of Service with significant responsibilities for procuring major works contracts and thus can provide insight into appropriateness and deliverability of any changes to the procurement process. Also Project Executive for “use of Technology” and “Upskilling the workforce” projects, and thus can report to the board on progress and issues with these projects.
Head of Community Support Services Phil Gilroy	Head of Service with significant responsibilities for procuring major social care contracts and thus can provide insight into appropriateness and deliverability of any changes to the procurement process.
FSB Representative Mike Learmond	Key board role will be to ensure that the views and requirements of the local business community are considered and taken into account in the development of the procurement strategy and the wider transformation programme.
Lead Member for Finance & Efficiency Cllr Julian Thompson-Hill	Lead member for the service in which the joint collaborative procurement service sits, but also with key responsibilities in relation to budget and financial matters. Key board role will be to chair the board meetings and to ensure that any costs associated with the procurement transformation are properly assessed and monitored, and that the programme delivers financial efficiencies.
Lead Member for Economic Development Cllr Hugh Evans	Key board role will be to ensure that the transformation programme establishes the right structures, processes and support mechanisms to enable local businesses to tender for council contracts, and to ensure that any policies and procedures associated with community benefits help develop the skills base within the county and provide opportunities to develop local supply chains.
Lead Member for Modernising & Performance Cllr Barbara Smith	Key board role in ensuring the transformation is consistent with the council’s wider modernisation programme and is consistent with current good practice.
Chair of Performance Scrutiny Cllr David Simmons	Performance Scrutiny meets to scrutinise the performance of the council, particularly in relation to budget, financial matters and corporate policies. Key board role (along with the Lead Member for Finance & Efficiency) will be to ensure that the programme delivers financial efficiencies, but also to ensure that there are clear and unambiguous policies agreed in relation to procurement and embedded in the Procurement Strategy.

<p>Chair of Corporate Governance Committee Cllr Jason McLellan</p>	<p>Corporate Governance Committee is responsible for ensuring that the Council’s systems of governance are robust. Recently a number of issues regarding procurement processes have been highlighted as issues as a result of audit inspections, and have subsequently been considered by Corporate Governance Committee. Key board role will be to ensure that the development of the strategy and other related projects of the procurement transformation programme address previously identified shortcomings in systems and governance.</p>
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This Board will be supported by Advisors without any voting or decision-making powers. The primary role of these support members is to advise the Board. Individuals may be invited onto the Board in this support role as required or requested. It is envisaged that regular attendees would be:

- Strategic Procurement Manager
- Programme Manager – Procurement
- Project Managers for constituent projects (Use of Technology, Strategy Document, Organisational Structure & Upskilling the Workforce) as and when required.

PROJECT LEVEL

It is proposed that the programme is organised into four clear and distinct – but inter-related – projects as detailed below. Each project will be individually entered onto Verto, and each should have a nominated Project Manager who will be responsible for managing the delivery of the project and providing any update reports required.

PROJECT 1: Strategy Document

Project Executive: Jamie Groves

Project Manager: Tom Booty

Key objectives of this project will be to:

- understand the current procurement legislation and policy guidance (particularly Directive 2014/24/EU and the Wales Procurement Policy Statement), and subsequently develop our own local policies that fit within this framework – particularly in relation to local suppliers and community benefits;
- develop a performance management framework with key performance indicators and associated baselines to ensure that the impact of any changes to processes, and of procurement activity generally, can be effectively measured;
- produce a Procurement Strategy document and have it adopted; and
- update the existing Contract Procedure Rules (CPR’s) to ensure consistency with the legislative environment and the Procurement Strategy

PROJECT 2: Use of Technology

Project Executive: Steve Parker

Project Manager: Tom Booty

Key objectives of this project will be to:

- ensure that the eProcurement system is in place and operational by the required legal date in 2018;
- ensure that adequate training and support for relevant council officers has been provided and that this training has resulted in a system that is adopted consistently across the council and that officers using the system are getting it right first time;
- ensure that adequate awareness, training and support has been provided to the council's existing suppliers and potential suppliers, and that this has resulted in no reduction in the number of local suppliers servicing the council; and
- ensure that the information provided on the council's website is up to date, relevant, and enables suppliers to understand what is required of them when tendering for council contracts, and when such contracts are due for renewal.

PROJECT 3: Local Supplier Development

Project Executive: TBC

Project Manager: TBC

Key objectives of this project will be to:

- to identify and deliver mechanisms that will help local businesses bid and win business from council contracts and other public sector organisations;
- to identify and secure any additional resources that may be required in order to deliver the required support to local businesses;
- produce a range of guidance documents and other support mechanisms to assist businesses in bidding for public sector contracts, and ensure these are easily available on the internet or other appropriate place; and
- work with partners (such as Business Wales) to ensure that there is an ongoing training programme and support mechanism for local businesses to ensure that they continue to have opportunities to bid for council and other public sector contracts.

PROJECT 4: Upskilling the Workforce

Project Executive: Steve Parker

Project Manager: Tom Booty

Key objectives of this project will be to:

- identify all council staff currently involved in procurement activity, analyse roles and responsibilities of those involved, and come up with a revised list (preferably shorter) of those council staff who should be involved in procurement activity going forward;

- develop a competency framework to assess the current competencies and skills gaps of those involved in procurement (both corporately and within services), and subsequently develop and deliver a training programme that addresses identified needs; and
- produce a range of guidance documents and other support mechanisms to assist people involved in the procurement process and ensure these are easily available on either the intranet or internet or other appropriate place.

PROJECT 5: Organisational Structure

This project will not commence until 2016

Project Executive: Jamie Groves

Project Manager: TBC

Key objectives of this project will be to:

- develop a greater understanding of the category management approach, and agree the categories that will be used (being mindful of how other public sector organisations in Wales are categorising to aid future collaboration and/or reorganisation); and
- improve the performance and service provided by the joint procurement collaboration team for the same or less cost.

TASK & FINISH GROUPS

To support the development of the overall programme and constituent projects in an inclusive and collaborative manner, it is proposed to establish a series of Task & Finish Groups looking at specific elements of the overall transformation programme. Some of these will be specific to an individual project, whilst others will be relevant to a number of projects. The following key principles will apply to these Task & Finish Groups:

- each Task & Finish Group will have a very clear and measurable output that they will be expected to deliver;
- no group should meet more than 6 times;
- work by group members needs to happen outside the meeting itself to ensure the outputs are delivered
- each group will have a nominated leader who will be responsible for arranging the meetings and reporting on the work of the group

The following tables detail the expected outputs from the Task and Finish groups.

eProcurement System

OUTPUTS:	<p>Develop and agree the templates that are required for the eProcurement system</p> <p>Develop the content and agree a programme of training sessions for officers who will require training in the eProcurement system</p> <p>Ensure that a corporate Contracts Register is in place and published on the council's website</p> <p>Ensure that the system also establishes a mechanism for identifying and recording <u>all</u> contract tender exemptions, so that this information is available in one centralised, easily accessible location (<i>refer to Audit Review of Corporate Procurement – May 2015</i>)</p> <p>Ensure that improved control and recording of purchasing through cards, petty cash and travel claims is considered and a mechanism for improving control and recording (preferably through Proactis) is developed and implemented (<i>refer to Audit Review of Corporate Procurement – May 2015</i>)</p>
MEMBERS:	<p>Tom Booty – DCC Programme Manager – Procurement</p> <p>Arwel Staples – DCC/FCC Strategic Procurement Manager</p> <p>Stuart Andrews – DCC/FCC Senior Procurement Officer</p> <p>Lisa Price – DCC/FCC Procurement Officer</p> <p>Roy Kewley – DCC ICT Business Partner</p> <p>Rhys Lloyd Jones – DCC Senior Management Accountant (TBC)</p>

Revised Contract Procedure Rules

OUTPUTS:	<p>Revise the current Contract Procedure Rules (CPR) to take account of recent changes to legislation, the revised Wales Policy Procurement Framework, and any policy decisions made in relation to the development of Denbighshire's revised Procurement Strategy</p> <p>Consider looking at a two phase approach:</p> <ul style="list-style-type: none"> • Phase 1 – minor revision to ensure CPR's are legally compliant following European Directive in Feb 2015. This approach should not require any committee approval; and • Phase 2 – more comprehensive revision to take account of Wales Procurement Policy Statement (Jun 2015) and generally make the CPR's as straightforward and easy to read as possible. <p>A key objective of phase 2 should be to try and ensure that Denbighshire and Flintshire share the same CPR's</p>
MEMBERS:	<p>Tom Booty – DCC Programme Manager – Procurement</p> <p>Arwel Staples – DCC/FCC Strategic Procurement Manager</p> <p>Rachel Sanders – DCC/FCC Procurement Officer</p> <p>Louise Davies – DCC Contracts Manager</p> <p>Lisa Jones – DCC Solicitor</p> <p>Louise Pedreski – FCC Legal</p>

Local Supplier Development

OUTPUTS:	<p>Clear policy statement in relation to how we intend to engage with and support local suppliers</p> <p>Review and agree any eProcurement templates for suppliers to ensure they are fit for purpose and easy to use for local businesses</p> <p>Develop a communication strategy for engaging with existing and potential suppliers about the eProcurement system</p> <p>Develop the content and agree a programme of training sessions for local businesses about eProcurement</p> <p>Develop and produce guidance documents (and other appropriate mechanisms) to assist local businesses understand what the legal requirements are/will be in relation to electronic tendering and including a “how to” guide</p>
MEMBERS:	<p>Tom Booty – DCC Programme Manager – Procurement</p> <p>Arwel Staples – DCC/FCC Strategic Procurement Manager</p> <p>Stuart Andrews – DCC/FCC Senior Procurement Officer</p> <p>Kirsty Hutton Davies – DCC Business Liaison Officer</p> <p>Mike Learmond – Federation of Small Businesses</p> <p>Carys Griffiths – Business Wales Tendering Manager</p>

Community Benefits

OUTPUTS:	<p>Clear policy statement on Community Benefits, including clarity on what the priorities for Denbighshire should be (e.g. targeting economically inactive, supporting social enterprise, etc)</p> <p>develop a matrix to illustrate what the expectations are against different spend thresholds and or procurement categories and how these need to be written into contract documentation</p> <p>provide guidelines on how community benefits will be measured and monitored, and what procedures need to be followed if community benefits are not being achieved as expected (or as contracted in the contract documentation)</p> <p>Develop and produce guidance documents (and other appropriate mechanisms) to assist council officers and local businesses understand what is meant by the term community benefits and how the council expects them to be delivered through the procurement process</p>
MEMBERS:	<p>Tom Booty – DCC Programme Manager – Procurement</p> <p>Arwel Staples – DCC/FCC Strategic Procurement Manager</p> <p>Tania Silva – DCC Framework Manager (TBC)</p> <p>Tony Ward – DCC Principal Manager – Business Support (TBC)</p>

Performance Management

OUTPUTS:	<p>Agreed set of clear and quantifiable performance indicators for procurement (including those that will be required from Welsh Government, but also others that will be locally relevant)</p> <p>Analysis report detailing performance against those indicators for the last 3 years</p> <p>Establishment of baselines for the performance indicators and setting clear targets for improvement, and ensure these transfer across to Service Business Plan</p> <p><i>NOTE: Performance Indicators should include some measures of current spend (possibly looking at the agreed categories), and should establish clear savings targets</i></p>
MEMBERS:	<p>Tom Booty – DCC Programme Manager – Procurement</p> <p>Arwel Staples – DCC/FCC Strategic Procurement Manager</p> <p>Mike White – DCC/FCC Senior Procurement Officer</p> <p>Iolo McGregor – DCC Strategic Planning & Performance Officer</p> <p>Rhys Lloyd Jones – DCC Senior Management Accountant (TBC)</p>

Training & Guidance

OUTPUTS:	<p>Identify which staff across the organisation are currently involved in procurement activity</p> <p>Develop a competency framework (with reference to Wales Procurement Policy Statement) and provide a report assessing those staff involved in procurement activity against the competency framework.</p> <p>Based on analysis of the staff involved and the competency framework, along with awareness of other elements such as eProcurement, provide a revised list of names/roles who should continue to be involved in the procurement process (<i>the assumption is this will be a reduced number of people</i>)</p> <p>Develop and undertake a survey of middle managers to assess their awareness and understanding of the procurement process (<i>this should provide measurable performance measures which can be used year on year to assess whether staff knowledge and understanding of procurement is improving</i>)</p> <p>Develop the content, agree and effectively communicate a programme of training sessions for those officers who will retain an ongoing responsibility for procurement activity, ensuring that the training is targeted so that officers get the training they require based on the competency framework</p> <p>Develop and produce guidance documents (and other appropriate mechanisms) to assist officers undertaking procurement activity and ensure they are available in a clear and accessible manner on the staff intranet</p>
MEMBERS:	<p>Tom Booty – DCC Programme Manager – Procurement</p> <p>Stuart Andrews – DCC/FCC Senior Procurement Officer</p> <p>Helen Sutton – DCC/FCC Senior Procurement Manager</p> <p>John Rees – DCC Learning & Development Specialist (TBC)</p>

Contract Management

OUTPUTS:	Review current contract management arrangements and identify necessary improvements to create a more rigorous and robust contract management culture within the council, with particular consideration of: <ul style="list-style-type: none">• Ensuring that sensible structures are in place and sufficient resources available to deliver robust contract management;• Developing strong internal and external relationships that facilitate delivery;• Ensuring that payments are made to the supplier in line with the contract;• There are effective mechanisms in place to handle change within a contract;
MEMBERS:	TBC

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Procurement Transformation Programme 28 September 2015

Equality Impact Assessment

Procurement Transformation Programme

Contact: Tom Booty
Finance, Assets & Housing
Updated: 7 September 2015

1. What type of proposal / decision is being assessed?

A strategic or service plan

2. What is the purpose of this proposal / decision, and what change (to staff or the community) will occur as a result of its implementation?

The main driver of the Procurement Transformation Programme will be the development and delivery of the revised Procurement Strategy. Once this is developed we will have a clearer understanding of the potential impact of any changes recommended in the strategy on staff and the community. A full equality impact assessment will be undertaken in December 2015 (included as a milestone for the project) following the strategy consultation period. It is at this stage we expect to have a clearer understanding of the procurement policies and proposals and thus will be able to undertake the assessment.

3. Does this proposal / decision require an equality impact assessment? If no, please explain why.

*Please note: if the proposal will have an impact on people (staff or the community) then an equality impact assessment **must** be undertaken*

Yes

Full assessment scheduled to be undertaken in December 2015.

4. Please provide a summary of the steps taken, and the information used, to carry out this assessment, including any engagement undertaken

(Please refer to section 1 in the toolkit for guidance)

Assessment to be undertaken in December 2015.

5. Will this proposal / decision have a positive impact on any of the protected characteristics (age; disability; gender-

reassignment; marriage and civil partnership; pregnancy and maternity; race; religion or belief; sex; and sexual orientation)?
(Please refer to section 1 in the toolkit for a description of the protected characteristics)

Assessment to be undertaken in December 2015.

6. Will this proposal / decision have a disproportionate negative impact on any of the protected characteristics (age; disability; gender-reassignment; marriage and civil partnership; pregnancy and maternity; race; religion or belief; sex; and sexual orientation)?

Assessment to be undertaken in December 2015.

7. Has the proposal / decision been amended to eliminate or reduce any potential disproportionate negative impact? If no, please explain why.

No	Assessment to be undertaken in December 2015.
----	---

8. Have you identified any further actions to address and / or monitor any potential negative impact(s)?

No	Assessment to be undertaken in December 2015.
----	---

Action(s)	Owner	By when?
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9. Declaration

Every reasonable effort has been made to eliminate or reduce any potential disproportionate impact on people sharing protected characteristics. The actual impact of the proposal / decision will be reviewed at the appropriate stage.

Review Date:	31/12/15
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Name of Lead Officer for Equality Impact Assessment	Date
Tom Booty	07/09/15

Please note you will be required to publish the outcome of the equality impact assessment if you identify a substantial likely impact.

Report To: Corporate Governance Committee

Date of Meeting: 28th September 2015

Lead Member / Officer: Councillor Julian Thompson-Hill

Report Author: Richard Weigh, Chief Finance Officer

Title: Budget Process 2016/17

1. What is the report about?

The report gives an update on the process to deliver the revenue budget for 2016/17.

2. What is the reason for making this report?

To provide an update of the latest position.

3. What are the Recommendations?

To consider the latest update and comment as appropriate.

4. Report details

The latest progress with the budget setting process is as follows:

	<u>2015/16</u>	<u>2016/17</u>
	£'000	£'000
Savings Target	8,259	8,853
Proposed		
Phase 1	3,715	870
Phase 2	3,571	1,785
Phase 3	473	-
Phase 4		1,290
Phase 5 (*to date)		4,178
Total Proposals	7,759	8,123

The position shows a potential remaining budget gap of £730k based on the latest planning assumptions in the Medium Term Financial Plan. The key assumptions include the following:

- RSG Cut by 4% (in cash terms)
- Council Tax Rise 2.75%
- Pay (average) 1% increase
- Pensions (current and deficit) 8% approximate increase
- Changes to NI rules approximately 26% increase

A number of the proposals included in Phase 5 do not yet have estimated values attached and are currently being developed. The budget gap as calculated includes some elements of contingency. However, some potential additional pressures are emerging from the social care sector which could negate the positive impact. Proposals submitted by elected members will be included as part of the Phase 5 proposals. So far, four of the six proposals have been assessed by services and finance.

The proposals so far identified in Phase 5 have been categorised into the following:

Analysis by Impact	Number of Items	Value (£000)
Technical Budget Reductions - no effect on service levels	9	964
Efficiency - no negative effect on service levels but will impact on staffing	21	1,219
Increase in Fees & Charges or additional external income contributions	2	320
Change to service level received by public	9	940
Service Reduction/withdrawal	7	667
As yet Unknown	8	68
Grand Total	56	4,178

The budget workshop was held on 5th June and focussed on financial planning and economic forecasts. It set out some of the national considerations that will impact upon the council's budget planning. The session explained that the forecast budget gap for 2016/17 is set at approximately £8.8m and so far (taking account of the package approved by Council on 7th July), proposals totalling £4m have been approved. Explanation of the assumptions applied was given and highlighted that the most significant of these is the level of Settlement to local authorities in the form of Revenue Support Grant. Every percentage change to the Settlement value equates to approximately £1.4m. At this stage, there is no indication of the level of likely Settlement – it could be better or worse than the central planning case of -4%.

The Draft Settlement for Local Government in Wales is usually published early in October. However, there remains a significant level of uncertainty around the level and timing of the Local Government Settlement in Wales. The exact impact of the Summer Budget announcements on devolved administration budgets will not be clear until the publication of the UK Government Spending Review on 25th November. This will determine the level of the Block Grant to Wales. There will then be a period (possibly a month) when the Welsh

Government sets its budget, including the budget settlement to local government. This could mean that the Draft Settlement is not received until early in January.

In terms of the level of Settlement, the Institute of Fiscal Studies has assessed that devolved nation settlements from the UK Government could be broadly flat in cash terms over the next two years, partly as a consequence of 'protected' areas of expenditure forming a significant part of the overall block of funding devolved (mainly health and schools). Therefore, the issue in Wales is the policy at a national level that will inform the distribution of funding between local government and health.

The probable late announcement of the Draft Settlement will mean that the budget timetable will need to be refined. The council has to set its budget in time to allow the production and distribution of Council Tax bills in March. The current timetable is enclosed as Appendix 1. It is probable that an extra meeting of the full council will be required to finalise the budget in February.

The budget timetable still assumes that some proposals will be taken to Council for approval in December. It is assumed that any proposals brought forward for approval in advance of the Settlement announcement will be focussed on efficiency and modernisation, rather than service reduction or increases to fees and charges.

Proposals are being developed and will be presented to budget workshops. Budget workshops are scheduled for 26th October and 14th December but a further date or dates will be proposed in November. It is recommended that the proposals taken to budget workshops are focussed on the areas where there is likely to be the most impact – whether that be in respect of a reduction or change to a front-line service or increases in fees or charges. Proposals that are focussed on efficiency and involve services restructuring should be reported as part of the budget paper to Council – with the proper impact assessments completed – but as decisions that are delegated to heads of service, should not be covered in detail at budget workshops.

The suggestion from the last Corporate Governance Committee meeting of holding additional workshops in September was not endorsed by political group leaders. However, it was agreed that briefings would be provided of significant changes or announcements affecting the budget as necessary.

All proposals are being assessed by Finance to determine the likely budget impact in 2016/17. This is to ensure that any upfront or replacement costs are factored into the calculation and to provide a financial risk assessment as to whether the timescales are reasonable to achieve either full or part year implementation in 2016/17. Finance are also in the process of completing an assessment of a number of themes across all budget areas – not service specific. These assessments will be focussed on the following areas:

- Pay and staff related budgeting – examining consistency across service budget assumptions and detailed analysis of recent announcements regarding living wage and home to work travel time
- Fees and Charges – assessing income budgets and charging policies and where appropriate, benchmarking to other organisations
- Procurement – assessment of supplies and services expenditure
- Grants – assessment of revenue grant streams, risks associated with uncertain funding and data to lobby for greater de-hypothecation of grants into the main Revenue Support Grant
- Financial benchmarking – testing key service cost indicators and explore significant variations to best practice
- Capital Financing Budget – a full review of the budget accounting for the latest assumptions supporting the Corporate Plan, assessment of future borrowing costs and requirements and recent significant transactions (such as the termination of the PFI contract and the buy-out of the Housing Revenue Account subsidy system).

The purpose of these assessments is twofold; to identify potential areas of saving for 2016/17 and 2017/18 and to provide some assurance about the value for money. The analysis will also feed into the next revision of the Medium Term Financial Plan which is currently being drafted.

During September/October, a review of council reserves and provisions will be completed. The purpose of this review is to ascertain whether the financial risks or other reasons for holding these specific amounts is still appropriate. The results will be reported to cabinet in November, as will the potential impact on the council's budget process.

The latest budget process chart is enclosed as Appendix 1 and a revised version enclosed as Appendix 2.

5. How does the decision contribute to the Corporate Priorities?

Effective management of the council's budgets and delivery of the agreed budget strategy underpins activity in all areas, including corporate priorities.

6. What will it cost and how will it affect other services?

The council may need to deliver savings and other measures of approximately £8.8m next financial year.

7. What are the main conclusions of the Equality Impact Assessment (EqIA) undertaken on the decision?

An EqIA will be completed for all relevant proposals as the process develops.

8. What consultations have been carried out with Scrutiny and others?

Previous reports have highlighted in detail the significant consultation process undertaken to deliver the 2015/16 and 2016/17 budgets.

9. Chief Finance Officer Statement

This remains a difficult process with some tough decisions to make along the way. The engagement and support of elected members in the decision making and scrutiny of the process is crucial.

The aim of the budget process is to ensure that the council delivers a balanced budget. Built into the process are a number of review points to ensure that it remains on track and it can be amended if not. The uncertainty over the level and timing of the Settlement means that the budget gap estimated may change for 16/17 but this must be viewed in the context of the likelihood that negative Settlements will continue in the medium term.

10. What risks are there and is there anything we can do to reduce them?

This is the most challenging financial period the council has faced and failure to deliver an effective budget strategy will put further pressure on services in future financial years.

The budget process itself is a risk management measure with the aim of identifying, assessing and agreeing budget proposals in a planned and timely way. The process as outlined includes sufficient scope to review and amend if necessary. The level of proposals identified in June through both consultation with services and proposals submitted by members will inform how the remainder process continues.

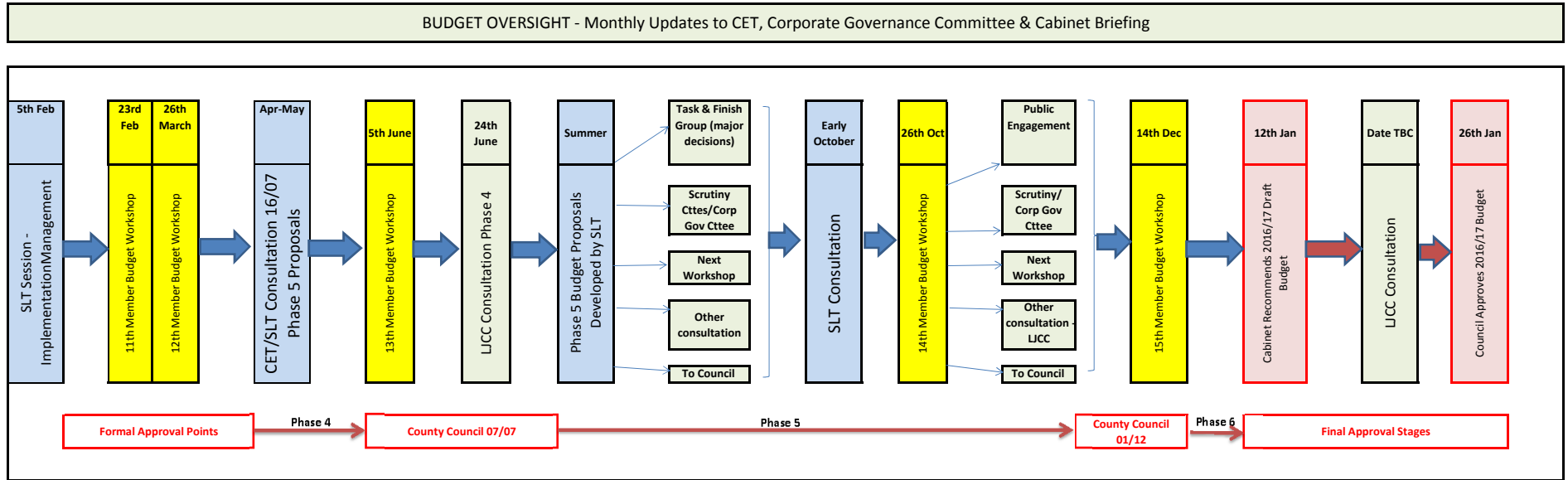
Risk management of the budget process is a key consideration of the Corporate Governance Committee and specific risks have been raised in previous reports. As each proposal is identified, the financial and service risks are identified and highlighted at budget workshops as they are being developed.

11. Power to make the Decision

Local authorities are required under Section 151 of the Local Government Act 1972 to make arrangements for the proper administration of their financial affairs.

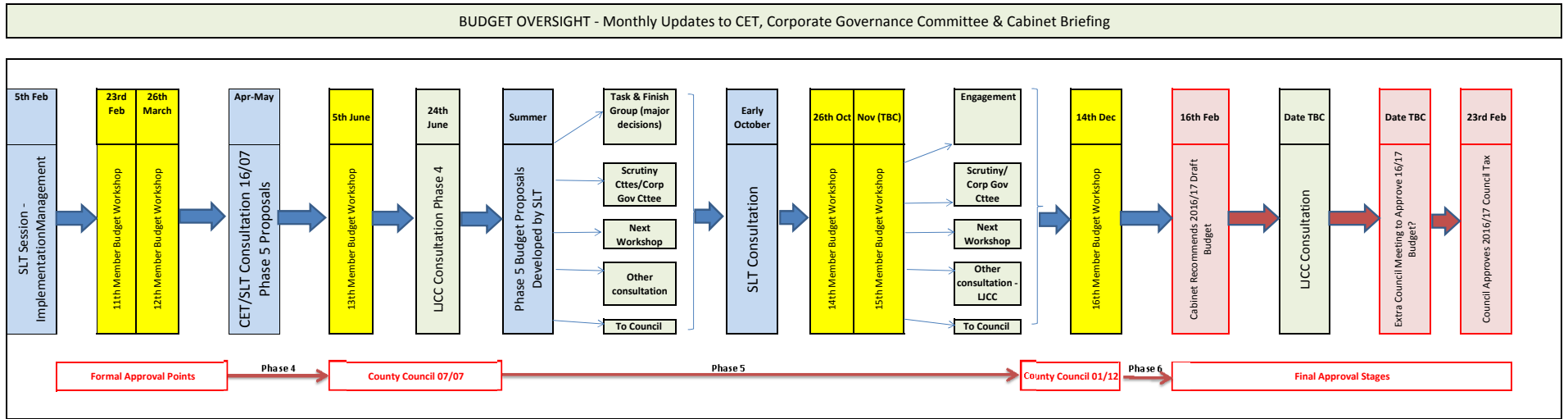
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PROPOSED BUDGET PROCESS 2016/17



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PROPOSED BUDGET PROCESS 2016/17



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Report To: Corporate Governance Committee

Date of Meeting: 28 September 2015

Lead Officer: Richard Weigh, Chief Finance Officer

Report Author: Steve Gadd, Chief Accountant

Title: Approval of the Statement of Accounts 2014/15

1. What is the report about?

The council has a statutory duty to produce a statement of accounts that complies with approved accounting standards. The audited accounts have to be formally approved by elected members on behalf of the council.

2. What is the reason for making this report?

The financial statements for 2014/15 were approved, subject to audit, by the Chief Finance Officer on 25 June 2015. The draft accounts were circulated to Corporate Governance Committee Members on 23 July 2015 as agreed at the Committee meeting in May.

The Accounts and Audit Regulations require that the Council formally approves the audited accounts, containing the external auditor's opinion, by the end of September. The approval of the audited accounts has been delegated to the Corporate Governance Committee.

The Statement of Accounts is produced in compliance with the International Financial Reporting Standards (IFRS). The Chartered Institute of Public Finance & Accountancy (CIPFA) produces the IFRS based Code of Practice on Local Authority Accounting and the council has produced the 2014/15 accounts in compliance with the Code.

The accounts include an unqualified audit opinion and audit certificate.

3. What are the Recommendations?

That elected members approve the Statement of Accounts 2014/15 which is **Appendix 1** to this report.

At the meeting, the Chair and Chief Finance Officer will be required to sign the Accounts and the Letter of Representation.

4. Report details

The accounts presented have been produced in compliance with the required accounting standards.

International Financial Reporting Standards are a suite of accounting standards used across the world. IFRS has been developed for the private sector but in theory the vast majority of transactions are the same in

accounting terms regardless of the sector. As there are some areas where public sector accounting treatment diverges from IFRS (because for example of legislative requirements), an additional set of standards has been introduced to deal with these provisions called the International Public Sector Accounting Standards.

The accounts were made available for audit as required and have been open to public inspection. The accounts have been audited by the Wales Audit Office who will present an overview of their findings and assessment of the process in a report to the committee. The Audit of Financial Statements Report forms **Appendix 2** to this report.

The audit process resulted in some technical adjustments and other corrections and amendments. More details of these will be presented in the auditor's report.

5. How does the decision contribute to the Corporate Priorities?

The publication of the Statement of Accounts underpins the financial stewardship and governance of the council and therefore supports all council services and priorities.

6. What will it cost and how will it affect other services?

There are no additional cost implications as a result of this report.

7. What are the main conclusions of the Equality Impact Assessment (EqIA) undertaken on the decision? The completed EqIA template should be attached as an appendix to the report.

Not applicable.

8. What consultations have been carried out?

The Wales Audit Office has worked closely with the Finance team to ensure the timely and successful finalisation of the audit.

9. Chief Finance Officer Statement

The Statement of Accounts has again received an unqualified audit opinion. This is a significant achievement given the scale and complexity of the accounts. Internal procedures will continue to be reviewed annually to ensure that the council continues to deliver high quality financial statements. This will take into account the issues arising from the audit that have been raised in the audit report.

10. What risks are there and is there anything we can do to reduce them?

The council would be in breach of its statutory duty if it could not approve the accounts by 30 September.

11. Power to make the Decision

Section 151 of the Local Government Act 1972 requires that the council has proper financial management arrangements in place. The Accounts & Audit Regulations require that the audited accounts are approved by 30 September.

STATEMENT OF ACCOUNTS 2014/15

DENBIGHSHIRE COUNTY COUNCIL
STATEMENT OF ACCOUNTS
2014/15

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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 and Notes to the Accounts

The 2014 Code requires that local authority accounts comply with International Financial Reporting Standards (IFRS). The main financial statements comprise:

Movement in Reserves Statement

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

Comprehensive Income and Expenditure Statement

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

Balance Sheet

The Balance Sheet shows a snapshot of the Council's financial position as at 31 March 2015. 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 2014/15, this gross budget was £280.9m. A savings target of £7.1m was set and delivered in 2014/15. The council has made budget savings of £13.5m in the last three years and is likely to have to make savings of over £17m in the next two years.

By the end of the year, the Council had spent £1.3m less than it budgeted for on services and corporate budgets.

Balances, Provisions and Reserves

The final revenue position this year has meant that it has been possible to make a net contribution to reserves within the accounts of £5.3m.

The Council's general balances now stand at £7.6m. The Council must make sure it keeps enough money in these balances so it can be sure it is able to deal with any unexpected problems it faces. Details of all provisions and reserves are contained within the Notes to the Statement of Accounts.

How We Report Our Budget

Each month a budget report is given to the Council's Cabinet (a group of 8 Councillors who make many of the decisions on behalf of the Council) which explains how services are spending their money compared to their budget. At the end of the year, a final report (known as the outturn) shows the year-end position.

However, the Council must produce its Statement of Accounts in a way that meets UK and international financial reporting requirements. Unfortunately, these requirements are highly complex and technical in nature. This means that a number of accounting adjustments are required to its normal budget reports to ensure the Council can produce its Accounts. The table below shows the final position that was reported to Councillors. Within the Notes to the Accounts is an explanation of the adjustments made between the final reported revenue position and the amounts reported in the Comprehensive Income & Expenditure Statement.

The table below shows the final revenue position as reported and approved by Cabinet in June 2015.

	Final Revenue Outturn Report £000
Service and Corporate Budgets	
Business Improvement & Modernisation	3,706
Legal, HR & Democratic Services	2,358
Finance & Assets	7,343
Highways & Environmental Services	18,733
Planning & Public Protection	2,597
Community Support Services	32,044
Children & Family Services	8,142
Economic & Business Development	1,227
Communication, Marketing and Leisure	6,069
Customers & Education Support	2,455
School Improvement & Inclusion	4,346
Schools	64,540
Corporate	15,875
Total Service and Corporate Budgets	169,435
Other	
Capital Finance / Investment Interest	13,330
Levies	4,342
Total Expenditure (excludes HRA)	187,107
Less Funding	(188,418)
Final Outturn	(1,311)
Contribution to Reserves and General Balances Reported to Members:	
Allocated as follows:	
Earmarked Balances – Services	(584)
Proposed Transfers to Specific Reserves	(566)
Invest to Save Reserve	(235)
Corporate Plan Reserve	(280)
School Balances	354
Total	(1,311)

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 2014/15 and how the expenditure was funded:

Expenditure	£000
Finance & Assets	1,117
Highways & Environmental Services	11,783
Planning & Public Protection	2,927
Community Support Services	1,072
Economic & Business Development	3,520
Communication, Marketing & Leisure	1,877
Business Improvement & Modernisation	363
Customers & Education Support	9,311
School Improvement & Inclusion	107
Housing Revenue Account	3,585
Total	35,662
Funding	
Grants	20,003
Supported Borrowing	2,250
Prudential Borrowing	9,026
Capital Receipts	1,286
Capital Expenditure charged against the Council Fund	3,097
Total	35,662

Expenditure on major Projects undertaken during the year includes:

Project	Description	2014/15 £000
Rhyl	Sea Defence Repair Works	476
Rhyl	West Rhyl Coastal Defence Works – Phase 3	2,909
Rhyl Harbour Development	Works to Cycle/Pedestrian Bridge, Quayside Units, Public Square & Quay Wall	239
St Asaph	Elwy Bridge Works	423
Rhyl	A548 Foryd Bridge Repairs	1,838
Ruthin	Glasdir Flood Bund Improvement Works	249
Corwen	Flood Alleviation Scheme	357
Rhyl	West Rhyl – Phase 2 Pedestrian and Cycling Facilities	600
Rhyl	Replacement Promenade Railings	273
Rhyl	Cefndy Healthcare Investment	301
Ysgol y Llys, Prestatyn	Refurbishment, Remodelling and Extension	753
Ysgol Twm o'r Nant, Denbigh	Extension and Refurbishment of Existing Site	896
Bodnant Community School, Prestatyn	21 st Century Schools – Extension and Refurbishment Works	423
Ysgol Glan Clwyd, St Asaph	21 st Century Schools – Extension, Remodel and Refurbishment Works (Design)	402
Rhyl	21 st Century Schools – New School	4,202
Rhyl	Property Acquisition/Demolition & Public Realm Works	2,869
Council Housing	Major Improvements	2,430
Council Housing	Disabled Adaptations	240
Prestatyn, Nova Centre	Re-development Works	1,163
Denbigh	Contribution to construction of Youth Enterprise Centre	210

1.3 **OTHER ISSUES**

Pensions

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

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

Housing Stock Business Plan

The council owns 3,428 council houses – known as the housing stock. Since 2005, the council has invested over £60m in improving its housing stock and has achieved the Welsh Housing Quality Standard in 2014. Part of this investment has been through borrowing and the council has a detailed 30-year Housing Stock Business Plan which helps to ensure that the investment in the council's houses remains affordable and sustainable in the long term. The Housing Stock Business Plan is regularly reviewed and formally approved by the council's cabinet every year and it remains financially strong.

The council has to account for income and expenditure on its housing stock separately from other activities and this is called the Housing Revenue Account (HRA). All Housing Revenue Accounts

in Wales were subject to a national subsidy system which meant that surplus rent income had to be paid back to the UK Government. The subsidy system ended in Wales on 2nd April 2015 with all councils 'buying themselves' out of the system. This entailed the payment of a capital payment of £40m, funded through borrowing. The ending of the subsidy systems means that the council retains more rental income locally which will allow additional investment in the housing stock and offers the possibility to increase the size of the stock in the coming years.

Borrowing & Investments

The Council's strategy in 2014/15 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 2015 was £144.8m and investment balances were £28.6m.

Accounting Policies & International Financial Reporting Standards (IFRS)

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

Statutory Functions

There were no significant changes to the Council's statutory functions during 2014/15.

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 2014/15 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 2014/15 the Council continued its commitment to delivering an ambitious Corporate Plan which aims to deliver investment of over £122m in schools, social care facilities and roads in the coming three 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 2014/15, individual projects within the Corporate Plan developed, including investment in highways and schools. Expenditure on Corporate Plan projects was £11.5m in 2014/15 and is estimated to be £29.1m in 2015/16.

Looking Ahead

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

Richard Weigh
Chief Financial Officer (Section 151 Officer)

Section 2: Statement of Responsibilities**The County Council's Responsibilities**

The County Council is required to:

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

AUTHORITY'S CERTIFICATE

I approve the Statement of Accounts of Denbighshire County Council.

SignedDate

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 2015.

Richard Weigh
Chief Financial Officer (Section 151 Officer)

Date

SECTION 3:
FINANCIAL STATEMENTS
AND
NOTES TO THE
ACCOUNTS
2014/15

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Movement in Reserves Statement

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

	Note	Revenue Reserves			Capital Reserves		Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
		Council Fund Balance £000	Earmarked Reserves £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000			
Balance at 31 March 2013		(9,798)	(34,524)	(1,046)	(2,797)	* (3,577)	(51,742)	(84,411)	(136,153)
Movement in reserves during 2013/14									
(Surplus) or deficit on the provision of services	CI&E	2,836		903			3,739		3,739
Other Comprehensive Income & Expenditure	CI&E							(19,756)	(19,756)
Total Comprehensive Income & Expenditure		2,836		903			3,739	(19,756)	(16,017)
Adjustments between accounting basis & funding basis under regulations	7	(10,065)		(1,144)	341	593	(10,275)	10,275	
Net Increase/Decrease before Transfers to Earmarked Reserves		(7,229)		(241)	341	593	(6,536)	(9,481)	(16,017)
Transfers to/from Earmarked Reserves	22	7,111	(7,111)				0		
Increase/Decrease in 2013/14		(118)	(7,111)	(241)	341	593	(6,536)	(9,481)	(16,017)
Balance at 31 March 2014		(9,916)	(41,635)	(1,287)	(2,456)	(2,984)	(58,278)	(93,892)	(152,170)

* The Capital Grants Unapplied opening balance for 31 March 2013 was reduced by £50k in order to exclude a Houses to Homes Scheme grant, which should have been treated as agency in the 2012/13 accounts.

	Note	Revenue Reserves			Capital Reserves		Total Authority Reserves		
		Council Fund Balance £000	Earmarked Reserves £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2014		(9,916)	(41,635)	(1,287)	(2,456)	(2,984)	(58,278)	(93,892)	(152,170)
Movement in reserves during 2014/15									
(Surplus) or deficit on the provision of services		7,104		4,438			11,542		11,542
Other Comprehensive Income & Expenditure								30,203	30,203
Total Comprehensive Income & Expenditure		7,104		4,438			11,542	30,203	41,745
Adjustments between accounting basis & funding basis under regulations		(12,296)		(5,083)	(559)	1,349	(16,589)	16,589	
Net Increase/Decrease before Transfers to Earmarked Reserves		(5,192)		(645)	(559)	1,349	(5,047)	46,792	41,745
Transfers to/from Earmarked Reserves		5,954	(6,034)	80			0		
Increase/Decrease in 2014/15		762	(6,034)	(565)	(559)	1,349	(5,047)	46,792	41,745
Balance at 31 March 2015		(9,154)	(47,669)	(1,852)	(3,015)	(1,635)	(63,325)	(47,100)	(110,425)

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.

2013/14				2014/15			
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Note	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
13,152	(1,669)	11,483	Central Services to the Public		13,179	(1,970)	11,209
19,502	(7,838)	11,664	Cultural & Related Services		18,060	(6,194)	11,866
116,552	(24,475)	92,077	Children's & Education Services		122,148	(24,526)	97,622
18,379	(9,146)	9,233	Environmental & Regulatory Services		17,238	(7,273)	9,965
23,875	(11,223)	12,652	Highways & Transport Services		16,971	(6,821)	10,150
14,461	(12,749)	1,712	Local Authority Housing (HRA)		18,349	(13,092)	5,257
39,788	(37,130)	2,658	Housing Services		40,012	(38,893)	1,119
53,685	(18,073)	35,612	Adult Social Care		52,917	(18,441)	34,476
5,017	(2,139)	2,878	Planning Services		5,875	(2,238)	3,637
20,041	(6,387)	13,654	Corporate & Democratic Core		11,481	(3,753)	7,728
277	0	277	Non Distributed Costs		492		492
324,729	(130,829)	193,900	Cost of Services		316,722	(123,201)	193,521
15,517	0	15,517	Other Operating Expenditure	8	13,897	(407)	13,490
19,680	(698)	18,982	Financing & Investment Income & Expenditure	9	19,089	(786)	18,303
	(224,660)	(224,660)	Taxation & Non-specific Grant Income	10		(213,772)	(213,772)
		3,739	(Surplus) or Deficit on Provision of Services*				11,542

2013/14				2014/15			
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Note	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
		7,355	(Surplus) or deficit on revaluation of Property, Plant & Equipment assets	23			(20,796)
		2,955	Impairment losses on non-current assets charged to the Revaluation Reserve				3,351
		(30,066)	Remeasurement of the Net Defined Benefit Liability /(Asset)	39			47,648
		(19,756)	Other Comprehensive Income & Expenditure				30,203
		(16,017)	Total Comprehensive Income & Expenditure				41,745

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

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 2014 £000		Note	31 March 2015 £000	31 March 2015 £000
120,050	<i>Council Dwellings</i>		107,187	
189,210	<i>Other Land & Buildings</i>		197,926	
6,937	<i>Vehicles, Plant, Furniture & Equipment</i>		6,096	
106,422	<i>Infrastructure</i>		113,786	
4,120	<i>Community Assets</i>		2,647	
5,829	<i>Assets Under Construction</i>		10,393	
1,799	<i>Surplus Assets not Held for Sale</i>		2,067	
434,367	Property, Plant & Equipment	13	440,102	
9,078	Heritage Assets	42	9,023	
10,042	Investment Property	14	8,375	
7	Long Term Investments	15	5	
987	Long Term Debtors	15	915	
454,481	LONG TERM ASSETS			458,420
24,074	Short Term Investments	15	23,386	
1,121	Assets Held for Sale (<1yr)	18	5,168	
1,524	Inventories		1,264	
23,714	Short Term Debtors	16	32,264	
8,836	Cash and Cash Equivalents	17	2,373	
59,269	CURRENT ASSETS			64,455
(8,118)	Short Term Borrowing	15	(5,135)	
(25,946)	Short Term Creditors	19	(25,454)	
(817)	Provisions	20	(733)	
(2,441)	Provision for Accumulated Absences	20	(2,834)	
(2,490)	Revenue Grants Receipts in Advance	33	(1,953)	
(1,731)	Capital Grants Received in Advance	33	(1,802)	
(41,543)	CURRENT LIABILITIES			(37,911)

31 March 2014 £000		Note	31 March 2015 £000	31 March 2015 £000
(9,684)	Long Term Creditors	15	(9,528)	
(3,302)	Provisions	20	(473)	
(134,090)	Long Term Borrowing	15	(140,202)	
(172,961)	Other Long Term Liabilities	23	(224,336)	
0	Capital Grants Receipts in Advance	33	0	
(320,037)	LONG TERM LIABILITIES			(374,539)
152,170	NET ASSETS			110,425
(9,916)	Council Fund		(9,154)	
(41,635)	Earmarked Reserves		(47,669)	
(1,287)	Housing Revenue Account		(1,852)	
(2,456)	Capital Receipts Reserve		(3,015)	
(2,984)	Capital Grants Unapplied		(1,635)	
(58,278)	Usable Reserves	22		(63,325)
(62,878)	Revaluation Reserve		(77,190)	
172,961	Pensions Reserve		224,336	
(206,756)	Capital Adjustment Account		(197,429)	
(1)	Deferred Capital Receipts		0	
341	Financial Instruments Adjustment Account		349	
	Short Term Accumulating			
2,441	Compensated Absences Account		2,834	
(93,892)	Unusable Reserves	23		(47,100)
(152,170)	TOTAL RESERVES			(110,425)

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.

2013/14		Note	2014/15
£000			£000
3,739	Net (surplus) or deficit on the provision of services		11,542
(28,877)	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements		(21,182)
557	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities		2,036
(24,581)	Net cash flows from Operating Activities	24	(7,604)
37,632	Investing Activities	25	15,241
(10,833)	Financing Activities	26	(1,174)
2,218	Net (increase) or decrease in cash and cash equivalents		6,463
11,054	Cash and cash equivalents at the beginning of the reporting period		8,836
(2,218)	Increase/(Decrease) in Cash		(6,463)
8,836	Cash and cash equivalents at the end of the reporting period	17	2,373

Notes to the Accounts

1. Accounting Policies

i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2014/15 financial year and its position at the year-end of 31 March 2015. The Council is required to prepare an Annual Statement of Accounts by the Accounts and Audit (Wales) Regulations 2014, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the 'Code of Practice on Local Authority Accounting in the United Kingdom 2014/15' (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 2014/15 (SERCOP) which establishes proper practice with regard to consistent financial reporting below the Statement of Accounts level and the determination of the total cost of services.

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

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

ii. Accounting for Local Authority Schools

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

iii. Accruals of Income and Expenditure

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

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.
- Supplies of goods and services are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

iv. Cash and Cash Equivalents

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

v. Charges to Revenue for Non-Current Assets

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

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

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and 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 3.3%.
- 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.

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.

ix. 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.

x. 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), Nantclwyd-y-Dre, 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. All sites (except Nantclwyd-y-Dre) are accredited under the arts Council of England Museums Accreditation scheme. A scheduled monument, Castell Dinas Bran is also located within Denbighshire.

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

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to Heritage Assets as the Council considers that obtaining valuations for the collections would involve a disproportionate cost in comparison to the benefits provided to the users of the financial statements. This is because of the diverse nature of the assets held and the lack of comparable values. The collections are monitored in accordance with a Collections Development Policy approved under Museums Accreditation and items are only added infrequently according to set procedures.

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

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

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

xi. 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.

xii. Inventories

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

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

xiii. Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, 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.

xiv. 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.

xv. Leases

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

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

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

The Council as LesseeFinance Leases

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

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and

- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

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

Operating Leases

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

The Council as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

The written-off value of disposals is not a charge against council tax, as the cost of non current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore

appropriated to the Capital Adjustment Account from the Council Fund Balance in the Movement in Reserves Statement.

Operating Leases

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

xvi. Non Exchange Revenue

Recognition of Revenue from Non-Exchange Transactions

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

Taxation transactions

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

Non-taxation transactions

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

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

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

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

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

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

xvii. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2014/15* (SeRCOP). The full costs of overheads and support services are shared between users in

proportion to the benefits used by various methodologies including time recording, number of items used etc. The only costs not charged to the services are:

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

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

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

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

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

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

xix. Property, Plant and Equipment

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

Recognition

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

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 2014/15. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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

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

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

Impairment

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

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

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

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

Depreciation

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

Depreciation is calculated on the following bases:

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

Componentisation

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

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

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

Disposals and Non-current Assets Held for Sale

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

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

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

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

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

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

xx. Private Finance Initiative (PFI)

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

A PFI contract for the provision to the Council of office accommodation in Ruthin, for 25 years, was signed in 2002/03. Service commenced in May 2004. The original recognition of these non-current assets was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the assets.

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

The 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.

xxi . Provisions, Contingent Liabilities and Contingent Assets**Provisions**

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

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

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

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

Provision for Back Pay Arising from Unequal Pay Claims

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

Contingent Liabilities

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

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

Contingent Assets

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

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

xxii. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the Council Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is

then appropriated back into the Council Fund Balance in the Movement in Reserves so that there is no net charge against council tax for the expenditure.

xxiii. Revenue Expenditure Funded from Capital Under Statute

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

xxiv. VAT

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

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code) has introduced a number of changes in accounting policies. The following changes will be required from 1 April 2015:

- IFRS 13 Fair Value Measurement – this standard, which requires prospective application, introduces a consistent definition of Fair Value. Disclosures will need to be included within authorities' financial statements should the impact of this standard be material on the Statement of Accounts. The adoption of this standard will require Surplus Assets to be measured at market value rather than existing use value, as they are currently. Items of Property, Plant & Equipment that are operational will continue to be valued at existing use value, existing use value - social housing, or depreciated replacement cost. Consequently, due to the low value of Surplus Assets held by the Council, this standard is unlikely to have a significant impact on the Statement of Accounts, although there may be additional disclosures.
- IFRIC 21 Levies – this Interpretation provides guidance on when to recognise a liability for a levy imposed by a government. It covers the accounting for outflows imposed on entities by government. This change is also unlikely to have a significant impact on the Statement of Accounts.
- Annual Improvements to IFRSs (2011 – 2013 Cycle). These improvements are minor, chiefly providing clarification and are unlikely to have a material impact on the financial statements.

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 37 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 36 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 £107,187k as at 31 March 2015 (£120,050k at 31 March 2014) 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 2015 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 £436,185k 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 £224,336k. Detailed information is contained within Notes 23, 38 and 39.

Employee Benefit Accrual

The accrual for employee benefits (annual and flexi time leave) was calculated based on a sample of employees. The balance on the Accumulated Absences Account as at 31 March 2015 was £2,834k and is detailed in Note 23.

Arrears

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

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

5. Material Items of Income and Expense

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 2014/15.

6. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Chief Finance Officer in September 2015. 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 2015, 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 the following transaction has taken place:

Housing Revenue Account – Housing Subsidy Reform

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

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

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

PFI Project Agreement

The PFI Project Agreement covering County Hall, Ruthin and associated buildings ended on Friday 4th September. The Council took this action to save money over the remaining term of the contract which was due to expire in 2029. As a consequence of terminating the PFI Project Agreement, a sum of compensation is payable to the company with whom the PFI agreement is held. The final sum had not yet been agreed but is expected to be within a range of expected financial values in line with the Council's business case for termination.

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.

2014/15	Usable Reserves				Unusable Reserves £000
	Council Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
Adjustments primarily involving the Capital Adjustment Account					
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement:					
Charges for depreciation & impairment of non-current assets	(17,352)	(5,290)			22,642
Revaluation losses on Property, Plant & Equipment	(9,436)	(4,468)			13,904
Movements in the fair value of Investment Properties	(2,549)				2,549
Capital Grants & contributions applied	15,601	2,410			(18,011)
Revenue expenditure funded from capital under statute	(4,409)				4,409
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	(1,291)	(254)			1,545
Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement:					
Statutory provision for the financing of capital investment	6,391	1,620			(8,011)
Capital expenditure charged against the Council Fund & HRA balances	2,284	813			(3,097)
Adjustments primarily involving the Capital Grants Unapplied Account:					
Capital grants & contributions unapplied credited to the Comprehensive Income & Expenditure Statement	643			(643)	
Application of grants to capital financing transferred to the Capital Adjustment Account				1,992	(1,992)

2014/15	Usable Reserves				Unusable Reserves £000
	Council Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
Adjustments primarily involving the Capital Receipts Reserve:					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	1,782	254	(2,036)		
Use of the Capital Receipts Reserve to finance new or existing capital expenditure			1,478		(1,478)
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			(1)		
Adjustments primarily involving the Deferred Capital Receipts Reserve:					
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement					1
Adjustments primarily involving the Financial Instruments Adjustment Account:					
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)	8			8
Adjustments primarily involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	(19,330)	(577)			19,907
Employer's pension contributions payable in the year	15,767	413			(16,180)
Adjustments primarily involving the Accumulated Absences Account:					
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	(381)	(12)			393
Total Adjustments	(12,296)	(5,083)	(559)	1,349	16,589

2013/14	Usable Reserves				Unusable Reserves £000
	Council Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
Adjustments primarily involving the Capital Adjustment Account					
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement:					
Charges for depreciation & impairment of non-current assets	(18,606)	(3,390)			21,996
Revaluation losses on Property, Plant & Equipment	(6,303)	(2,483)			8,786
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	(932)	(220)			1,152
Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement:					
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)
Adjustments primarily involving the Capital Grants Unapplied Account:					
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	
<u>Adjustments primarily involving the Capital Receipts Reserve:</u>					
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)		
<u>Adjustments primarily involving the Deferred Capital Receipts Reserve:</u>					
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement					5
<u>Adjustments primarily involving the Financial Instruments Adjustment Account:</u>					
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
<u>Adjustments primarily involving the Pensions Reserve:</u>					
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)
<u>Adjustments primarily involving the Accumulated Absences Account:</u>					
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)
Total Adjustments	(10,065)	(1,144)	341	593	10,275

8. Other Operating Expenditure

2013/14 £000		2014/15 £000
8,478	Police Precept	8,729
4,594	Fire Authority Precept	4,342
1,488	Community Council Precepts	1,550
662	(Gains)/losses on Held for Sale Assets and the disposal of non-current assets	(1,430)
295	Pension Administration Costs	299
15,517	Total	13,490

9. Financing and Investment Income and Expenditure

2013/14 £000		2014/15 £000
9,071	Interest payable & similar charges	9,250
7,878	Net interest on the net defined benefit liability (asset)	7,173
(293)	Interest receivable & similar income	(257)
2,308	Income & expenditure in relation to investment properties & changes in their fair value	2,265
18	Other investment income	(128)
18,982	Total	18,303

10. Taxation and Non Specific Grant Income

2013/14 £000		2014/15 £000
(51,946)	Council tax income	(53,810)
(29,052)	Non domestic rates	(29,631)
(123,348)	Non-ringfenced government grants	(115,539)
(20,314)	Capital grants & contributions	(14,792)
(224,660)	Total	(213,772)

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 38,349 in 2014/15 (38,000 in 2013/14).

This basic amount (including Community Council precept and Office of the Police and Crime Commissioner, North Wales precept) for a Band D property was £1,379.73 (£1,336.35 in 2013/14) 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 2015	3,947	7,135	14,244	7,680	5,329	3,580	1,957	303	170

Analysis of the net proceeds from Council Tax:

2013/14 £000		2014/15 £000
51,946	Council Tax collectable	53,810
(8,478)	Amount payable to North Wales Police Authority	(8,729)
(193)	Provision for non-payment of Council Tax	(172)
43,275	Net proceeds from Council Tax	44,909
	Denbighshire County Council Split:	
41,642	Denbighshire County Council	43,248
1,488	Community Councils	1,550
145	Discretionary Non-domestic Rate Relief	111
43,275		44,909

12. National Non-Domestic Rates (NNDR)

NNDR is organised on a national basis. The Welsh Government specified the rate of 47.3p in 2014/15 (46.4p in 2013/14) 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 £20,498k for 2014/15 (£20,722k for 2013/14) was based on an aggregate rateable value of £58,999k for the year.

Analysis of the net proceeds from non-domestic rates:

2013/14 £000		2014/15 £000
20,722	Non Domestic Rates collectable	20,498
(206)	Cost of Collection allowance	(211)
(257)	Provision for Bad Debts	(196)
0	Refunds of interest	0
20,259	Payment into National Pool	20,091
29,052	Redistribution from National Pool	29,631

13. Property, Plant and Equipment

2014/15	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant & Equipment £000	PFI Assets Included in Property, Plant & Equipment £000
Cost or Valuation									
At 1 April 2014	144,611	239,345	22,312	140,372	4,231	1,860	7,964	560,695	4,321
Additions	3,543	8,073	1,388	11,737	55	0	6,274	31,070	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(9,299)	13,772	0	0	0	1,564	0	5,814	371
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(4,468)	(12,466)	0	0	0	(100)	(430)	(17,241)	(110)
Derecognition – disposals	(254)	(736)	(49)	0	0	0	0	(1,039)	0
Derecognition – other	0	0	(6,103)	0	0	0	0	(6,103)	0
Assets reclassified (to)/from Held for Sale	0	(2,201)	0	0	0	(1,488)	0	(3,689)	0
Other movements in cost or valuation	(26)	(3,382)	838	4	(1,570)	336	(110)	(3,910)	(22)
At 31 March 2015	134,107	242,405	18,386	152,113	2,716	2,172	13,698	565,597	4,560

2014/15	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant & Equipment £000	PFI Assets Included in Property, Plant & Equipment £000
Accumulated Depreciation & Impairment									
At 1 April 2014	(24,561)	(50,135)	(15,375)	(33,950)	(111)	(61)	(2,135)	(126,328)	(313)
Depreciation charge	(3,071)	(5,791)	(2,854)	(3,279)	0	(24)	0	(15,019)	(69)
Depreciation written out to Revaluation Reserve	5,005	16,166	0	0	0	0	0	21,171	292
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	0	0	0	0	22	0	22	0
Impairment losses/(reversals) recognised in the Revaluation Reserve	(2,230)	(1,121)	0	0	0	0	0	(3,351)	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(2,089)	(6,950)	(106)	(1,094)	(55)	0	(1,170)	(11,464)	0
Derecognition - disposals	0	7	29	0	0	0	0	36	0
Derecognition – other	0	0	6,103	0	0	0	0	6,103	0
Derecognition – Held for Sale	0	122	0	0	0	0	0	122	0
Other movements in depreciation & impairment	26	3,223	(87)	(4)	97	(42)	0	3,213	22
At 31 March 2015	(26,920)	(44,479)	(12,290)	(38,327)	(69)	(105)	(3,305)	(125,495)	(68)
Net Book Value									
At 31 March 2015	107,187	197,926	6,096	113,786	2,647	2,067	10,393	440,102	4,492
At 31 March 2014	120,050	189,210	6,937	106,422	4,120	1,799	5,829	434,367	4,008

	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
2013/14									
Cost or Valuation									
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	9,647	694	4	2,013	37,357	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(22,538)	9,649	0	0	0	0	0	(12,889)	0
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,483)	(6,389)	0	0	0	0	(906)	(9,778)	0
Derecognition – disposals	(200)	(654)	0	0	0	0	0	(854)	0
Assets reclassified (to)/from Held for Sale	0	(812)	0	0	0	0	(65)	(877)	0
Other movements in cost or valuation	0	140	0	3,855	0	0	(3,995)	0	0
At 31 March 2014	144,611	239,345	22,312	140,372	4,231	1,860	7,964	560,695	4,321

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
Accumulated Depreciation & Impairment									
At 1 April 2013	(25,904)	(40,758)	(12,398)	(29,355)	(81)	(46)	(2,133)	(110,675)	(255)
Depreciation charge	(3,161)	(5,389)	(2,572)	(2,975)	0	(15)	0	(14,112)	(58)
Depreciation written out to Revaluation Reserve	7,105	2,115	0	0	0	0	0	9,220	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	0	22	0	0	0	0	0	22	0
At 31 March 2014	(24,561)	(50,135)	(15,375)	(33,950)	(111)	(61)	(2,135)	(126,328)	(313)
Net Book Value									
At 31 March 2014	120,050	189,210	6,937	106,422	4,120	1,799	5,829	434,367	4,008
At 31 March 2013	137,732	180,672	7,092	97,515	3,456	1,810	8,784	437,061	4,066

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 2015, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2015/16 and future years budgeted to cost £26,753k. Similar commitments at 31 March 2014 were £3,095k. The *major* commitments are:

Project	Contract Estimate	Payments made to 31 March 2015	Total Future Contract Payments
	£000	£000	£000
Ysgol y Llys - Refurbishment, Remodelling and Extension	2,110	2,003	107
Bodnant Community School – Extension and Refurbishment Works	2,792	138	2,654
Rhyl, New School	21,619	3,570	18,049
West Rhyl Housing Improvement Programme – Demolition Works	183	120	63
West Rhyl Housing Improvement Programme – Greenspace Project	1,019	873	146
Ysgol Glan Clwyd – Design Works, Extension, Remodelling and Refurbishment	508	274	234
Prestatyn Nova – Re-development Works	3,762	864	2,898
West Rhyl Coastal Defence Works – Phase 3	4,290	2,461	1,829
A548 Foryd Bridge, Rhyl	1,850	1,556	294
Rhyl ECO Phase 2	692	213	479
Total	38,825	12,072	26,753

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 2014 and June 2015.

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

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

	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Surplus Assets	Total
	£000	£000	£000	£000	£000
Carried at historical cost			6,096		6,096
Valued at fair value as at:					
31 March 2015	30,713	108,161			138,874
31 March 2014	17,968	33,812			51,780
31 March 2013	16,986	35,320			52,306
31 March 2012	12,784	0		2,067	14,851
31 March 2011	28,736	20,633			49,369
Total Cost or Valuation	107,187	197,926	6,096	2,067	313,276

As part of the rolling programme in 2014/15 the following assets were reviewed:

Primary Schools and Pre-School Education
PFI
Industrial Sites
Council Houses – Corwen and District
Council Houses – Prestatyn, Meliden and Dyserth

It was noted this year that the primary school valuation method was approached differently based on the modern equivalent method but taking into account the roll numbers of the school against the existing capacity. As this method could be applied to the secondary schools, it was agreed to bring forward their revaluation from 2016/17 to 2014/15.

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

Impairment Losses

During 2014/15, the Authority has recognised an impairment loss in relation to its Council dwellings. Ty Newydd and Rhodfa Hendre in Meliden, 22 properties in all, were demolished in October and November 2014. The total impairment loss was £775,775, of which £97,160 was charged to the Revaluation Reserve and £678,615 was charged to the Local Authority Housing (HRA) line in the Comprehensive Income and Expenditure Statement. The remaining land, 1.2 acres, has been revalued to £240,000.

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:

	2014/15 £000	2013/14 £000
Rental income from Investment Property	(402)	(424)
Direct operating expenses arising from Investment Property	117	179
Net (gain)/loss	(285)	(245)

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:

	2014/15 £000	2013/14 £000
Balance at start of the year	10,042	12,633
Additions:		
• Subsequent expenditure	185	0
Disposals	0	(40)
Net gains/(losses) from fair value adjustments	(2,549)	(2,551)
Transfers:		
• (to)/from Inventories	0	0
• (to)/from Property, Plant and Equipment	697	0
Balance at end of the year	8,375	10,042

15. Financial Instruments

Categories of Financial Instruments

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

Long Term 31-Mar-14 £000	Current 31-Mar-14 £000		Long Term 31-Mar-15 £000	Current 31-Mar-15 £000
		Investments		
7	24,074	Loans and receivables	5	23,386
7	24,074	Total Investments	5	23,386
		Debtors		
987	21,955	Loans and receivables	915	29,911
987	21,955	Total Debtors	915	29,911
		Borrowings		
(134,090)	(8,118)	Financial liabilities at amortised cost	(140,202)	(5,135)
(134,090)	(8,118)	Total Borrowings	(140,202)	(5,135)
		Other Long Term Liabilities		
(9,684)	(89)	PFI and finance lease liabilities	(9,305)	(379)
(9,684)	(89)	Total Other Long Term Liabilities	(9,305)	(379)
		Creditors		
(9,684)	(22,982)	Financial liabilities at amortised cost	(9,528)	(22,480)
(9,684)	(22,982)	Total Creditors	(9,528)	(22,480)

The debtors and creditors figures in the table above exclude payments in advance and receipts in advance because they are not financial instruments as monies have already been paid/received. The prior year figures have been amended for this reason as follows: Current Debtors have been reduced by £1,759k from £23,714k; and Current Creditors have been reduced by £2,964k from £25,946k.

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 2015 is £88k.

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 2015 is £8k.

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 2013/14 £000	Financial Assets 2013/14 £000		Financial Liabilities 2014/15 £000	Financial Assets 2014/15 £000	Total 2014/15 £000
9,071		Interest Expense Losses on de-recognition	9,250		9,250
9,071		Total expense in Surplus or Deficit on the Provision of Services	9,250		9,250
	(293)	Interest Income Gains on de-recognition		(257)	(257)
	(293)	Total income in Surplus or Deficit on the Provision of Services		(257)	(257)

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 2014 and 31 March 2015 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 2014 £000	Fair Values 31 March 2014 £000		Carrying Amount 31 March 2015 £000	Fair Values 31 March 2015 £000
(142,208)	(191,641)	Financial Liabilities	(145,337)	(236,364)
(9,684)	(9,684)	Long Term Creditors	(9,528)	(9,528)
(151,892)	(201,325)	Total Financial Liabilities	(154,865)	(245,892)
24,081	24,081	Loans and Receivables	23,391	23,391
987	987	Long Term Debtors	915	915
25,068	25,068	Total Financial Assets	24,306	24,306

16. Debtors

	31 March 2015 £000	31 March 2014 £000
Central government bodies	12,283	7,970
Other local authorities	7,519	7,696
NHS bodies	1,211	1,229
Public corporations and trading funds	41	93
Other entities and individuals	11,210	6,726
Total	32,264	23,714

17. Cash and Cash Equivalents

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

31 March 2014 £000		31 March 2015 £000
340	Cash held by the Council	497
(4)	Bank current accounts	(3,424)
8,500	Cash held instant access call account	5,300
8,836	Total Cash and Cash Equivalents	2,373

18. Assets Held for Sale

	Current	
	2014/15 £000	2013/14 £000
Balance Outstanding at start of year	1,121	554
Assets newly classified as Held for Sale:		
• Property, Plant and Equipment	3,679	812
• Other	0	65
Revaluation losses	(311)	(60)
Revaluation gains	1,334	30
Assets declassified as Held for Sale:		
• Property, Plant and Equipment	(112)	0
Assets sold	(543)	(280)
Balance outstanding at year end	5,168	1,121

19. Creditors

	31 March 2015 £000	31 March 2014 £000
Central government bodies	(2,669)	(4,143)
Other local authorities	(2,521)	(2,079)
NHS bodies	(288)	(412)
Public corporations & trading funds	(2)	(65)
Other entities & individuals	(19,974)	(19,247)
Total	(25,454)	(25,946)

20. Provisions

	Insurance Fund £000	Equal/Back Pay Claims £000	Other Provisions £000	Total £000
Balance as at 1 April 2014	(1,044)	(2,100)	(975)	(4,119)
Additional provision made in 2014/15	(483)	(21)	(370)	(874)
Amounts used in 2014/15	652	2,061	202	2,915
Unused amounts reversed in 2014/15	6	0	866	872
Balance as at 31 March 2015	(869)	(60)	(277)	(1,206)
Long term	(342)		(131)	(473)
Short term	(527)	(60)	(146)	(733)

An additional Provision on the Balance Sheet is the Provision for Accumulated Absences of (£2,834k), ((£2,441k) in 2013/14). 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 2015 a £869k provision has been set aside for the full estimated cost of meeting insurance liabilities.

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

We expect £527k to be settled within the next twelve months with the remainder of £342k 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.

All other provisions are individually insignificant.

21. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the Council Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet Council Fund and HRA expenditure in 2014/15.

	Balance at 1 st April 2013	Transfers Out 2013/14	Transfers In 2013/14	Balance at 31 st March 2014	Transfers Out 2014/15	Transfers In 2014/15	Balance at 31 st March 2015
	£000	£000	£000	£000	£000	£000	£000
Council Fund:							
Balances held by schools under a scheme of delegation (i)	(2,870)	401	(1,423)	(3,892)	1,257	(903)	(3,538)
<u>Reserves held as part of the Council Corporate Plan (vi)</u>							
Strategic Investment 21 st Century Schools	(9,798)	1,739	(4,402)	(12,461)	1,831	(4,490)	(15,120)
Strategic Investment Extra Care Housing	(500)	59	(1,755)	(2,196)	302	(400)	(2,294)
Town Plans/Economic Development	(515)	0	0	(515)	0	(193)	(708)
<u>Specific Grants Reserves</u>							
PFI Grant (ii)	(3,901)	0	(573)	(4,474)	0	(2,591)	(7,065)
Revenue Grants Unapplied	(780)	706	(480)	(554)	361	(460)	(653)
Sustainable Waste Management (v)	(3,305)	1,795	(2,385)	(3,895)	100	(273)	(4,068)
<u>Reserves held for Legal Cases</u>							
Town & Country Planning Act (s.106) Requirements	(1,640)	103	(6)	(1,543)	146	(14)	(1,411)
Single Status (iii)	(1,003)	221	0	(782)	412	0	(370)
<u>Other Major Reserves</u>							
Supporting People (iv)	(2,992)	0	0	(2,992)	0	0	(2,992)
Capital Schemes	(296)	713	(1,321)	(904)	381	(693)	(1,216)
Specialist Placements	(890)	0	0	(890)	0	0	(890)
Superannuation Recovery	(302)	0	(493)	(795)	5	(135)	(925)
Insurance Fund	(567)	0	(183)	(750)	17	0	(733)
Risk Management Fund	(142)	0	(25)	(167)	0	(54)	(221)

	Balance at 1 st April 2013	Transfers Out 2013/14	Transfers In 2013/14	Balance at 31 st March 2014	Transfers Out 2014/15	Transfers In 2014/15	Balance at 31 st March 2015
	£000	£000	£000	£000	£000	£000	£000
Delivering Change	(675)	485	(319)	(509)	481	(540)	(568)
<u>Preparing for Major Events</u>							
Urdd	(209)	113	(21)	(117)	90	(21)	(48)
Elections	(22)	0	(31)	(53)	0	(40)	(93)
Winter Maintenance	(226)	150	0	(76)	0	0	(76)
LDP	(61)	15	(25)	(71)	4	0	(67)
Severe Weather	0	0	0	0	0	(100)	(100)
<u>Service Reserves</u>							
Communication, Marketing & Leisure	(250)	141	(141)	(250)	0	0	(250)
Major Highways Projects	(79)	0	0	(79)	0	0	(79)
IT Networks Development	(162)	0	0	(162)	0	0	(162)
Environmental Services	(146)	10	(1)	(137)	4	(13)	(146)
Design & Development	(120)	0	0	(120)	0	0	(120)
External Funding Administration	(110)	124	(164)	(150)	99	(79)	(130)
Finance & Legal	(123)	40	0	(83)	0	(45)	(128)
Revenues & Benefits	0	0	0	0	0	(402)	(402)
Out of County/Recoupment	0	10	(341)	(331)	0	(28)	(359)
Coroner	0	0	(30)	(30)	0	(70)	(100)
School Year Projects	0	0	0	0	0	(16)	(16)
Schools IT Network Development	0	0	0	0	0	(120)	(120)
<u>Other</u>							
Contract Services Equipment	(108)	0	0	(108)	0	0	(108)
Early Retirement Fund – Schools	(716)	558	0	(158)	232	(120)	(46)
Modernising Education	0	0	(99)	(99)	6	0	(93)
Capital Financing (VAT refund interest)	(360)	0	0	(360)	360	0	0
IT Systems Development (EDRMS)	(40)	0	(40)	(80)	40	0	(40)
Regeneration Project (VAT refund)	(72)	0	0	(72)	0	(48)	(120)
S.117 Mental Health Act	(52)	0	0	(52)	0	0	(52)
Area Member Reserve	(47)	3	0	(44)	14	(11)	(41)
CESI Pooled Budget	(17)	5	0	(12)	0	(3)	(15)
Planning Delivery for Wales	(204)	40	(84)	(248)	83	(83)	(248)

	Balance at 1 st April 2013	Transfers Out 2013/14	Transfers In 2013/14	Balance at 31 st March 2014	Transfers Out 2014/15	Transfers In 2014/15	Balance at 31 st March 2015
	£000	£000	£000	£000	£000	£000	£000
Energy Efficiency Loan Scheme	(32)	30	(16)	(18)	18	0	0
N Wales Regional Transformation Fund	0	0	(17)	(17)	10	0	(7)
Training Collaboration	(38)	8	0	(30)	0	0	(30)
Yellow Bus	(101)	110	(9)	0	0	0	0
Signing Schemes	(96)	11	0	(85)	23	(27)	(89)
Care Home fees	(358)	0	0	(358)	0	0	(358)
Social Care Amenity fund	(25)	11	0	(14)	0	0	(14)
Schools Transitional Protection	(562)	775	(213)	0	0	0	0
Resident Survey	(12)	0	0	(12)	0	(5)	(17)
Channel Shift	0	0	(252)	(252)	0	0	(252)
Local Safeguarding Children's Board	0	0	(64)	(64)	3	(43)	(104)
Modernising Social Care	0	0	(300)	(300)	0	0	(300)
Children with Disabilities	0	0	(250)	(250)	92	0	(158)
Health & Social Care Support Workers	0	0	(24)	(24)	0	(20)	(44)
Digitisation Project	0	0	0	0	0	(46)	(46)
Fire Service Pension	0	0	0	0	0	(142)	(142)
Health & Safety	0	0	0	0	0	(177)	(177)
TOTAL	(34,524)	8,376	(15,487)	(41,635)	6,371	(12,405)	(47,669)

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 37). 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) 21st 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.

22. Usable Reserves

31 March 2014 £000		31 March 2015 £000
(9,916)	Council Fund	(9,154)
(41,635)	Earmarked Reserves (Note 21)	(47,669)
(1,287)	Housing Revenue Account	(1,852)
(2,456)	Capital Receipts Reserve	(3,015)
(2,984)	Capital Grants Unapplied	(1,635)
(58,278)	Total Usable Reserves	(63,325)

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 2014 £000		Transfers (In)/Out £000	31 March 2015 £000
	<u>Council Fund Revenue Balances</u>		
(8,693)	General Balances	1,085	(7,608)
(981)	Earmarked Balances	(195)	(1,176)
(242)	Environmental Services Balances	(128)	(370)
(9,916)	Total Council Fund Balances	762	(9,154)
(1,287)	Housing Revenue Account Balances	(565)	(1,852)

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.

2013/14 £000			2014/15		
			Council Fund £000	Housing Revenue Account £000	Total 2014/15 £000
(2,797)		Balance at 1 April	(2,297)	(159)	(2,456)
(518)	Plus	Receipts – Asset Sales	(1,698)	(254)	(1,952)
(39)		Receipts – Grants Repaid	(84)	0	(84)
(5)		Deferred Capital Receipts	0	(1)	(1)
(3,359)			(4,079)	(414)	(4,493)
735	Less	Applied During year:			
168		Finance Capital Expenditure - Other	1,222	64	1,286
		Debt Redemption	0	192	192
(2,456)		Balance at 31 March	(2,857)	(158)	(3,015)

Capital Grants Unapplied

2013/14 £000		2014/15	
		£000	£000
(3,577)	Balance at 1 April		(2,984)
	Plus Grants and Contributions received in year		
(17,914)	- Council Fund	(12,382)	
(2,400)	- HRA	(2,410)	
(1,410)	- Revenue Expenditure funded by Capital Under Statute	(3,862)	(18,654)
	Less Grant and Contributions applied in the year		
16,402	- Grants received in year	11,438	
2,742	- Grants received previous years	1,992	
3,173	- Other grants and contributions received	6,573	20,003
(2,984)	Balance at 31 March		(1,635)

23. Unusable Reserves

31 March 2014 £000		31 March 2015 £000
(62,878)	Revaluation Reserve	(77,190)
(206,756)	Capital Adjustment Account	(197,429)
341	Financial Instruments Adjustment Account	349
(1)	Deferred Capital Receipts Reserve	0
172,961	Pensions Reserve	224,336
2,441	Accumulated Absences Account	2,834
(93,892)	Total Unusable Reserves	(47,100)

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.

2013/14 £000		2014/15	
		£000	£000
(76,304)	Balance at 1 April		(62,878)
(14,857)	Upward revaluation of assets	(32,035)	
25,167	Downward revaluation of assets & impairment losses not charged to the Surplus/Deficit on the Provision of Services	14,590	
10,310	Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services		(17,445)
2,578	Difference between fair value depreciation & historical cost depreciation	2,427	
0	Adjustment	(2)	
538	Accumulated gains on assets sold or scrapped	708	
3,116	Amount written off to the Capital Adjustment Account		3,133
(62,878)	Balance at 31 March		(77,190)

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.

2013/14 £000		2014/15 £000	2014/15 £000
(207,190)	Balance at 1 April		(206,756)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement:		
21,996	• Charges for depreciation & impairment of non-current assets	22,642	
8,756	• Revaluation losses on Property, Plant & Equipment	14,926	
30	• Revaluation losses/gains on Held for Sale	(1,022)	
4,646	• Revenue expenditure funded from capital under statute	4,409	
1,152	• Amounts of non-current assets written off on disposal or sale as part of the gain/loss on the disposal to the Comprehensive Income & Expenditure Statement	1,545	
36,580			42,500
(3,116)	Adjusting amounts written out of the Revaluation Reserve		(3,133)
33,464	Net written out amount of the cost of non-current assets consumed in the year		39,367
	Capital Financing applied in the year:		
(903)	• Use of the Capital Receipts Reserve to finance new capital expenditure	(1,478)	
(19,575)	• Capital grants & contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	(18,011)	
(2,742)	• Application of grants to capital financing from the Capital Grants Unapplied Account	(1,992)	
(9,256)	• Statutory provision for the financing of capital investment charged against the Council Fund & HRA balances	(8,011)	
(3,105)	• Capital expenditure charged against the Council Fund & HRA balances	(3,097)	
(35,581)			(32,589)
2,551	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement		2,549
(206,756)	Balance at 31 March		(197,429)

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.

2013/14 £000		2014/15 £000
336	Balance at 1 April	341
	Proportion of premiums/discounts incurred/received in previous financial years to be charged/credited to the Council Fund	
5	Balance in accordance with statutory requirements	8
	Amount by which finance costs charged to the Comprehensive Income & Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	
5		8
341	Balance at 31 March	349

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.

2013/14 £000		2014/15 £000
196,202	Balance at 1 April	172,961
(30,066)	Remeasurements of the net defined benefit liability/(asset)	47,648
21,822	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	19,907
(14,997)	Employer's pension contributions payable in the year	(16,180)
172,961	Balance at 31 March	224,336

Deferred Capital Receipts Reserve

Deferred Capital Receipts relate to future income to be received from long term debtors, where the original advance was not financed by borrowing. These have arisen where the Council granted former tenants of Council Houses mortgages to enable them to purchase their homes under the 'Right to Buy' scheme. The final mortgages were repaid during 2014/15.

2013/14 £000		2014/15 £000
(6)	Balance at 1 April	(1)
	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & expenditure Statement	
5	Transfer to the Capital Receipts Reserve upon receipt of cash	1
(1)	Balance at 31 March	0

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 31st March. Statutory arrangements require that the impact on the Council Fund Balance is neutralised by transfers to or from the Account.

2013/14 £000		2014/15 £000	2014/15 £000
2,551	Balance at 1 April		2,441
(2,551)	Settlement or cancellation of accrual made at the end of the preceding year	(2,441)	
2,441	Amounts accrued at the end of the current year	2,834	
(110)	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		393
2,441	Balance at 31 March		2,834

24. Cash Flow Statement – Operating Activities

2013/14 £000		2014/15 £000
3,739	Net (surplus) or deficit on the provision of services	11,542
	Adjustments to net surplus or deficit on the provision of services for non-cash movements	
(271)	Increase/(Decrease) in Inventories	(260)
(69)	Increase/(Decrease) in Long Term Debtors	(72)
(3,591)	Increase/(Decrease) in Debtors/Payments in Advance	5,442
60	Increase/(Decrease) in Investment interest accrual	12
(456)	(Increase)/Decrease in Creditors/Receipts in Advance	1,679
(29)	(Increase)/Decrease in Loan Interest accrual	(27)
333	Transfers (to)/from Provisions	2,520
(617)	Bad Debt Provision	(346)
(21,996)	Depreciation	(21,232)
(8,786)	Revaluations Losses on Property, Plant and Equipment & Impairment	(15,314)
(2,551)	Movements in Market Value of Investment Properties	(2,549)
(6,825)	Pension Fund Adjustments	(3,727)
15,921	Other	12,692
	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities.	
557	Sale of Property, Plant and Equipment	2,036
(24,581)	Net cash flows from Operating Activities	(7,604)

25. Cash Flow Statement – Investing Activities

2013/14 £000		2014/15 £000
40,680	Purchase of property, plant and equipment, investment property and intangible assets	33,108
102,000	Purchase of short-term and long-term investments.	231,600
149	Other payments for investing activities	78
(557)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets.	(2,036)
(78,000)	Proceeds from short-term and long-term investments	(232,302)
(26,640)	Other receipts from investing activities	(15,207)
37,632	Net cash flows from investing activities	15,241

26. Cash Flow Statement – Financing Activities

2013/14 £000		2014/15 £000
(10,015)	Cash receipts of short-term and long-term borrowing.	(10,000)
(2,586)	Other receipts from financing activities	
116	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	89
1,652	Repayments of short-term and long-term borrowing	6,908
0	Other payments for financing activities	1,829
(10,833)	Net cash flows from financing activities	(1,174)

27. Amounts Reported for Resource Allocation Decisions

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

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

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

Service Block Income and Expenditure	Schools	Community Support Services	Corporate	Highways & Environmental Services	Children's & Family Services and Economic & Business Development	Customers & Education Support and School Improvement & Inclusion	Communication, Marketing & Leisure and Planning & Public Protection	All Other Service Blocks	Total
2014/15	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(5,190)	(14,645)	(35,154)	(10,667)	(1,556)	(8,042)	(8,878)	(7,880)	(92,012)
Government grants	(7,243)	(772)	(273)	(1,961)	(1,576)	(2,677)	(562)	(422)	(15,486)
Total Income	(12,433)	(15,417)	(35,427)	(12,628)	(3,132)	(10,719)	(9,440)	(8,302)	(107,498)
Employee expenses	59,219	15,093	2,417	7,000	5,253	9,212	10,501	14,255	122,950
Other service expenses	17,754	32,368	48,885	24,361	7,248	8,308	7,605	7,454	153,983
Support service recharges									
Total Expenditure	76,973	47,461	51,302	31,361	12,501	17,520	18,106	21,709	276,933
Net Expenditure	64,540	32,044	15,875	18,733	9,369	6,801	8,666	13,407	169,435

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)
Total Income	(10,150)	(13,829)	(34,562)	(14,484)	(2,490)	(8,963)	(8,397)	(12,018)	(104,893)
Employee expenses	56,310	14,657	2,340	8,729	5,898	8,217	9,835	13,967	119,953
Other service expenses	16,956	32,563	49,501	25,656	6,351	7,523	7,273	9,625	155,448
Support service recharges	0	0	45	59	0	0	0	0	104
Total Expenditure	73,266	47,220	51,886	34,444	12,249	15,740	17,108	23,592	275,505
Net Expenditure	63,116	33,391	17,324	19,960	9,759	6,777	8,711	11,574	170,612

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.

	2013/14 £000	2014/15 £000
Net expenditure in the Service Block Analysis	170,612	169,435
Net expenditure of services & support services not included in the Analysis	26,643	25,051
HRA	1,712	5,257
Amounts in the Comprehensive Income & Expenditure Statement not reported to management in the Analysis	479	(2,690)
Amounts included in the Analysis not included in the Comprehensive Income & Expenditure Statement	(5,546)	(3,532)
Cost of Services in the Comprehensive Income & Expenditure Statement	193,900	193,521

Reconciliation to Subjective Analysis

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

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

2014/15	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	(92,012)	(15,738)	(13,092)	(22,067)	1,672	44,612	(96,625)		(96,625)
Interest & investment income								1,880	1,880
Income from council tax				172			172	(53,810)	(53,638)
Government grants & contributions	(15,486)			(10,496)			(25,982)	(159,962)	(185,944)
Total Income	(107,498)	(15,738)	(13,092)	(32,391)	1,672	44,612	(122,435)	(211,892)	(334,327)
Employee expenses	122,950	(3,305)	2,640	4,924	(117)	(8,004)	119,088		119,088
Other service expenses	153,983	643	5,262	24,322	(3,914)	(31,763)	148,533	(571)	147,962
Support Service recharges		15,641	689	415		(3,969)	12,776		12,776
Depreciation, amortisation & impairment		27,810	9,758			(876)	36,692		36,692
Interest payments				40	(1,173)		(1,133)	16,423	15,290
Precepts & Levies								14,621	14,621
Gain or Loss on Disposal of Non Current Assets								(560)	(560)
Total Expenditure	276,933	40,789	18,349	29,701	(5,204)	(44,612)	315,956	29,913	345,869
Surplus or Deficit on the Provision of Services	169,435	25,051	5,257	(2,690)	(3,532)	0	193,521	(181,979)	11,542

	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
2013/14	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(87,720)	(3,771)	(12,749)	2,323	2,401	(15,912)	(115,428)		(115,428)
Interest & investment income								2,031	2,031
Income from council tax				193			193	(51,946)	(51,753)
Government grants & contributions	(17,173)		0		1,579		(15,594)	(172,714)	(188,308)
Total Income	(104,893)	(3,771)	(12,749)	2,516	3,980	(15,912)	(130,829)	(222,629)	(353,458)
Employee expenses	119,953	(7,385)	2,203			12,408	127,179		127,179
Other service expenses	155,448	16,676	5,696	(2,074)	(8,185)	(564)	166,997	325	167,322
Support Service recharges	104	(2,063)	689			2,373	1,103		1,103
Depreciation, amortisation & impairment		23,186	5,873			1,695	30,754		30,754
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								634	634
Total Expenditure	275,505	30,414	14,461	(2,037)	(9,526)	15,912	324,729	32,468	357,197
Surplus or Deficit on the Provision of Services	170,612	26,643	1,712	479	(5,546)	0	193,900	(190,161)	3,739

28. 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):

2013/14			ACTIVITY	2014/15		
Turnover £000	Expenditure £000	(Surplus)/ Deficit £000		Turnover £000	Expenditure £000	(Surplus) /Deficit £000
			<u>Environmental Services</u>			
(508)	542	34	Sign Shop	(445)	453	8
(1,213)	1,198	(15)	Building Cleaning	(1,210)	1,124	(86)
(2,895)	2,894	(1)	Catering	(2,818)	2,768	(50)
(4,616)	4,634	18	Total Environmental Services	(4,473)	4,345	(128)

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 2014/15 the Council charged £307k to operate the WPPP Unit. This sum was recharged as follows: Denbighshire £28k, Gwynedd £46k, Anglesey £5k, Wrexham £18k, Pembroke £48k, Powys £19k, Ceredigion £35k, Bridgend £50k, Vale of Glamorgan £33k and Flintshire £25k.

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 14/15 was £419k (£783k in 13/14). This was matched by equal contributions from all the participating authorities of £83.8k. Denbighshire County Council's share of the gross expenditure is recorded in the Net Cost of Services in the Comprehensive Income and Expenditure Statement. Denbighshire County Council has not included its share of the net costs within its 2014/15 financial statements on the basis that these amounts are considered to be immaterial.

North East Wales Food Waste Hub –The Biogen Waen food waste facility became fully operational at the end of July 2014. The 3 local authorities who form the Hub (Conwy, Denbighshire and Flintshire) send a combined annual contracted Guaranteed Minimum tonnage of 11,000 tonnes to be treated at the Waen facility. In 2014/15 a total amount of £627k associated costs have been incurred (this includes the Interim Services Period before the main site became operational and the Main Contract Period). The Welsh Government has contributed £109k Revenue Support during 2014/15. In July 2014, the Welsh Government transferred £1,134k to the Hub for Pre-Payment for Services, which was direct pass-through in August to Biogen Waen Ltd.

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 2015 was £103k.

North Wales Emergency Duty Team - the Emergency Duty Team aims to provide a high quality emergency social work response to emergencies that occur outside normal office opening hours. The Team provides a service to people (both children and adults) who are in crisis and are living in the counties of Wrexham, Flintshire or Denbighshire. In 14/15 Denbighshire's contribution was £236k.

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 14/15 a total of £168k 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 (£16k) is included in the Net Cost of Services in the Comprehensive Income & Expenditure Statement, based on population. Denbighshire County Council has not included its share of the net assets within its 2014/15 financial statements on the basis that these amounts are considered to be immaterial.

GwE – Gwynedd County Council is the lead body for preparing this Joint Committee's financial statements. The Council's contribution for 2014/15 was £539k. The 2014/15 draft financial statements for GwE identify a deficit on the Provision of Services of £482k. Denbighshire County Council has not included its share of these net assets within its 2014/15 financial statements on the basis that these amounts are considered to be immaterial. The Council's share of the net assets would equate to £666k based on a percentage of the Council's contribution to the joint committee (15.14%).

Clwydian Range and Dee Valley Area of Outstanding Natural Beauty – This joint committee was set up in May 2015 by 3 local authorities (Denbighshire, Flintshire and Wrexham) in order to promote and enhance the work of the AONB. Denbighshire County Council is the lead body for preparing the Joint Committee's financial statements. Denbighshire's contribution for 2014/15 was £168k. Denbighshire County Council has not included its share of the net assets within its 2014/15 financial statements on the basis that these amounts are considered to be immaterial.

29. Agency Services

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

Highways and Environmental Services undertakes North and Mid Wales Trunk Road Agency (NMWTRA) work on behalf of the Welsh Government. Gwynedd County Council is the lead authority for the NMWTRA. Denbighshire County Council is responsible for maintaining the trunk road network within the County and Gwynedd County Council reimburses the Authority for this work. It is estimated that the Council will receive £2,291k in respect of NMWTRA work undertaken in 2014/15 (£2,510k in 2013/14): of this £232k related to the site supervision and administration services provided (£326k in 2013/14).

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. One repayment of £25k was made to Denbighshire County Council during 2014/15 and further loans of £170k were issued.

The Home Improvement Loan scheme has been developed in partnership between the Welsh Government, Welsh Local Government Association and Local Authorities in Wales, who act as agents of the Welsh Government, as a way of providing additional finance to owners/landlords to bring their properties up to standard for continued ownership, sale or rent. The funding will be available for a maximum of 15 years and will need to be repaid to Welsh Government by 31 March 2030. Total income of £223k was received by Denbighshire County Council from Welsh Government during 2014/15.

30. Members' Allowances

All Members are paid a basic salary per annum. Some Members also undertake senior roles and therefore receive a senior salary. All salary levels are set by a national body called the Independent Remuneration Panel.

	2014/15 £000	2013/14 £000
Salaries	812	808
Expenses	31	37
Total	843	845

31. Officers' Remuneration

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

2013/14		2014/15			
Total Employees	Remuneration Band	School Based Staff	Non-School Staff	Total Employees	Left During Year
14	£60,000 - £64,999	8	10	18	4
6	£65,000 - £69,999	3	2	5	0
5	£70,000 - £74,999	4	5	9	2
3	£75,000 - £79,999	1	0	1	0
0	£80,000 - £84,999	1	1	2	0
1	£85,000 - £89,999	2	1	3	0
1	£90,000 - £94,999	0	0	0	0
3	£95,000 - £99,999	1	1	2	0
0	£100,000 - £104,999	0	0	0	0
0	£105,000 - £109,999	0	0	0	0
0	£110,000 - £114,999	0	0	0	0
0	£115,000 - £119,999	0	0	0	0
0	£120,000 - £124,999	0	0	0	0
0	£125,000 - £129,999	0	0	0	0
1	£130,000 - £134,999	0	1	1	0
34	Total	20	21	41	6

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

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

- b) The following tables set out the remuneration disclosures for Senior Officers whose salary is less than £150,000 but equal to or more than £60,000 per year. There are no Senior Officers whose salary is £150,000 or more.

The "Expense allowances" column contains any relocation paid and car allowances.

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

Note 1 The Chief Executive is entitled to Performance Related Pay (PRP). This is considered by a remuneration panel consisting of councillors and an external advisor. In both 2013/14 and 2014/15 the Chief Executive was awarded £8k. Prior to 2013/14 he waived this entitlement. No other officer is entitled to PRP.

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

Note 3 This column relates to the cost to the authority of the recovery of the pensions deficit lump sum. The authority is required to charge an amount each year to the Council Fund in order to reduce the pensions deficit. This charge is allocated across services based on the pension costs of the posts within each of those services and therefore does not form part of any payment made to officers.

Note 4 The Chief Executive receives remuneration for his role as returning officer for local and national elections (with costs reimbursed for all with exception of County Council elections). In 2014/15 this amounted to £4,413 plus superannuation costs of £994: reimbursement received was (£5,109). The figures for 2013/14 were £55 plus £12, with reimbursement of (£55).

2013/14 Post Title	Salary, fees, allowances & performance related pay Note 1 £	Compensation for Loss of office £	Expense allowances £	Total excluding pension contributions £	Current service rate pension conts at 11.8% Note 2 £	Total inc. current service rate pension conts £	Deficit recovery pension conts Note 3 £	Total Remuneration inc. total pension conts £
Chief Executive	132,411		161	132,572	15,222	147,794	13,932	161,726
Corporate Director: Customers	94,901		161	95,062	11,202	106,264	10,253	116,517
Corporate Director: Modernisation & Wellbeing to 31/03/2014	94,931		161	95,092	11,202	106,294	10,253	116,547
Corporate Director: Economic & Community Ambition	94,901		0	94,901	11,202	106,103	10,253	116,356
Director of Social Services from 10/03/2014	4,781		0	4,781	566	5,347	518	5,865
Head of Children & Family Services	79,746		161	79,907	9,413	89,320	8,615	97,935
Head of Education	74,747		0	74,747	8,823	83,570	8,075	91,645
Head of Highways & Environmental Services	74,747		161	74,908	8,823	83,731	8,075	91,806
Head of Finance & Assets	64,750		161	64,911	7,643	72,554	6,995	79,549
Head of Planning & Public Protection	63,274		161	63,435	7,643	71,078	6,995	78,073
Head of Business Improvement & Modernisation	65,375		0	65,375	7,717	73,092	7,063	80,155
Head of Customers & Education Support	61,438		0	61,438	7,252	68,690	6,637	75,327
Head of HR	61,438		161	61,599	7,252	68,851	6,638	75,489
Head of Housing & Community Development	64,750		161	64,911	7,643	72,554	6,995	79,549
Head of Adult & Business Services	68,642		141	68,783	8,102	76,885	7,416	84,301
Head of Legal & Democratic Services	64,750		141	64,891	7,643	72,534	6,995	79,529
Head of Communication, Marketing & Leisure	60,223		161	60,384	7,252	67,636	6,638	74,274
	1,225,805	0	1,892	1,227,697	144,600	1,372,297	132,346	1,504,643

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

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
£0 - £20,000	16	22	49	51	65	73	£364,810	£558,694
£20,001 - £40,000	1	6	9	8	10	14	£272,559	£389,473
£40,001 - £120,000	1	4	1	4	2	8	£126,055	£441,527
Total	18	32	59	63	77	95	£763,424	£1,389,694

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

d) Reporting bodies are required to disclose a remuneration ratio between the median remuneration of all the authority's employees during the year and that of the authority's Chief Executive. The remuneration of the Chief Executive in 2014/15 was £133,000. The median remuneration of the workforce was £21,530. The ratio was therefore 6.18:1. In 2014/15, remuneration for staff ranged from £5,267 to £97,128. The remuneration includes salary and performance related pay and does not include severance payments or employer pension contributions.

32. External Audit Costs

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

	2014/15 £000	2013/14 £000
Fees payable to Wales Audit Office with regard to external audit services carried out by the appointed auditor for the year	178	178
Fees payable to the Auditor General for Wales in respect of statutory inspections and the LG Measure	94	94
Fee payable for the certification of grant claims and returns	93	110
Fees payable in respect of other services provided by Wales Audit Office during the year	0	1
	365	383
Wales Audit Office fee refund for 2013/14	0	(58)
Total External Audit Costs	365	325

The Wales Audit Office fee refund in 2013/14 related 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.

33. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2014/15

	2014/15 £000	2013/14 £000
Credited to Taxation & Non Specific Grant Income		
Other Grants and Contributions	(316)	(399)
Welsh Government - Flood Alleviation	(788)	(2,267)
Welsh Government - General Capital Grant	0	(1,844)
Welsh Government Transforming 3-18 Welsh Medium Education in North Denbighshire	0	(1,741)
Welsh Government - Strategic Regeneration Area Grants (W.R.H.I.P.)	(3,105)	(5,976)
Welsh Government - Regional Transport Grant	0	(853)
Welsh Government - Major Repairs Allowance	(2,410)	(2,400)
Welsh Government 21 ST Century Schools	(4,427)	(1,170)
Welsh Government – Learning in Digital Wales Grant	0	(557)
Welsh Government – Rhyl Harbour Development	0	(2,441)
Welsh Government – Safer Routes in Communities	(356)	0
Welsh Government – Local Transport Fund	(264)	0
Welsh Government – West Rhyl Coastal Defence Phase 3	(2,909)	0
Other Welsh Government Grants	(217)	(666)
Total	(14,792)	(20,314)
Credited to Services		
Welsh Government DCELLS Post – 16 Grant	(4,051)	(3,859)
Welsh Government Foundation Phase Grant	(3,099)	(3,103)
Welsh Government Flying Start Grant	(1,924)	(1,521)
Welsh Government Families First Grant	(1,302)	(1,302)
Other Education Grants from Welsh Government	(643)	(505)
Welsh Government Supporting People Grant	(5,975)	(6,359)
Welsh Government Mental Health Services Grant	(44)	(119)
Other Social Services Grants from Welsh Government	(1,078)	(836)
Welsh Government Sustainable Waste Management Grant	(2,202)	(2,376)
Welsh Government Concessionary Fares Grant	(1,821)	(465)
Welsh Government Convergence Grant	(113)	(2,256)
Welsh Government Outcome Agreement Grant	(1,039)	(1,057)
Other Welsh Government Grants	(2,691)	(1,660)
Pupil Deprivation Grant	(2,242)	(1,087)
School Effectiveness Grant	(874)	(986)
DWP Housing Benefit/Council Tax Benefit Admin Grant	(502)	(736)
Other Grants	(4,986)	(6,661)
Total Grants Credited to Services	(34,586)	(34,888)

In addition to the grants detailed in the table above, the Council received the following subsidies from the DWP: £25,817k in respect of Rent Allowances (£25,375k in 2013/14) and £7,920k in respect of Rent Rebates (£7,802k in 2013/14). These are disclosed within Note 27 under Fees, Charges & Other Service Income.

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 2015 £000	31 March 2014 £000
Capital Grants Receipts in Advance		
Commutated Sums	(1,802)	(1,731)
Total	(1,802)	(1,731)
Revenue Grants Receipts in Advance		
Arts Council of Wales Digi Marketing Grant	(12)	0
Welsh Government Flying Start Grant	0	(54)
Welsh Government Foundation Phase Grant	(123)	(99)
Other Education Grants from Welsh Government	0	(107)
Welsh Government Minority Ethnic Language Grant	(13)	(14)
ESF Potential Grant	(96)	(96)
Llwyddo'n Lleol Grant	(12)	(13)
Arts Council of Wales Enrichment Grant	(11)	0
Welsh Government Families First Grant	0	(1)
LA Broadcasting Scheme Fund from Welsh Government	(1)	(3)
DWP Housing Benefits Subsidy	(1,078)	(1,656)
Welsh Government Bryn y Neuadd Learning Disability Resettlement Grant	0	(2)
Other Social Services Grants from Welsh Government	0	(18)
Welsh Government Supporting People Grant	(428)	(291)
Welsh Government Additionality Funding	(99)	(81)
Pupil Deprivation Grant	(7)	0
Welsh Government Community Learning Grant	(16)	(16)
Welsh Government Literacy & Numeracy Programmes Grant	(20)	(12)
Welsh Government Language & Play Grant	0	(2)
Welsh Government 14-19 Learning Pathways Grant	(1)	(1)
Grant for the Education of Travellers' Children	0	(13)
Local Investment Fund Grant	0	(11)
Welsh Government Welfare Reform Grant	(28)	0
Other Welsh Government Grants	(8)	0
Total	(1,953)	(2,490)

34. Related Parties

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

Central Government

Central Government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in more detail in Note 33.

Elected Members

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

The following material declarations have been made for 2014/15:

- An elected member's spouse is Chief Executive of Denbighshire Enterprise Agency (see related companies below)
- An elected member declared an interest in a company to whom the council paid £1,800k in 2014/15
- An elected member declared membership of Llanarmon-yn-Ial Community Council to whom a short term loan and a grant was provided during 2014/15

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

Other Public Bodies**Teachers' Pension Agency**

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

Clwyd Pension Fund

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

Community/Town Councils

Total precepts paid to the 37 community/town councils are included in note 8 and amounted to £1,550k (£1,488k in 2013/14).

North Wales Police & Crime Commissioner and North Wales Fire Authority

Police & Crime Commissioners and Fire & Rescue Authorities set their own charges to council tax payers, which are then included on the council tax bill – these charges are known

as the precept. Total precepts and levies paid to the North Wales Police & Crime Commissioner and the North Wales Fire Authority amounted to £13,071k (£13,072k in 2013/14). A breakdown is provided in note 8.

Betsi Cadwaladr University Health Board

The Authority has two pooled budget arrangements with Betsi Cadwaladr University health Board: one for the provision of a Community Equipment store; and the second was set up with the aim of ensuring integrated service provision of Health and Social Care support workers, who support service users in the community. Denbighshire County Council's contribution to the Community Equipment store was £211k (£211k in 2013/14) and the Authority contributed £50k to the Health and Social Care Support Workers Service (£50k in 2013/14).

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

The Council is a member of the LGA/WLGA, to which payments of £89k were made in 2014/15 (£89k in 2013/14), and from which the Council received income of £40k (£8k in 2013/14).

Welsh Joint Education Committee (WJEC)

The WJEC is an examination board, providing qualifications and exam assessment to Denbighshire schools. The vice chair of its Board is an Elected Member of Denbighshire County Council. In 2014/15 Denbighshire County Council made payments of £552k to the WJEC (£570k in 2013/14).

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. The Clwydfro audited financial statements for 2013/14 show the net assets of the company as at 31 March 2014 were £424,101 and the net loss for the year was £9,390.

The Board of Directors as at 31 March 2014 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.

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 2014/15 the Trust received £144,681. The Council provides its payroll services. The Board of Directors consists of eleven members in total, of which one was a Denbighshire County Councillor.

The audited financial statements for the financial year 2014/15 are not yet available. However, the net assets of the Group as at 31 March 2014 were £728,596 and the net outgoing resources for the year totalled £11,378.

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

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

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

Clwyd Leisure Ltd.

Clwyd Leisure Limited was established on 1 April 2001 as a Non Profit Distributing Organisation.

The company ceased trading on Friday 7 February 2014 and an insolvency practitioner 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 £252,547 has been received to date. 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 Company was run as a charity and not for profit Company Limited by Guarantee. It was grant aided by Denbighshire County Council and during 2014/15 the Scala Prestatyn Company Ltd received a grant allocation of £42,470. 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 had been deferred until 2014/15.

The Scala Prestatyn Company Limited is currently in the process of winding up. As of 31st March 2015, the Company had in-year debts owed to the Council totalling £60,721.

35. Capital Expenditure and Capital Financing

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

	2014/15 £000	2013/14 £000
Opening Capital Financing Requirement	185,835	179,463
Capital Investment		
Property, Plant & Equipment	31,070	37,357
Investment Properties	185	0
Revenue Expenditure Funded from Capital Under Statute	4,409	4,646
Sources of Finance		
Capital receipts	(1,478)	(903)
Government grants & other contributions	(21,935)	(23,828)
Sums set aside from revenue:		
Direct revenue contributions	(1,167)	(1,594)
MRP & Long Term Debtors	(8,062)	(9,306)
Closing Capital Financing Requirement	188,857	185,835

	2014/15 £000	2013/14 £000
Explanation of movements in year		
Increase in underlying need to borrow (supported by government financial assistance)	2,250	5,418
Increase in underlying need to borrow (unsupported by government financial assistance)	9,026	10,427
MRP & Long Term Debtors	(7,973)	(9,190)
Set aside Capital Receipts	(192)	(168)
Assets acquired under finance leases	0	(4)
Assets acquired under PFI contracts	(89)	(111)
Increase/(decrease) in Capital Financing Requirement	3,022	6,372

36. 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 LesseeFinance Leases

The Council has acquired some properties under finance leases.

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

	31 Mar 14 £000	31 Mar 15 £000
Other Land and Buildings	3,408	3,351
	3,408	3,351

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 14 £000	31 Mar 15 £000
Not later than 1 year	2	2
Later than 1 year and not later than 5 years	10	9
Later than 5 years	13	12
	25	23

The minimum lease payment charged to services in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £2k in 2014/15 and £35k in 2013/14.

Authority as LessorOperating 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 14 £000	31 Mar 15 £000
Not later than 1 year	783	798
Later than 1 year and not later than 5 years	2,479	2,469
Later than 5 years	12,131	11,645
	15,393	14,912

37. 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 £12,195k, reduced by a capital contribution from Denbighshire County Council of £300k. The table below shows the writing down of the lease liability in 2013/14 and 2014/15.

2013/14 £000		2014/15 £000
(9,884)	Balance at start of year	(9,773)
111	Repayment of Lease Creditor	89
(9,773)	Closing Finance Lease Liability	(9,684)
(9,684)	Split between:-	
(89)	Long term Finance Lease Liability	(9,305)
	Short term Finance Lease Liability	(379)
(9,773)	Total	(9,684)

Unitary Payments

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

- Fair value of the services received during the year – debited to the relevant service in the Income & Expenditure Account. In 2014/15 this was £503k (£550k in 2013/14) plus payments for utilities and insurance, and contingent rent.
- Finance cost - £1,236k in 2014/15 (£1,231k in 2013/14)
- 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 £611k. In 2014/15 £39k of lifecycle costs were incurred. The balance of £415k was set up as a prepayment. At the end of 2014/15 the total balance on the prepayment in the balance sheet is £1,026k.

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	676	1,175	378	2,229
Within two to five years	4,118	4,647	1,228	9,993
Within six to ten years	5,261	4,422	3,142	12,825
Within eleven to sixteen years	4,025	1,305	4,935	10,265
	14,080	11,549	9,683	35,312

Grants and Reserves

The Welsh Government awarded the Council a PFI revenue grant of £19,000k over 25 years with a pool rate of 6.7% so that £35,549k will be paid to Denbighshire over the 25 years. In 2014/15, instead of making an annual cash payment, the Welsh Government has included the PFI Grant within the Revenue settlement. In 2014/15 £1,528k has been included (£1,579k grant in 2013/14).

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 2014/15 is £6,040k (£3,864k in 2013/14).

38. Pensions Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. In 2014/15, the county council paid £4,853k to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2013/14 were £4,826k and 14.1%. In addition, payments in respect of premature retirements were made of £390k (£585k in 2013/14). At the year end there was £1k due to be recovered from Teachers' Pensions as a result of cancelled pay adjustments. The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 39.

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

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

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

The Council participates in two post employment schemes:

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

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

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

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

Clwyd Pension Fund
County Hall
Mold
Flintshire
CH7 6NA

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

Transactions Relating to Post-employment Benefits

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000
Comprehensive Income and Expenditure Statement				
<i>Cost of Services:</i>				
<i>Service cost comprising:</i>				
• Current Service Cost	11,943	13,372		
• Past Service Costs/(Gains)	492	277		
• (Gain)/Loss from Settlements	0	0		
<i>Other Operating Expenditure:</i>				
• Administration Expenses	299	295		
<i>Financing and Investment Income and Expenditure:</i>				
• Net Interest Expense	6,800	7,521	373	357
<i>Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services</i>	19,534	21,465	373	357
<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)	(28,376)	9,285		
• Actuarial (Gains) and Losses Arising on Changes in Demographic Assumptions	0	10,362		335
• Actuarial (Gains) and Losses Arising on Changes in Financial Assumptions	75,482	(38,551)	542	(404)
• Other	0	(10,694)		(399)
<i>Total Post Employment Benefit Changes to the Comprehensive Income and Expenditure Statement</i>	66,640	(8,133)	915	(111)
Movement in Reserves Statement				
• Reversal of net charges made to the Surplus or Deficit on the Provision of Services for Post Employment Benefits in accordance with the Code	(19,534)	(21,465)	(373)	(357)
<i>Actual amount charged against the Council Fund Balance for pensions in the year:</i>				
• Employer's contributions payable to the scheme	15,324	14,144		
• Retirement benefits payable to pensioners			856	853

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	
	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000
Present Value of the defined benefit obligation	535,985	440,953	9,162	9,103
Fair value of plan assets	(320,811)	(277,095)		
Sub-total	215,174	163,858	9,162	9,103
Other movements in the liability (asset)				
Net liability arising from defined benefit obligation	215,174	163,858	9,162	9,103

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

	Local Government Pension Scheme	
	2014/15 £000	2013/14 £000
Opening fair value of scheme assets	277,095	272,720
Interest Income	12,763	11,506
Administration Expenses	(299)	(295)
Remeasurement gain/(loss):		
• The return on plan assets, excluding the amount included in the net interest expense	28,376	(9,285)
• Other		
The effect of changes in foreign exchange rates		
Contributions from employer	15,324	14,144
Contributions from employees into the scheme	3,774	3,722
Benefits paid	(16,222)	(15,417)
Other		
Closing fair value of scheme assets	320,811	277,095

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

	Funded Liabilities Local Government Pension Scheme		Unfunded Liabilities Discretionary Benefits Arrangements	
	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000
Opening balance at 1 April	440,953	458,855	9,103	10,067
Current service cost	11,943	13,372		
Interest cost	19,563	19,027	373	357
Contributions from scheme participants	3,774	3,722		
Remeasurement (gains) and losses:				
▪ Actuarial (Gains) and Losses Arising on Changes in Demographic Assumptions	0	10,362		335
▪ Actuarial (Gains) and Losses Arising on Changes in Financial Assumptions	75,482	(38,551)	542	(404)
▪ Other	0	(10,694)		(399)
Past service cost	115	142		
Losses/(gains) on curtailment	377	135		
Liabilities assumed on entity combinations				
Benefits paid	(16,222)	(15,417)	(856)	(853)
Liabilities extinguished on settlements				
Closing balance at 31 March	535,985	440,953	9,162	9,103

Local Government Pension Scheme Assets Comprised:

	Fair value of scheme assets	
	2014/15 £000	2013/14 £000
Cash and cash equivalents	9,624	8,313
Equities		
• UK quoted	0	27,707
• Global quoted	24,061	16,626
• Global unquoted	11,228	11,084
• US	0	8,313
• Japan	0	8,313
• Europe	0	8,313
• Emerging markets	19,249	16,626
• Frontier	3,208	2,771
• Far East	0	16,626
Sub-total Equity	57,746	116,379
Bonds		
Overseas Other Bonds	41,705	38,793
LDI	73,788	0
Sub-total Bonds	115,493	38,793
Property:		
• UK	9,624	8,313
• Overseas	12,832	13,855
Sub-total Property	22,456	22,168
Alternatives:		
• Hedge Funds	12,832	11,084
• Private equity	35,289	33,251
• Infrastructure	6,416	5,542
• Timber & Agriculture	6,416	5,542
• Commodities	6,416	8,313
• GTAA	48,123	27,710
Sub-total Alternatives	115,492	91,442
Total Assets	320,811	277,095

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	
	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000
Mortality assumptions:				
Longevity at 65 for current pensioners:				
• Men	23.4 years	23.3 years	23.4 years	23.3 years
• Women	25.9 years	25.8 years	25.9 years	25.8 years
Longevity at 65 for future pensioners:				
• Men	26.3 years	26.2 years		
• Women	29.3 years	29.2 years		
Rate of inflation	2.00%	2.40%	2.00%	2.40%
Rate of increase in salaries	3.50%	3.90%		
Rate of increase in pensions	2.00%	2.40%	2.00%	2.40%
Rate of discounting scheme liabilities	3.30%	4.50%	3.10%	4.30%

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 2015	Impact on the Net Liability arising from the Defined Benefit Obligation in the Scheme £000
Longevity (increase in 1 year)	10,554
Rate of inflation (increase by 0.1%)	10,234
Rate of increase in salaries (increase by 0.1%) not provided	2,516
Rate for discounting scheme liabilities (increase 0.1%)	(10,045)

Risks and Investment Strategy

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

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

Fund pursues a policy of lowering risk by diversifying investments across asset classes, investment regions and fund managers.

Impact on the Authority's Cash Flows

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

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

The authority anticipated to pay £15,575k expected contributions to the scheme in 2015/16.

The weighted average duration of the defined benefit obligation for scheme members is 19 years, 2014/15 (19 years 2013/14).

40. Contingent Liabilities

A contingent liability is defined as either:

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

or

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

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

or

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

Municipal Mutual Insurance Ltd (MMI) was the predominant insurer of public sector bodies prior to it ceasing to write insurance business from September 1992. In order to ensure an orderly run-off, a 'Scheme of Arrangement' ('the Scheme') with its Creditors was put in place. Within the Insurance Provision detailed in Note 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 £1,890k in respect of former Clwyd claims and £335k in respect of Rhuddlan claims.

Clwyd Leisure Ltd ceased trading on Friday 7th 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 34, Related Parties, for the present position.

41. Nature and Extent of Risks Arising from Financial Instruments

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

As part of the adoption of the Treasury Management Code, the Council approved the Treasury Management Strategy for 2014/15 on 25 February 2014. 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 £8,000k is placed on the amount of money that can be invested with a single counterparty. No more than £10,000k in total can be invested for a period longer than one year.

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

Debtors

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

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

		Long Term Rating when Investment Made	Long Term Rating at 31/03/2015	Balance Invested at 31/03/2015 £000	Maturity Date			
					0-3 Months £000	4-6 Months £000	7-9 Months £000	10-12 Months £000
UK Banks	Bank of Scotland	A+	A+	5,000	5,000			
	NatWest	BBB+	BBB+	300	300			
	Barclays	A	A	8,000	8,000			
	Close Brothers	A	A	5,000	5,000			
UK Government	Debt Management Office	AA+	AA+	4,000	4,000			
Local Authorities	Birmingham City Council			6,300	6,300			
Total				28,600	28,600			

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

Liquidity Risk

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

The maturity analysis of the Council's PWLB debt at 31 March 2015 was as follows:

	Years	31-Mar-14 £000	31-Mar-15 £000	%
Short Term Borrowing	Less than 1 year	(6,662)	(3,652)	2.52
Long Term Borrowing	Over 1 under 6	(16,260)	(17,326)	11.97
	Over 6 under 10	(9,756)	(10,957)	7.56
	Over 10 under 15	(8,763)	(10,891)	7.52
	Over 15 under 20	(6,256)	(6,719)	4.64
	Over 20 under 25	0	(1,277)	0.88
	Over 25 under 30	(6,000)	(6,000)	4.14
	Over 30 under 35	0	0	0
	Over 35 under 40	(19,125)	(24,250)	16.76
	Over 40 under 45	(63,826)	(58,700)	40.56
	Over 45 under 50	(5,000)	(5,000)	3.45
Total Long Term Borrowing		(134,986)	(141,120)	97.48
Total Borrowing at Nominal Amount		(141,648)	(144,772)	100.00
Accrued Interest		(1,423)	(1,450)	
Deferred Premium		983	974	
Total Borrowing at Amortised Cost		(142,088)	(145,248)	

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 2014 and 31 March 2015, 100% of the debt portfolio was held in fixed rate instruments.

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

(2) Price risk:

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

(3) Foreign exchange risk

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

42. Heritage Assets

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

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

	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
Revaluations - Gains	0	86	4	0	90
Revaluations - Losses	0	(1,941)	(248)	(565)	(2,754)
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 14th 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.

43. Heritage Assets: Five-Year Summary of Transactions

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

44. 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 Development Policy 2013. Also "Denbighshire Heritage Service Forward Plan 2012-2014" (A revised Forward Plan will be developed following the economic review).

Collections Management

The management of collections is guided by the Museums Accreditation Scheme and the Welsh Government's A Museum Strategy for Wales. The County's portable heritage collections are housed at the County Store in Ruthin. These include archaeological collections (such as Roman finds from Prestatyn Bath House and medieval collections from Rhuddlan Castle), collections associated with Ladies of Llangollen, several Eisteddfod chairs and social history collections relating to the whole county. Currently there is no member of staff whose sole responsibility is the care of the collections in Denbighshire; instead, the Heritage Service contracts out the curatorial care of the collections to Bodelwyddan Castle Trust in order to satisfy the requirements of Museums Accreditation.

Loans

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

Acquisitions and Disposals

The Heritage Service has a "Museum Documentation and Procedural Manual", as well as the other policies mentioned above, and this documents the procedures for acquisition and disposal of all items. Each deposit should have a unique number and details of ownership and type of deposit. Once an item is accessed the object is formally accepted into the museum collection.

SECTION 4:

SUPPLEMENTARY

STATEMENTS

AND

NOTES TO THE

SUPPLEMENTARY

STATEMENTS

Housing Revenue Account Income and Expenditure Statement

2013/14 £000		Note	2014/15 £000
	EXPENDITURE		
2,913	Repairs & maintenance		2,902
2,345	Supervision & management		2,337
15	Rents, rates, taxes & other charges		14
3,121	Negative Housing Revenue Account subsidy payable		3,219
5,873	Depreciation and impairment of non-current assets	5	9,758
18	Debt management costs		19
130	Increase in bad debt provision		54
14,415	Total Expenditure		18,303
	INCOME		
(12,591)	Dwelling Rents (Gross)		(12,932)
(158)	Non-Dwelling Rents (Gross)		(160)
(12,749)	Total Income		(13,092)
1,666	Net Expenditure of HRA Services as included in the Comprehensive Income and Expenditure Statement		5,211
46	HRA Share of Corporate & Democratic Core		46
1,712	Net Expenditure of HRA Services		5,257
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement		
8	Pension Administration Costs		9
1,366	Interest payable and similar charges		1,375
(5)	Interest and investment income		(6)
222	Net interest on the net defined benefit liability (asset)	6	213
(2,400)	Capital grants and contributions receivable		(2,410)
903	(Surplus) or deficit for the year on HRA services		4,438

Movement on the HRA Statement

2013/14 £000		2014/15 £000	
(1,046)	Balance on the HRA at 1 April		(1,287)
903	(Surplus) or deficit for the year on the HRA Income & Expenditure Statement	4,438	
(1,144)	Adjustments between accounting basis and funding basis under statute (see below)	(5,083)	
(241)	Net (increase) or decrease before transfers to or from reserves		(645)
0	Transfers to or (from) reserves		80
(241)	(Increase) or decrease in year on the HRA		(565)
(1,287)	Balance on the HRA at 31 March		(1,852)

	<u>Adjustments between accounting basis and funding basis under statute:</u>		
	Adjustments primarily involving the Capital Adjustment Account		
	<u>Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement</u>		
(5,873)	Charges for depreciation and impairment of non-current assets		(9,758)
2,400	Capital grants and contributions applied		2,410
0	Revenue Expenditure Funded from Capital Under Statute		0
(220)	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		(254)
	<u>Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement</u>		
1,524	Statutory provision for the financing of capital investment		1,620
1,034	Capital Expenditure charged against HRA balances		813
	Adjustments primarily involving the Capital Receipts Reserve		
220	Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the HRA Income & Expenditure Statement		254
	Adjustments primarily involving the Financial Instruments Adjustment Account		
11	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		8
	Adjustments primarily involving the Pensions Reserve		
(606)	Reversal of items relating to retirement benefits debited or credited to the HRA Income & Expenditure Statement		(577)
361	Employer's pension contributions payable in the year		413
	Adjustments involving the Accumulated Absence Account		
5	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		(12)
(1,144)	Total Adjustments		(5,083)

1. Housing Stock

The Council's total housing stock was as follows:

2013/14 No. of Properties		2014/15 No. of Properties
1,863	Houses	1,837
973	Flats	973
618	Bungalows	618
3,454	Total	3,428

During the year four properties were sold under the Right to Buy Scheme and 22 properties were demolished.

2. Rent Arrears

At the 31 March 2015, tenants' rent arrears were £338k, (£326k as at 31 March 2014) which represented 2.61% of the net rent income due in the year. Arrears totalling £43k were written off during the year. A contribution to the provision for Bad and Doubtful Debts of £54k was made during the year and the balance at year end is £315k.

3. Capital Receipts

HRA capital receipts for 2014/15 are summarised below:

2013/14 £000	Housing Receipts	2014/15 £000
200	Sales - Right to Buy Scheme	254
20	Sales - Land	0
0	Repaid Discounts	0
5	Mortgages	1
225	Total Receipts	255

4. Analysis of Housing Revenue Account Capital Expenditure

During 2014/15, capital expenditure of £3585k was incurred on improvements to the Council's housing assets. 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 overleaf.

2013/14 £000	Housing Capital Expenditure	2014/15 £000
294	Quality Performance Management - IT Project	70
6,231	Improvement Works	3,515
6,525	In-year Expenditure	3,585
	<i>Financed by:</i>	
2,400	Major Repairs Allowance (Grant)	2,410
56	Usable Capital Receipts	64
1,034	Direct HRA Revenue Contributions	813
3,035	Prudential Borrowing	298
6,525	Total	3,585

5. Depreciation, Impairment and Revaluation Losses of Non-current Assets

In line with the Resource Accounting framework, depreciation charges, impairment and revaluation losses are included in the HRA Net Cost of Services. The depreciation charge is based on the Balance Sheet value of dwellings and other assets and reflects the assets held and consumed in the delivery of the service, rather than simply the cash spent on them each year. The impairment and revaluation losses arise as a result of the revaluation process. The depreciation charge, impairment and revaluation losses are reversed out of the Net Cost of Services via the Movement on the HRA Statement. The reversal brings the net capital charge to the HRA back to the statutory charge, which is calculated in line with The (Wales) General Determination of the Item 8 Credit and Item 8 Debit 2014-15. The depreciation charge, impairment and revaluation losses have no effect on HRA balances.

The total depreciation charges and impairment and revaluation losses for 2014/15 are shown below:

2013/14 £000	HRA Depreciation Charges & Impairment Losses	2014/15 £000
3,160	Operational Assets – Dwellings	3,071
86	Operational Assets – Communication Systems	130
3,246	Total Depreciation	3,201
2,627	Impairment and Revaluation Losses	6,557
5,873	Total HRA Depreciation & Impairment Losses	9,758

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:

2013/14 £000	Comprehensive Income and Expenditure Statement	2014/15 £000
	<u>Net cost of services:</u>	
376	Current Service Cost	355
0	Past Service Cost	0
	<u>Net Operating Expenditure</u>	
8	Pension Administration Expenses	9
222	Net Interest Expense	213
606	Net charge to the Comprehensive Income & Expenditure Statement	577
	Movements on the HRA statement	
(606)	Reversal of net charges made for retirement benefits in accordance with the Code	(577)
362	Employer's contribution payable to the Clwyd Pension Fund Scheme	413

Section 5: Audit report of the Auditor General for Wales to the Members of Denbighshire County Council

I have audited the accounting statements and related notes of Denbighshire County Council for the year ended 31 March 2015 under the Public Audit (Wales) Act 2004.

Denbighshire County Council's accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Movement on the Housing Revenue Account Statement and the Housing Revenue Account Income and Expenditure Statement.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2014-15 based on International Financial Reporting Standards (IFRSs).

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

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 9, the responsible financial officer is responsible for the preparation of the statement of accounts, which gives a true and fair view.

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

Scope of the audit of the accounting statements

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

In addition, I read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited accounting statements and related notes and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

Opinion on the accounting statements of Denbighshire County Council

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of Denbighshire County Council as at 31 March 2015 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014-15.

Opinion on other matters

In my opinion, the information contained in the Explanatory Foreword is consistent with the accounting statements and related notes.

Matters on which I report by exception

I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

- adequate accounting records have not been kept;
- the accounting statements are not in agreement with the accounting records and returns;

- I have not received all the information and explanations I require for my audit; or
- the Annual Governance Statement contains material misstatements of fact or is inconsistent with other information I am aware of from my audit.

Certificate of completion of audit

I certify that I have completed the audit of the accounts of Denbighshire County Council in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.

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

**Wales Audit Office
24 Cathedral Road
CF11 9LJ**

30 September 2015



SECTION 6

ANNUAL GOVERNANCE

STATEMENT

**Delivering good governance and
continuous improvement**

**Assessment of the Council's
governance and improvement
arrangements for 2014-15**

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Introduction

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 2014-15 and identifies any improvements needed 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, but we now combine 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:

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

Summary of our governance arrangements

Review of effectiveness

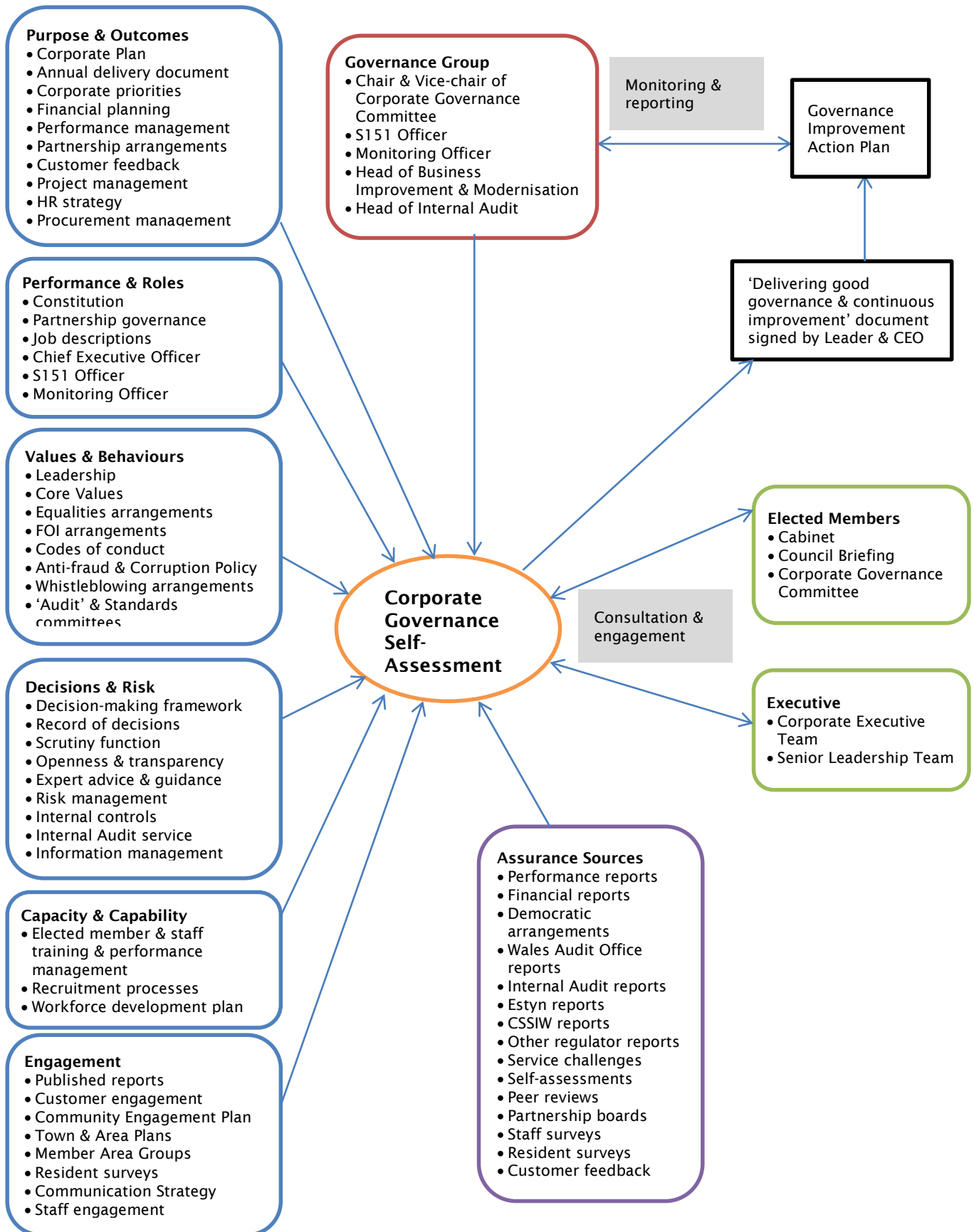
We are required to review the effectiveness of our governance arrangements each year, which includes:

- 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 Corporate Governance Committee that undertakes the core functions of an 'audit committee', including:
 - regular review of our governance arrangements
 - considering and reviewing internal and external audit strategies, plans and reports
 - reviewing, scrutinising and approving the annual statement of accounts
 - monitoring the effectiveness of risk management;
- having a 'virtual' Governance Group to monitor governance arrangements, develop our self-assessment and any action plans arising from it, comprising:
 - the Chair and Vice-chair of the Corporate Governance Committee
 - Head of Finance & Assets (S151 Officer)
 - Head of Legal, HR & Democratic Services (Monitoring Officer)
 - Head of Business Improvement & Modernisation
 - Head of Internal Audit
- consulting widely on our self-assessment with senior management and elected members;
- 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 report
 - the Head of Internal Audit's Annual Report.

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

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

Summary of our governance framework



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

...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. Although we await its latest report, the Wales Audit Office Annual Improvement Reports have previously concluded 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 delivery of our objectives. We sought residents' views on the cuts that we are considering, to engage them more on how these cuts will affect them and their communities and what can be done to lessen the impact. We recognise that the scale of cuts that we need to make will not be evenly spread across our services, mainly because some services, like schools, must be protected, while other areas are high priority and high risk, such as social services. Others are important statutory functions that we must continue to do, like planning, payroll, financial management and regular performance reporting to Welsh Government and regulators.

While the scale of these cuts will inevitably mean that we have to do 'less with less' we will still continue to provide vital universal services. The difficult budget decisions that we now have to make are not only about balancing the books for the next two years, but they will also shape local services that will be provided in the future. We are a high performing Council and this will not change, even after these cuts are implemented.

As part of reviewing the way we work, we are reviewing our governance arrangements to ensure that public money is spent wisely and that the public continues to receive good services and value for money. We will be implementing new monitoring arrangements during 2015 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 also reviewed the way we deliver services through our Town and Area Plans during the year to improve clarity around the overarching policy intentions of the Plans and to improve the consistency in how they are developed and delivered. Improvements will also ensure that Plans are more strategic, provide clearer information on anticipated benefits and how impacts will be measured. Cabinet has endorsed the preparation of revised lists of priority projects and a new process for allocating funding to these projects.

We 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. We are aware that not all partnerships use the toolkit, so we need to review the guidance to ensure

that it is user-friendly and effective. This is a follow-up piece of work from our Partnership Landscape review, which began under the auspices of the Denbighshire Strategic Partnership Board. This review has informed local and national policy by highlighting the complexity of partnership activity in Denbighshire and beyond.

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

We monitor our performance regularly, take half-yearly reports to Scrutiny and Cabinet meetings and produce an Annual Performance Report to evaluate progress. We are planning to increase reporting to Scrutiny and Cabinet to quarterly reporting to maintain a focus on performance during a period of service reduction.

Denbighshire has maintained its position as the best performing council in Wales for a fourth year according to the Welsh Government's National Strategic Indicators:

- Of the 30 National Strategic Indicators, 16 were in the top quartile
- Above the median, our position has slipped slightly, now ranking second in Wales
- We have seen improvement in 19 indicators
- We performed among the best in Wales in 6 indicators

The Service Performance 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 to which the service may need to respond. This process has been highlighted as good practice through the Care and Social Services Inspectorate Wales (CSSIW) recent annual report.

"Within the council there is keen interest and support from elected members. They play a key role in the exemplary 'service challenge' meetings where they question lead officers about the performance and impact of the council's services."

The Wales Audit Office provided an unqualified audit report on our financial statements for 2013-14, 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. However, in 2013/14, Internal Audit produced a critical report on the procurement of construction services that highlighted several weaknesses, including that our procurement strategy was out of date. During 2014/15, Internal Audit has continued to monitor progress on the report's improvement action plan and report it to Corporate Governance Committee. These reviews show that progress with improvement has been slow and several deadlines missed, so procurement remains a significant governance issue later in this document.

The programme and project management methodologies, and the Verto system are working well across the Council, with some real deliverables now being realised. Overall, visibility of our activities is improved through effective and consistent reporting on our projects to Corporate Executive Team (CET) and various committees.

The Verto system has now been developed and extended to incorporate the Council's performance management processes. Forthcoming service business plans are currently

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

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, and we will need to promote its use across all partnerships in Denbighshire.

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

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

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

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. We are currently carrying out our latest staff survey, but the previous survey in 2013 reported that 83% of employees felt that the leadership team had a clear vision for the future, compared to only 58% in the 2011 survey. There was also a high level of confidence (84%) in the leadership team. This same level of improved confidence was reflected at service level, with 81% believing that their service had a clear vision for the future and having confidence in their manager.

We continue to develop and enhance our work on equalities and human rights, although the decision to delete the post of Corporate Equality Officer will require services to become more accountable for their work with people with protected characteristics. We continue to work with the North Wales Public Sector Equalities Network, with whom we have a joint Strategic Equality Plan. In addition, we have developed and produced a new e-learning module, which is in the process of being implemented across key customer-facing services.

Internal Audit's latest staff survey found that there is still work to do to improve awareness of corporate equalities arrangements.

...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 dated 2006, but we are in the process of reviewing and updating it;
- we have revised our whistleblowing procedures that enable issues to be raised freely with a wide range of people or bodies. The new model constitution has included in it a new whistleblowing policy. The draft, which had previously been consulted upon with unions, will be checked against this and redrafted where necessary for further consultation;
- 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 carried out a self-assessment in 2013/14 that confirmed that its terms of reference conform with the Local Government (Wales) Measure 2011;
- following the above self-assessment, the Head of Internal Audit provided training to elected members on their governance responsibilities;
- the Head of Internal Audit's annual report confirmed that we operate an effective system of internal control, governance and risk management; and
- we operate an effective and impartial Standards Committee to uphold good behaviour by elected members.

Taking informed and transparent decisions and managing risk

...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 explain the implications of the decision. Reports should not exceed four pages and we use a corporate report template to ensure that all information is included, together with a checklist 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.

The Research and Intelligence Team and the Corporate Programme Office have been combined following a service restructure. This new team, in addition to business as usual activities, will focus on key change activities and will begin to develop a strategic platform for management information and reporting, enhancing decision making processes.

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

We review our Corporate Risk Register formally twice a year, with each Corporate Director considering the risks that they currently manage, reviewing mitigating actions and the external environment to assess the risk score and adding new risks as appropriate. This includes identifying changes in legislation affecting Council services, such as the new Social Services and Well-being (Wales) Act 2014 and the Well-being of Future Generations Bill. 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 the Council'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. During the year, the Head of Internal Audit carried out the required self-assessment review to ensure that the service complies with the new Public Sector Internal Audit Standards. The resulting improvement plan will be reported to Corporate Governance Committee as part of the Annual Internal Audit Report 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 has historically been seen as a significant governance weakness in our Annual Governance Statements following adverse internal and external audit reports. A Corporate Information Team was formed during 2013 to address these weaknesses. Since this time, significant improvements have been made, which has recently resulted in the risk being reduced from amber (major) to yellow (moderate).

Some of the main actions addressed include:

- appointing a Corporate Information Manager to provide strategic leadership in this area;
- providing a corporate approach to information management via the launch of an Information Management Strategy;
- developing a corporate approach to managing information risk through the development and launch of an Information Risk Policy;
- improving competency levels in the Council through the development and launch of a suite of e-learning modules, including Data Protection, Freedom of Information and Document Management;
- achieving Public Sector Network (PSN) accreditation;
- developing a consistent way of handling information security breaches via the development of a policy;
- introducing secure email facilities via Egress;
- appointing an Access to Information Officer to handle the increasing volume of information requests; and
- improving the management of our electronic documents through the implementation of 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:

- improve arrangements for securely destroying our confidential waste;
- refresh the information security policy framework;
- embed EDRMS into paper-heavy teams by March 2016 (end of project);
- widen access to the county's archive materials via the development of an improved online presence;
- develop an Information Asset Register;
- publish more information to our website to meet our statutory obligations and reduce the number of information requests; and

- raise further awareness and embed information retention rules into services.

The Council's Information Risk Policy includes a requirement to include specific information in the 'annual governance statement' and to share and discuss this with the Corporate Governance Committee. In May 2015, the Council's Senior Information Risk Officer (SIRO) reported the following to the Corporate Governance Committee for 2014/15:

- There was no major breach of the Data Protection Act by the Council during the year.
- The SIRO reported two breaches to the Information Commissioner during the year. The Council took immediate action to address the issues and improve performance in these cases.
- Three complaints under the Freedom of Information Act were made to the Information Commissioner's Office about the Council, two of which found in the Council's favour. In the third case, we were found to be in breach of the legislation by taking too long to respond to a Subject Access Request, but it was recognised that this was a particularly complex case. We have taken steps to improve our processes for dealing with complex cases to ensure prompt responses in future.

Developing our capacity and capability to be effective

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

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

There is a current process in place for appraising the performance of Cabinet members, which has been strengthened by aligning their priorities to the Corporate Plan, which is in response to the CEO's paper on 'Sharpening our Act'.

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. During the year, the Committee's chair produced a report that will be presented to Council in line with the Scrutiny annual reports.

Employees receive annual performance appraisals, resulting in training and development plans to help them achieve their objectives and fulfil their roles effectively. We improved performance in 2013/14, with 89% of eligible employees receiving an annual appraisal but this reduced slightly last year to 88%.

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 have:

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

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

Strategic HR Business Partners undertake a workforce planning exercise with each service annually to identify their priorities for the coming 12 months. This year this has included the Freedom and Flexibilities review. 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. 'Yr Hwb' cohort for 2014 has now come to an end, and members of the team were involved in a range of key projects, including the Electronic Mailroom Business Case development, the Financial Inclusion Project E-Learning module, Modernisation Programme stakeholder and communication events and also work on Economic and Community Ambition Programme stakeholder events. Directors and Heads of Service provided mentorship for each of the Hwb members.

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

Our Volunteering Strategy offers a useful starting point for developing a corporate vision for volunteering. We will continue to develop this Strategy through the delivery of the Wellbeing Plan 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

...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 and are committed to undertaking further initiatives in 2015, for example:

- our Corporate Community Engagement Strategy and Toolkit is on our website and intranet and is a useful resource for all services. The Strategy will become embedded in the engagement philosophy of all services so that minimum standards are adopted. We anticipate that the Strategy and Toolkit will be revised in spring 2015 to ensure that it continues to be 'fit for purpose' and encompasses recent trends in engagement opportunities;
- also being produced in 2015 is Denbighshire's Children and Young People's Participation Strategy, which is a specific guide for all services and partner organisations. The Strategy is a platform to ensure that we involve children and young people in decisions, planning and reviewing the services that might affect them directly (e.g. school policies, youth service provision, public transport, children & family's social services etc.) or indirectly (e.g. highways, housing, waste management etc.);
- undertaking further work to manage our on-line consultation policies and use of on-line survey tools such as 'Survey Monkey';
- ensuring that the 'National Principles of Public Engagement' and the 'Children and Young People's Participation Standards' are embedded in the delivery of services;
- continuing our close liaison with the 37 city, town & community councils within the county through 'cluster' meetings and an annual liaison meeting attended by our Chief

Executive, Council Leader and Council Chairman. We will be reviewing our Charter with all councils in 2015;

- we are further developing our engagement with residents and businesses through the use of social media;
- our Armed Forces Covenant Partnership brings together all key agencies involved in ensuring that we meet our commitment to the Armed Forces Covenant, and we have organised a welfare / drop-in session for armed forces personnel and veterans;
- following the devastating floods in the east ward of Rhyl in December 2013, we held several flood 'drop-in' sessions with affected residents during 2014 and produced regular welfare and coast protection newsletters;
- we carried out a resident survey in 2013, with over 2000 residents taking part and we reported on this in our last Annual Performance Report. A similar survey will take place in 2015; and
- for many years, volunteers have provided added value and complemented the work of paid staff to enable the Council to deliver better and more effective services. In turn, volunteers also gain positive satisfaction from helping others and gaining new skills and making a contribution to the life of their community.

An extensive engagement and consultation debate took place in 2014 to discuss the Council's budget proposals in light of the significant savings that the Council was expecting to make. The 'Cutting our Cloth' budget debate was promoted through press releases and briefings, social media, and promotion in key buildings. This provided the opportunity for residents to submit their contributions in different ways and we received over 822 survey responses.

In addition to the budget debate, services carry out individual engagement and consultation, usually on a specific issue, for example on our review of schools provision, and Adult Social Services conducted a Feedback Fortnight on its services. Responses received influence current and future delivery of services.

In delivering Denbighshire's Single Integrated Plan (Supporting Independence & Resilience: Denbighshire's Wellbeing Plan 2014-2018) we extensively engaged with the community to establish our vision and priority areas. The Plan places the community at the heart of its philosophy and focuses on having a positive impact for the people of Denbighshire.

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 has delivered work packages as part of the Strategy's action plan, including the development of a dedicated LSB website and logo.

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

- Businesses endorsed the final Economic and Community Ambition Strategy, which set us the challenge of delivering it, including a Consultation Programme. We received positive feedback from the business community to a county wide 'Open for Business' event at the Royal International Pavilion in Llangollen. Businesses and their representatives continue to provide positive feedback and are now engaged in the design and governance of our 'Better Business for All' project.

- Our Contract Procedure Rules now include community benefit clauses that promote the use of local business/labour/goods and supplies in all contracts. These are mandatory for all projects over £2m. We continue to engage with suppliers through a programme of events organised by Business Wales but our new approach to supplier development is currently on hold while the Strategic Procurement Unit reviews its business plan. However, we are actively engaged with the Third Sector to ensure that they have the opportunity to tender.
- Denbighshire's first Annual Business Survey was run during 2014, with 502 businesses taking part through a mixture of face to face, online and telephone engagement. The survey reached many well established small businesses in particular. The survey provided valuable insight into business confidence and satisfaction with a range of business support services offered by the Council and partners. It also provided details of business structure, use of digital media and demand for superfast broadband, as well as demand for a range of support that the Council could offer in future. The survey will be an annual event, with the new survey being launched in March 2015. Similarly our Public Protection Team is actively engaging with local businesses as part of its 'Business Friendly Programme'.

We need to ensure that effective opportunities exist for businesses to provide feedback to the Council. 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. What is pleasing to see is that the 16 high priority projects in the Economic and Community Ambition Programme all offer potential for businesses to become engaged at the appropriate time, and that some of them are already actively doing this.

The Leader and Corporate Director for Economic and Community Ambition had planned to undertake annual visits to Business Groups and to the Top 10 businesses in the county to ensure that we are doing all we can to support local businesses and facilitate easy and accessible contact with senior decision makers within the Council. These visits have not progressed yet, as we have given priority to supporting the Freedoms and Flexibilities budget efficiency process and reviewing the Economic & Business Development (EBD) team. The review of the EBD team includes creating three roles to allow specific focus on business engagement - one generic role to support business networking and advice signposting, and two lead officer roles focusing respectively on high growth and lower growth potential key businesses.

The Economic & Community Ambition Board has requested this to be a priority for 2015, with a plan to be presented to the Board in March 2015. The Board has suggested one business visit per month. One visit was carried out in January 2015, which proved to be very useful, allowing facilitation of contact with relevant Council services to allow the business to discuss its plans for growth. The Council also received feedback from a study undertaken by a research fellow on its behalf in which he spoke with eight key businesses, which the Council will now be able to follow up.

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

We have several tools (policies, procedures, workforce planning; 1:1s.) to help manage our staffing resources effectively, consistently and fairly. Our Strategic HR service has completed a major programme to improve its performance since being identified as a significant governance issue in the Annual Governance Statement for 2012/13. The service has also reported its progress on implementing improvements arising from an adverse Internal Audit report to the Corporate Governance Committee. A further review by internal audit in August 2014, reported that the HR Service has completed a significant amount of work to address the issues raised previously and to achieve the majority of actions detailed in its ambitious improvement plan.

We are confident that the new HR model will become better embedded across the Council and, by building and maintaining better relationships between HR and the services it supports, the anticipated benefits should finally be achieved.

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 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.

We have now undertaken our 2015 survey and will report the results in next year's 'annual governance statement'.

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

Significant governance issues

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 Improvement Action Plan managed by the Council's Governance Group and monitored by the Corporate Governance Committee (Appendix 1). The following two significant governance issues were included last year but have not progressed far enough to be removed as yet.

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 a lower or no extra cost. We need to finalise the review of 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 developing and implementing a new framework during 2015 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	Head of Internal Audit to develop and launch the new framework.
Timescale for improvement	Framework to be completed by 30 June 2015 and launched following senior management and elected member approval.

Significant Governance Issue 2

In 2013/14, our Internal Audit service 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.

Proposed action to address the issue	Review procurement service and action plan and provide update report to Corporate Governance Committee.
Responsibility for the action	Interim Head of Finance & Assets
Timescale for improvement	September 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)2015

Signed: (Chief Executive)2015

Governance Improvement Action Plan

Improvement Area	Action	Responsibility	Timescale
Significant Governance Issues			
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 finalise the review of 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.	We will be developing and implementing a new framework during 2015 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.	Head of Internal Audit to develop and launch the new framework.	Framework to be completed by 30 June 2015 and launched following senior management and elected member approval.
In 2013/14, our Internal Audit service 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. The Corporate Governance Committee has requested a progress report in May 2015, expecting the action plan to have been completed.	Review procurement service and action plan and provide update report to Corporate Governance Committee.	Interim Head of Finance & Assets	September 2015
Partnership Governance			
Our partnership governance toolkit does not provide clear guidance on the roles of partnership board members. We are aware that not all partnerships use the partnership toolkit, so, as part of a comprehensive review of the partnership landscape, we need to review the guidance to ensure that it is user-friendly and effective.	This will form part of the review of third party and arms-length service providers above	Head of Internal Audit to develop and launch the new framework.	Framework to be completed by 30 June 2015 and launched following senior management and elected member approval.

Improvement Area	Action	Responsibility	Timescale
Constitution			
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. Our current Constitution will be reviewed in light of the new model and updated to reflect changed job titles and portfolios.	Head of Legal, HR & Democratic Services	31 March 2016
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, HR & Democratic Services	31 March 2016
Equalities			
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.	Report to be presented to Corporate Equalities Group to decide further actions.	Head of Business Improvement & Modernisation	30 September 2015
Policy Framework			
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, HR & Democratic Services	31 March 2016

Improvement Area	Action	Responsibility	Timescale
<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>Leader and Corporate Director for Economic and Community Ambition to undertake annual visits to Business Groups and to the Top 10 businesses in the county to ensure that we are doing all we can to support local businesses and facilitate easy and accessible contact with senior decision makers within the Council.</p>	<p>Leader & Corporate Director for Community Ambition</p>	<p>Annual</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.

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Audit of Financial Statements Report

Denbighshire County Council

Audit year: 2014-15

Issued: September 2015

Document reference: 472A2015

Status of report

This document has been prepared for the internal use of Denbighshire County Council as part of work performed in accordance with the statutory functions.

No responsibility is taken by the Auditor General, the staff of the Wales Audit Office or, where applicable, the appointed auditor in relation to any member, director, officer or other employee in their individual capacity, or to any third party.

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Contents

The Auditor General intends to issue an unqualified audit report on your financial statements. There are some issues to report to you prior to their approval.

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Appendix 1

Introduction

1. The Auditor General is responsible for providing an opinion on whether the financial statements give a true and fair view of the financial position of Denbighshire County Council (the Council) as at 31 March 2015 and its income and expenditure for the year then ended.
2. We do not try to obtain absolute assurance that the financial statements are correctly stated, but adopt the concept of materiality. In planning and conducting the audit, we seek to identify material misstatements in your financial statements, namely, those that might result in a reader of the accounts being misled.
3. The quantitative level at which we judge such misstatements to be material for the Council is £3.5 million. Whether an item is judged to be material can also be affected by certain qualitative issues such as legal and regulatory requirements and political sensitivity.
4. International Standard on Auditing (ISA) 260 requires us to report certain matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action.
5. This report sets out for consideration the matters arising from the audit of the financial statements of the Council, for 2014-15, that require reporting under ISA 260.

Status of the audit

6. We received the draft financial statements for the year ended 31 March 2015 on 29 June 2015 and at the date of our presentation of this report the following areas of audit work were outstanding:
 - finalisation of our work on related party disclosures and subsequent events;
 - confirmation of appropriate assurances from the Clwyd Pension Fund auditor regarding pension disclosures within the financial statements; and
 - completion procedures and review of the final financial statements.We will update the Corporate Governance Committee on the progress of these matters on 28 September 2015.
7. We are reporting to you the more significant issues arising from the audit, which we believe you must consider prior to approval of the financial statements. The audit team has already discussed these issues with the Council officers, including the Section 151 Officer.

Proposed audit report

8. It is the Auditor General's intention to issue an unqualified audit report on the financial statements once you have provided us with a Letter of Representation based on that set out in [Appendix 1](#).
9. The proposed audit report is set out in [Appendix 2](#).

Significant issues arising from the audit

Uncorrected misstatements

10. There are no misstatements identified in the financial statements, which remain uncorrected.

Corrected misstatements

11. There are misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process. They are set out with explanations in [Appendix 3](#).

Other significant issues arising from the audit

12. **We have no concerns about the qualitative aspects of your accounting practices and financial reporting and the draft financial statements were prepared to a good standard.** We found the information provided to be relevant, reliable, comparable, material and easy to understand. We concluded that accounting policies and estimates are appropriate and financial statement disclosures unbiased, fair and clear. As in previous years, the draft financial statements were prepared to a good standard and were supported by comprehensive and timely working papers, helping us to achieve the overall completion timetable on a timely basis. The Finance team maintained open and constructive dialogue with the audit team throughout the audit and, as a result, the audit process has progressed smoothly.
13. **We did not encounter any significant difficulties during the audit.** We received information in a timely and helpful manner and were not restricted in our work.
14. **There were no significant matters discussed and corresponded upon with management which we need to report to you.**
15. **There are some matters significant to the oversight of the financial reporting process that we need to report to you.**

Fixed asset register – given the value and range of assets held by the Council, it is important that the Council maintains a comprehensive and accurate fixed asset register. The Council has for many years maintained complex spreadsheets to support its fixed asset register. Whilst the fixed asset register spreadsheets are well maintained and support the preparation of the statement accounts, we are of the view that the Council should consider upgrading to an integrated fixed asset register. This will support a more streamlined accounts closure process, facilitate the annual valuation exercises and improve the linkage between the accounting function (Finance Department) and the stewardship function which resides with the various Services. The on-set of earlier closure of local authority accounts in future years should be a key driver in respect of the Council's consideration.

Timeliness of the valuation process - the annual financial statements are heavily dependent on the provision of timely and accurate information from the Council's Property Services Department. Last year, we reported that the valuation information provided to the Finance Department was received late which increased the risk of error when the valuation information is transferred into the fixed asset register, financial ledger and the financial statements. We are pleased to report that this process was much improved in 2014-15. The Council need to ensure that this process is maintained and given the on-set of earlier closure of local authority accounts in future years, valuation information will be required even earlier.

Annual fair value assessments in respect of council dwellings - the Council re-valued a proportion of its fixed asset portfolio at 1 April 2014 in accordance with its accounting policy to revalue assets on a rolling five year basis. Our review of the draft accounts identified that the Council's valuation of its council dwellings had fallen by £13 million (we also identified a significant downward revaluation in the previous year). As part of our work, we sought evidence from the valuer seeking assurance as to whether the impact of the downward revaluations in council dwellings over the last two years had a significant potential impact on those council dwellings not yet formally valued as part of the five year valuation cycle. We received this information on request from the valuer to support our audit process.

In future years, we recommend that this assessment is formally incorporated into the annual valuation exercises undertaken by the valuer and is concluded upon prior to the preparation of the financial statements. The annual assessments need to be submitted to the Finance Department and external audit as part of the working papers supporting the valuation process.

Review of reserves – our audit of the financial statements confirmed that the Council reviews its level of reserves and provisions in respect of both earmarked and general reserves. This has been incorporated into the budget setting processes and incorporated into member workshops. However, we recommend that this process is now formally completed at the year-end accounts stage also. In addition, we recommend that a formal policy be developed to facilitate the maintenance and review of the general reserves position.

16. **We did not identify any material weaknesses in your internal controls.** No material weaknesses in the Council's internal controls were identified during our audit.
17. **There are no other matters specifically required by auditing standards to be communicated to those charged with governance.**

Independence and objectivity

18. As part of the finalisation process, we are required to provide you with representations concerning our independence.
19. We have complied with ethical standards and in our professional judgment, we are independent and our objectivity is not compromised. There are no relationships between the Wales Audit Office and Denbighshire County Council that we consider to bear on our objectivity and independence.

Appendix 1

Final Letter of Representation

[Audited body's letterhead]

Auditor General for Wales
Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

28 September 2015

Representations regarding the 2014-15 financial statements

This letter is provided in connection with your audit of the financial statements of Denbighshire County Council for the year ended 31 March 2015 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

Management representations

Responsibilities

We have fulfilled our responsibilities for:

- The preparation of the financial statements in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2014-15; in particular the financial statements give a true and fair view in accordance therewith.
- the design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

Information provided

We have provided you with:

- Full access to:
 - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;

-
- additional information that you have requested from us for the purpose of the audit; and
 - unrestricted access to staff from whom you determined it necessary to obtain audit evidence.
 - The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
 - Our knowledge of fraud or suspected fraud that we are aware of and that affects Denbighshire County Council's and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements.
 - Our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others.
 - Our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
 - The identity of all related parties and all the related party relationships and transactions of which we are aware.

Financial statement representations

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free of material misstatements, including omissions. There are no misstatements identified in the financial statements that remain uncorrected.

Specific representations

We confirm that we have identified to you all members of key management, as defined by IAS 24, and included their remuneration in the disclosures of key management compensation.

We confirm that we are satisfied that the figures included in respect of Fixed Assets and Investment Properties in the Statements of Account represent our best estimate of the value of those assets and that the valuation methods used are appropriate.

The Council has no plans or intentions that may materially alter the carrying value and where relevant the fair value measurements or classification of assets and liabilities reflected in the financial statements.

We can confirm that the harbour authority has not yet been constituted as a statutory body on the basis that it has not been granted a Harbour Establishment Order (HEO). There is therefore no requirement to prepare statutory accounts for the year ended 31 March 2015.

Representations by those charges with governance

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by the Corporate Governance Committee on 28 September 2015.

We confirm that we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware.

Signed by:

Richard Weigh
Section 151 Officer

Signed by:

Councillor Jason McLellan
Chair of the Corporate Governance
Committee

Date: 28 September 2015

Date: 28 September 2015

Appendix 2

Proposed audit report of the Auditor General for Wales to the Members of Denbighshire County Council

I have audited the accounting statements and related notes of Denbighshire County Council for the year ended 31 March 2015 under the Public Audit (Wales) Act 2004.

Denbighshire County Council's accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Movement on the Housing Revenue Account Statement and the Housing Revenue Account Income and Expenditure Statement.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2014-15 based on International Financial Reporting Standards (IFRSs).

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

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on pages 9 and 10, the responsible financial officer is responsible for the preparation of the statement of accounts, which gives a true and fair view.

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

Scope of the audit of the accounting statements

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

In addition, I read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited accounting statements and related notes and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

Opinion on the accounting statements of Denbighshire County Council

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of Denbighshire County Council as at 31 March 2015 and of its income and expenditure for the year then ended; and

-
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014-15.

Opinion on other matters

In my opinion, the information contained in the Explanatory Foreword is consistent with the accounting statements and related notes.

Matters on which I report by exception

I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

- adequate accounting records have not been kept;
- the accounting statements are not in agreement with the accounting records and returns;
- I have not received all the information and explanations I require for my audit; or
- the Annual Governance Statement contains material misstatements of fact or is inconsistent with other information I am aware of from my audit.

Certificate of completion of audit

I certify that I have completed the audit of the accounts of Denbighshire County Council in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.

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

**Wales Audit Office
24 Cathedral Road
CF11 9LJ**

30 September 2015

Appendix 3

Summary of corrections made to the draft financial statements which should be drawn to the attention of the Corporate Governance Committee

During our audit we identified the following misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process.

	Value of correction	Nature of correction	Reason for correction
1	£4,560,000	Re-instatement of the PFI assets which had been re-valued to £nil as part of the in-year revaluation exercise. The corresponding depreciation adjustment amounts to £68,400.	To ensure that PFI assets included in property, plant and equipment, disclosed in Note 13 (Property, Plant and Equipment), are correctly stated.
2	£972,972	A number of assets were incorrectly included in the Property, Plant and Equipment Note as Community Assets. As a result of re-classifying these assets, depreciation was subsequently charged against these assets which amounted to £631,492.	To ensure that the presentation of the Property, Plant and Equipment Note and related disclosures are recorded in accordance with the CIPFA Code.
3	£825,000	A school extension building was completed in year and should have been included on the fixed asset register and within the financial statements.	To ensure that other land and buildings valuations are correctly reflected within the Property, Plant and Equipment, disclosure in Note 13.
4	£766,013	Our review identified that a number of balances which were incorrectly accounted for as provisions within Note 20. These should be reclassified as reserves.	To ensure that both provisions and reserves are correctly stated within the financial statements and associated notes.
5	£204,000	A number of assets were incorrectly included in the Investment Property Note.	To ensure that the presentation of the Investment Property Note and the Property, Plant and Equipment Note and related disclosures are recorded in accordance with the CIPFA Code.
6	£443,799	A debtor had been incorrectly classified within the Debtors note.	To ensure that the presentation of the Debtors Note is accurately disclosed.
7	£78,633	Our review identified that a provision within the Housing Revenue Account (HRA) which has been incorrectly accounted for.	To ensure the in-year reported HRA Income and Expenditure Statement and the Movement on the HRA statements is correctly stated.

	Value of correction	Nature of correction	Reason for correction
8	£1,025,814	The PFI debtor had been incorrectly classified within the Debtors Note 16.	To ensure that the presentation of the Debtors Note is accurately disclosed.
9	£3,181,000	An adjustment was identified between the total net book value of assets classified within Other Land & Buildings on the asset register and the corresponding values within the draft statement of accounts. The adjustment related to the historical capitalisation and equivalent impairment of non-enhancing capital expenditure and has no impact on the financial statements or the net book value of assets.	To ensure that the values included within Property, Plant and Equipment (Note 13) is supported by the Fixed Asset Register.
10	£1,410,230	An in year impairment was incorrectly charged to the revaluation reserve. This has now been correctly charged to the 'surplus / deficit on the provision of services'.	To ensure the in-year reported HRA Income and Expenditure Statement and the Movement on the HRA statements is correctly stated.

In respect of adjustments 1 to 10 above, all related notes including the impact on the Movement in Reserves Statement, Balance Sheet, Consolidated Income and Expenditure Account and the Cash Flow statement, have been appropriately adjusted within the financial statements.

- 11 A number of amendments and additional disclosures were made to the draft financial statements. The key amendments and disclosures have been included below:
- Officers' Remuneration Note 31 – a number of adjustments were made to remuneration bandings and the disclosure of expenses allowances and the disclosure of the Chief Executive's returning officer allowance;
 - events after the balance sheet date Note 6 – Additional disclosure was included within the accounts in respect of the cessation of the PFI Project Agreement covering County Hall , Ruthin and associated buildings in September 2015;
 - additional disclosure was incorporated within Grant Income (Note 33) and Reconciliation to Subjective Analysis (Note 27) to provide additional clarity in respect of the disclosure in subsidy payments received from the Department of Works and Pension; and
 - a number of additional adjustments were made to the related party disclosure note (Note 34).
- 12 In addition to the above, a number of other adjustments were made to the draft financial statements to ensure that the statements cast and cross cast and appropriate linkages and references were included within the financial statements.

Wales Audit Office
24 Cathedral Road
Cardiff CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone: 029 2032 0660

E-mail: info@wao.gov.uk

Website: www.wao.gov.uk

Swyddfa Archwilio Cymru

24 Heol y Gadeirlan
Caerdydd CF11 9LJ

Ffôn: 029 2032 0500

Ffacs: 029 2032 0600

Ffôn Testun: 029 2032 0660

E-bost: info@wao.gov.uk

Gwefan: www.wao.gov.uk

Agenda Item 9

Report To: Corporate Governance Committee

Date of Meeting: 28 September 2015

Lead Member / Officer: Cllr Julian Thompson-Hill

Report Author: Head of Finance and Assets

Title:

1. Annual Treasury Management (TM) Report 2014/15 (Appendix 1)
2. TM Update Report 2015/16 (Appendix 2)

1 What is the report about?

1.1 The Annual TM Report 2014/15 (Appendix 1) is about the Council's investment and borrowing activity during 2014/15. It also provides details of the economic climate at that time and shows how the Council complied with its Prudential Indicators. The TM Update Report (Appendix 2) provides details of the Council's TM activities during 2015/16.

1.2 The term 'treasury management' includes the management of the council's borrowing, investments and cash flow. Approximately £0.5bn passes through the council's bank accounts every year. The council's outstanding borrowing at 31 March 2015 was £144.77m at an average rate of 5.40% and the council held £28.6m in investments at an average rate of 0.62%.

2 What is the reason for making this report?

2.1 It was agreed by Council on 27 October 2009 that the governance of TM be subjected to scrutiny by the Corporate Governance Committee. Part of this role is to receive an update on the TM activities twice a year and to review the enclosed Annual TM Report for 2014/15.

2.2 Role of Corporate Governance Committee

2.2.1 The TM team will provide reports and training to the Corporate Governance Committee in accordance with the timetable below:

Committee	Date	Report Title	Report Content
Corporate Governance	January	TM Update/Training Session	- External environment - Risks - Activity - Controls - Future Activity
Corporate Governance	January	TM Strategy	- Policy - Strategy - Prudential Indicators
Council	February	TM Strategy	As above
Corporate Governance	September	TM Update	As TM Update above
Corporate Governance	September	TM Review	- Review of TM activities during the preceding year - Performance of TM function
Cabinet	September	TM Review	As above

2.2.2 TM is a complex area which takes time to understand fully and regular updates are provided. It was deemed therefore that the Corporate Governance Committee was more appropriate than Council to receive these updates so that the required amount of time and commitment could be devoted to this area.

2.2.3 The Committee is required to have a certain level of understanding in this area and this is achieved through regular updates and training sessions.

2.2.4 The role of the Committee includes the following:

- To understand the Prudential Indicators
- To understand the impact of borrowing on the revenue position
- To understand the wider drivers impacting on the Council's TM activities
- To ensure that the Council always acts in a prudent manner in relation to its TM activities

3 What are the Recommendations?

3.1 That members note the performance of the Council's Treasury Management function during 2014/15 and its compliance with the required Prudential Indicators as reported in the Annual TM Report 2014/15 (Appendix 1).

3.2 That members note the TM update report (Appendix 2).

4 Report details

4.1 The purpose of the Annual TM Report (Appendix 1) is to:

- present details of capital financing, borrowing, debt rescheduling and investment transactions in 2014/15;
- report on the risk implications of treasury decisions and transactions;
- confirm compliance with treasury limits and Prudential Indicators.

4.3 The TM update report (Appendix 2) provides details of the following:

- External economic environment
- Risks
- Activity
- Controls
- Future Activity

5 How does the decision contribute to the Corporate Priorities?

5.1 Good investment and borrowing decisions allow additional resources to be directed to other Council services.

6 What will it cost and how will it affect other services?

6.1 Not applicable.

7 What are the main conclusions of the Equality Impact Assessment (EqIA) undertaken on the decision?

7.1 This is not required as a part of this report.

8 What consultations have been carried out?

8.1 The Council has consulted with its treasury advisers, Arlingclose Ltd.

9 Chief Finance Officer Statement

9.1 TM involves looking after significant sums of cash so it is a vital part of the Council's work. It requires a sound strategy and appropriate controls to safeguard the Council's money, to ensure that reasonable returns on investments are achieved and that debt is effectively and prudently managed.

9.2 Council adopted the revised CIPFA Code of Practice on TM (Nov 11) at its meeting on 28 February 2012. It is a requirement of that Code for this committee to receive an update on the TM activities twice a year and to review an Annual TM Report.

9.3 The Council has approved an ambitious Corporate Plan that involves investing approximately £124m in delivering its priorities over a five year period. It is vital that the Council has a robust and effective TM function underpinning this investment and all other activities.

10 What risks are there and is there anything we can do to reduce them?

- 10.1 Treasury Management is inherently risky but the Council is monitoring and controlling these risks as outlined in the main report. However, it is impossible to eliminate these risks completely. The council's treasury management strategy and procedures are audited annually and the latest internal audit review was positive with no significant issues raised.

11 Power to make the Decision

- 11.1 The Local Authorities (Capital Finance and Accounting) (Wales) Regulations require local authorities to have regard to the Chartered Institute of Public Finance and Accountancy's Code of Practice on Treasury Management which determines the requirement for the Council to prepare regular TM updates and an annual report on treasury activities for the previous financial year.

Appendix 1

DENBIGHSHIRE COUNTY COUNCIL

***ANNUAL TREASURY MANAGEMENT
REPORT
2014/15***

**Richard Weigh
Chief Finance Officer**

CONTENTS

Section	Title
1	Background
2	Economic Background
3	Borrowing Activity
4	Investment Activity
5	Compliance with Prudential Indicators
6	Money Laundering Update
	Annex A - PWLB borrowing rates and UK Money Market rates
	Annex B – Compliance with Prudential Indicators 2014/15
	Annex C – Glossary

1. Background

- 1.1 The Council's treasury management activity is underpinned by CIPFA's Code of Practice on Treasury Management ("the Code"), which requires local authorities to produce annually Prudential Indicators and a Treasury Management Strategy Statement on the likely financing and investment activity. The Code also recommends that members are informed of treasury management activities at least twice a year. Reports are made twice a year to the Corporate Governance Committee which is the committee with responsibility for the scrutiny of the Council's treasury policy, strategy and activity, as well as the annual report made to cabinet and the report to full council for approval of the annual treasury strategy.
- 1.2 Treasury management is defined as: "The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."
- 1.3 The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Council's treasury management strategy.

2. Economic Background

Growth and Inflation

- 2.1 The robust pace of GDP growth of 3% in 2014 was underpinned by a buoyant services sector, supplemented by positive contributions from the production and construction sectors. Resurgent house prices, improved consumer confidence and healthy retail sales added to the positive outlook for the UK economy given the important role of the consumer in economic activity.
- 2.2 Annual CPI inflation fell to zero for the year to March 2015, down from 1.6% a year earlier. The key driver was the fall in the oil price (which fell to \$44.35 a barrel a level not seen since March 2009) and a steep drop in wholesale energy prices with extra downward momentum coming from supermarket competition resulting in lower food prices. Bank of England Governor Mark Carney wrote an open letter to the Chancellor in February, explaining that the Bank expected CPI to temporarily turn negative but rebound around the end of 2015 as the lower prices dropped out of the annual rate calculation.

Labour Market

- 2.3 The UK labour market continued to improve and remains resilient across a broad base of measures including real rates of wage growth. January 2015

showed a headline employment rate of 73.3%, while the rate of unemployment fell to 5.7% from 7.2% a year earlier. Comparing the three months to January 2015 with a year earlier, employee pay increased by 1.8% including bonuses and by 1.6% excluding bonuses.

UK Monetary Policy

- 2.4 The Bank of England's MPC maintained interest rates at 0.5% and asset purchases (QE) at £375bn. Its members held a wide range of views on the response to zero CPI inflation, but just as the MPC was prepared to look past the temporary spikes in inflation to nearly 5% a few years ago, they felt it appropriate not to get panicked into response to the current low rate of inflation. The minutes of the MPC meetings reiterated the Committee's stance that the economic headwinds for the UK economy and the legacy of the financial crisis meant that increases in the Bank Rate would be gradual and limited, and below average historical levels.
- 2.5 Political uncertainty had a large bearing on market confidence this year. The possibility of Scottish independence was of concern to the financial markets, however this dissipated following the outcome of September's referendum. The risk of upheaval (the pledge to devolve extensive new powers to the Scottish parliament; English MPs in turn demanding separate laws for England) lingers on. The highly politicised March Budget heralded the start of a closely contested general election campaign and markets braced for yet another hung parliament.

3. Borrowing Activity

- 3.1 The table below shows the level of the Council's borrowing from the Public Works Loan Board (PWLB) at the start and the end of the year.

	Balance at 01/04/2014 £000	Maturing loans £000	Premature repayments £000	New Borrowing £000	Balance at 31/03/2015 £000
Fixed rate loans – Public Works Loan Board (PWLB)	141,648	6,876	0	10,000	144,772
Total borrowing	141,648	6,876	0	10,000	144,772

- 3.2 The Council's strategy in 2014/15 was to internally borrow to fund part of its borrowing requirement and to undertake new external borrowing to fund the remainder. One new loan for £10m was undertaken in August 2014 to take advantage of relatively low rates before the anticipated increase in rates. The loan was at a rate of 3.5% over a 23.5 year period on an Equal Instalment of Principal (EIP) basis.
- 3.3 The use of internal resources to fund the borrowing requirement was sustainable during 2014/15 because the Council had sufficient reserves and balances to avoid the need for external borrowing. We took the view however that the Corporate Plan is progressing so our reserves will reduce

and we will come to a point where we need to borrow in the future. We reviewed our strategy and decided to borrow to take advantage of the low rates at that time. The EIP basis means that we will pay off an equal amount of principal each year so it will not have an adverse impact on our maturity profile. The borrowing we undertook was also affordable as we have a capital financing budget to fund the cost of the borrowing.

- 3.4 Although this will create a cost of carry while the proceeds are temporarily held as investments, we will save in the long term because of the anticipated increase in borrowing rates which will result in higher interest costs. For example, a 1% increase in the rates would cost us approximately £1.2m more in interest based on the example above of a £10m loan over a 23.5 year period.
- 3.5 As a result of maturities and new borrowing during the year, the average rate on the Council's debt decreased from 5.63% at 1 April 2014 to 5.40% at 31 March 2015.
- 3.6 Annex A shows how interest rates for borrowing have moved over the course of the year.

Abolition of the PWLB

- 3.7 In January 2015 the Department of Communities and Local Government (CLG) confirmed that HM Treasury (HMT) would be taking the necessary steps to abolish the PWLB. HMT has confirmed however that its lending function will continue unaffected and local authorities will retain access to borrowing rates which offer good value for money. The authority intends to use the PWLB's replacement as a potential source of borrowing if required.

Welsh HRA Subsidy Reform

- 3.8 The Housing (Wales) Act 2014 became law in Wales on 17 September 2014 and provided for the abolition of the Housing Revenue Account Subsidy (HRAS) system. The Authority was required to buy itself out of the current arrangement by making 'settlement payments' to the Welsh Government. In return the Authority will be able to keep all future rental revenues generated from the housing stock. A cap has been set by the Welsh Government for how much the Authority can continue to borrow for the HRA in the future. The Authority was required to enter into a Voluntary Agreement with Welsh Ministers under section 80B of the Local Government and Housing Act 1989. This Agreement set out all the terms and conditions of settlement.
- 3.9 The Authority was required to make an application for loans totaling £40m on the morning of 31st March 2015. As part of the settlement, the Authority was required to borrow for the full settlement amount from the PWLB at

special Welsh HRA Subsidy Reform interest rates. These were set at a margin above PWLB Standard rates due to the methodology adopted by the Welsh Government and HM Treasury in determining the settlement amounts. The Authority was required to draw down loans that would deliver a minimum interest payment to the PWLB of £1.7m for each of the first five years following settlement.

- 3.10 Receipt of funding from the PWLB took place on 2 April 2015 on which date the Authority was required to make its settlement payment to the Welsh Government to exit the HRA Subsidy system. This transaction has therefore been accounted for in 2015/16.

4. Investment Activity

- 4.1 The Council held cash balances of £28.6m at the end of 2014/15. These represent the Council's Balances and Reserves, working cash balances and also where money has been borrowed before capital expenditure is incurred.
- 4.2 The Welsh Government's Investment Guidance requires local authorities to focus on security (keeping the money safe) and liquidity (making sure we never run out of cash) as the primary objectives of a prudent investment policy. The Council's aim was to achieve a return on investments in line with these principles. The return is important but is a secondary consideration and the priority is the security of the sums invested.
- 4.3 The table below shows the level of the Council's investments at the start and the end of the year.

	Balance at 01/04/2014 £000	Investments Raised £000	Investments Repaid £000	Balance at 31/03/2014 £000
Investments	32,500	308,850	312,750	28,600

- 4.4 The Council's investment income for the year was £0.230m compared to £0.265m in 2013/14 which meant that the low interest rates available in the market continued to have a significant impact on the investment return earned by the Council.
- 4.5 Security of capital remained the Authority's main investment objective. This was maintained by following the Authority's counterparty policy as set out in its Treasury Management Strategy Statement for 2014/15 which defined "high credit quality" organisations as those having a long-term credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher.

Unsecured Bank Deposits

- 4.6 Conventional bank deposits became riskier during 2014/15 because of a lower likelihood that the UK and other governments would support failing banks. As the Banking Reform Act 2014 was implemented in the UK from January 2015, banks were no longer able to rely on government bail-outs if they got into difficulty. They would be required instead to bail themselves out by taking a proportion of investors' deposits to build up their capital. This new risk has been termed 'bail-in' risk and is potentially a greater risk to investors than the 'bail-out' risk of the past.
- 4.7 There were many investors such as companies and charities which were protected but local authorities' deposits were not eligible for protection because public authorities have much better access to credit than citizens.
- 4.8 As a result of the increased risks, we felt it was prudent to reduce our duration limits for unsecured bank and building society investments from 1 year to 6 months in October 2014 and further to 100 days in February 2015.
- 4.9 The Council has also been placing a far greater emphasis on investing with the UK Government's Debt Management Office and other local authorities in order to minimise these risks.

Secured Investment Options

- 4.10 The Council also included secured investment options within its investment strategy such as those described below with a view to using them during 2015/16.

Reverse Repurchase Agreements (REPOs)

- 4.11 These involve the purchase of a security (usually bonds, gilts or other government securities) tied to an agreement to sell it back later at a pre-determined date and price. REPOs provide protection through the ownership of collateral in the form of securities which is significantly more secure than investing in unsecured bank deposits. These are therefore secured investments with banks which are exempt from bail-in risk so they offer a safer alternative at similar rates to unsecured bank deposits.

Covered Bonds

- 4.12 These are also secured investments with banks which are exempt from bail-in risk and they offer a secure option for our long term investments.

(The glossary in Annex C provides definitions of the various treasury terms used)

Credit Risk Management

4.13 Counterparty credit quality was assessed and monitored with reference to the following:

- credit ratings (minimum long-term counterparty rating of A- across rating agencies Fitch / S&P / Moody's);
- credit default swap prices;
- financial statements;
- information on potential government support;
- share prices.

4.14 The credit rating of Natwest Bank is below the Authority's minimum credit criterion of A- so it has been withdrawn from the counterparty investment list. However, Natwest is the Council's banker and has been used for operational and liquidity purposes.

Liquidity Management

4.15 In keeping with the WG's Guidance on Investments, the Council maintained a sufficient level of liquidity through the use of overnight deposits and instant access call accounts. The Authority uses purpose-built cash flow forecasting software to determine the maximum period for which funds may prudently be committed.

Yield

4.16 The Council sought to achieve the best return balanced against its objectives of security and liquidity. The UK Bank Rate was maintained at 0.5% through the year. Short term money market rates also remained at very low levels which had a significant impact on investment income.

4.17 All investments made during the year complied with the Council's agreed Treasury Management Strategy, Prudential Indicators, Treasury Management Practices and prescribed limits. Maturing investments were repaid to the Council in full and in a timely manner.

5. Compliance with Prudential Indicators

5.1 The Council can confirm that it has complied with its Prudential Indicators for 2014/15, which were set in February 2014 as part of the Council's Treasury Management Strategy Statement. Details can be found in Annex B.

5.2 In compliance with the requirements of the CIPFA Code of Practice this report provides members with a summary report of the treasury management activity during 2014/15. None of the Prudential Indicators have been breached and a prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield.

6. Money Laundering Update

- 6.1 The Council is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it maintains procedures for verifying and recording the identity of counterparties and reporting suspicions, and will ensure that relevant staff are properly trained.
- 6.2 The Chief Finance Officer has been appointed as the Money Laundering Reporting Officer. There haven't been any cases of money laundering reported since the start of Denbighshire to date and we consider the risk to the Council to be minimal.

Interest Rates 2014/15

Public Works Loan Board (PWLB) borrowing rates and UK Money Market rates during the year were:

Example PWLB Borrowing rates (The rate at which the Council could borrow money from the Government)

Start Date	Length of Loan		
	1yr %	19½-20 yrs %	49½-50 yrs %
01-Apr-14	1.44	4.41	4.47
30-Sep-14	1.57	3.96	4.03
31-Mar-15	1.31	3.20	3.28

Example Bank Rate, Money Market rates (The rate at which the Council could invest with banks)

Date	Bank Rate %	7-day Investment Rates %	1-month Investment Rates %	6-month Investment Rates %
01-Apr-14	0.50	0.39	0.42	0.56
30-Sep-14	0.50	0.45	0.43	0.66
31-Mar-15	0.50	0.62	0.43	0.74

Compliance with Prudential Indicators 2014/15

1 Estimated and Actual Capital Expenditure

- 1.1 This indicator is set to ensure that the level of proposed investment in capital assets remains within sustainable limits and, in particular, to consider the impact on the Council Tax and in the case of the HRA, housing rent levels.

Capital Expenditure	2014/15 Estimated February 2014 £000	2014/15 Revised February 2015 £000	2014/15 Outturn March 2015 £000
Non-HRA	23,903	24,051	32,078
Corporate Plan	13,895	11,857	
HRA	6,178	5,382	3,585
Total	43,976	41,290	35,663

2 Estimated and Actual Ratio of Financing Costs to Net Revenue Stream

- 2.1 This is an indicator of affordability and demonstrates the revenue implications of capital investment decisions by highlighting the proportion of the revenue budget required to meet the borrowing costs associated with capital spending. The financing costs include existing and proposed capital commitments.

Ratio of Financing Costs to Net Revenue Stream	2014/15 Estimated February 2014 £000	2014/15 Revised February 2015 £000	2014/15 Outturn March 2015 £000
Financing Costs	13,002	13,330	13,330
Net Revenue Stream	187,683	188,183	188,183
Non-HRA Ratio	6.93%	7.08%	7.08%
Financing Costs	3,249	3,205	3,016
Net Revenue Stream	13,260	13,080	13,080
HRA Ratio	24.50%	24.50%	23.06%

3 Capital Financing Requirement

- 3.1 The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose. In order to ensure that over the medium term net borrowing will only be for a capital purpose, the Council ensures that net external borrowing does not, except in the short term, exceed the CFR in the preceding year plus the estimates of any additional CFR for the current and next two financial years. This is demonstrated in the following table:

Capital Financing Requirement - Non-PFI Basis	31/03/2015 Estimated February 2014 £000	31/03/2015 Revised February 2015 £000	31/03/2015 Outturn March 2015 £000
Non-HRA	161,803	152,757	149,617
HRA	31,705	29,760	27,994
Total	193,508	182,517	177,611
Borrowing	161,598	154,773	144,773
PFI Liability	10,437	10,437	10,437

NB The outturn figures are taken from the pre-audited Statement of Accounts 2014/15 so they may be subject to change.

Note that the projected debt level at 31/03/15 was originally estimated in February 2014 to be £7m higher than the revised estimate because the original estimate was based on the capital expenditure in the Capital Plan to be funded by borrowing for 2014/15. In practice, the Council internally borrowed during the year to fund part of its borrowing requirement and undertook new external borrowing of £10m to fund the remainder.

4 **Authorised Limit and Operational Boundary for External Debt**

Summary Table:

2014/15	March 2015 £000
External Borrowing	144,773
Internal Borrowing	32,838
Operational Boundary	215,000
Authorised Limit	220,000

- 4.1 **Operational Boundary:** This limit is set to reflect the Council's best view of the most likely prudent (i.e. not worst case) levels of borrowing activity.
- 4.2 **Authorised Limit:** This is the maximum amount of external debt that can be outstanding at one time during the financial year. The limit, which is expressed gross of investments, is consistent with the Council's existing commitments, proposals for capital expenditure and financing and with its approved treasury policy and strategy and also provides headroom over and above for unusual cash movements.
- 4.3 The levels of debt are measured on an ongoing basis during the year for compliance with the Authorised Limit and the Operational Boundary. The Council maintained its total external borrowing and other long-term liabilities within both limits; at its peak this figure was £141.7m. In addition to external borrowing, the Council uses its own reserves and balances to fund capital expenditure and this is known as internal borrowing as shown in the table above.

5 Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure

- 5.1 These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates. The exposures are calculated on a net basis i.e. fixed rate debt net of fixed rate investments. The upper limit for variable rate exposure allows for the use of variable rate debt to offset exposure to changes in short-term rates on our portfolio of investments.

	2014/15 Estimated %	2014/15 Actual Peak Exposure %
Upper Limit for Fixed Rate Exposure	100	100
Upper Limit for Variable Rate Exposure	40	0

6 Maturity Structure of Fixed Rate borrowing

- 6.1 This indicator is to limit large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates and is designed to protect against excessive exposures to interest rate changes in any one period, in particular in the course of the next ten years.
- 6.2 It is calculated as the amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate.

Maturity structure of fixed rate borrowing	Upper limit %	Lower limit %	Actual Borrowing as at 31/03/2015 £000	Percentage of total as at 31/03/2015 %
under 12 months	10	0	3,652	2.52
12 months and within 24 months	10	0	4,440	3.07
24 months and within 5 years	20	0	10,295	7.11
5 years and within 10 years	25	0	13,548	9.36
10 years and above	100	50	112,837	77.94
Total			144,772	100

7 Total principal sums invested for periods longer than 364 days

- 7.1 This indicator is set in order to allow the Council to manage the risk inherent in investments longer than 364 days. For 2014/15 this limit was set at £10m. The Council did not have any investments which exceeded 364 days during 2014/15 because the policy was to limit investments to a shorter period than 1 year.

8 Adoption of the CIPFA Treasury Management Code

- 8.1 The Council confirms its adoption of the CIPFA Code of Treasury Management at its Council meeting on 26 March 2002. The Council has incorporated the changes from the revised CIPFA Code of Practice into its treasury policies, procedures and practices.

GLOSSARY - Useful guide to Treasury Management Terms and Acronyms

BANK OF ENGLAND	UK's Central Bank
BANK RATE	Bank of England Interest Rate (also known as Base Rate)
CPI	Consumer Price Index – a measure of the increase in prices
RPI	Retail Price Index – a measure of the increase in prices
DMO	Debt Management Office – issuer of gilts on behalf of HM Treasury
FSA	Financial Services Authority - the UK financial watchdog
GDP	Gross Domestic Product – a measure of financial output of the UK
LIBID	London Interbank Bid Rate - International rate that banks lend to other banks
LIBOR	London Interbank Offer Rate – International rate that banks borrow from other banks (the most widely used benchmark or reference for short term interest rates)
PWLB	Public Works Loan Board – a Government department that lends money to Public Sector Organisations
MPC	Monetary Policy Committee - the committee of the Bank of England that sets the Bank Rate
LONG TERM RATES	More than 12 months duration
SHORT TERM RATES	Less than 12 months duration
BOND (GENERAL)	An investment in which an investor loans money to a public or private company that borrows the funds for a defined period of time at a fixed interest rate
GOVERNMENT BOND	A type of bond issued by a national government generally with a promise to pay periodic interest payments and to repay the face value on the maturity date
CORPORATE BOND	A type of bond issued by a corporation to raise money in order to expand its business

COVERED BOND

A corporate bond issued by a financial institution but with an extra layer of protection for investors whereby the investor has recourse to a pool of assets that secures or “covers” the bond if the financial institution becomes insolvent

GILT

A bond that is issued by the British government which is classed as a low risk investment as the capital investment is guaranteed by the government

REPO

A repurchase agreement involving the selling of a security (usually bonds or gilts) with the agreement to buy it back at a higher price at a specific future date
For the party selling the security (and agreeing to repurchase it in the future) it is a REPO
For the party on the other end of the transaction e.g. the local authority (buying the security and agreeing to sell in the future) it is a reverse REPO

FTSE 100

Financial Times Stock Exchange 100 - An index composed of the 100 largest companies listed on the London Stock Exchange which provides a good indication of the performance of major UK companies

Treasury Management (TM) Update Report

1 Changes in the external environment

Economic Outlook

- 1.1 Over the past few weeks we have seen volatility in financial markets as fears over the Greek debt crisis continued and in response to the news more recently regarding the slow-down in economic growth in China. The European Central Bank (ECB) has downgraded its growth and inflation outlook in response to the turbulence in China's financial markets which is a reminder of the emerging economic consequences of globalisation.

2 Investment Strategy

- 2.1 As a result of the increased risks, we felt it was prudent to amend our investment strategy in February 2015 for 2015/16 in order to reduce our dependence on conventional bank deposits as highlighted below.

Unsecured Bank Deposits

- 2.2 Conventional bank deposits became riskier during 2014/15 because of a lower likelihood that the UK and other governments would support failing banks. As the Banking Reform Act 2014 was implemented in the UK from January 2015, banks were no longer able to rely on government bail-outs if they got into difficulty. They would be required instead to bail themselves out by taking a proportion of investors' deposits to build up their capital. This new risk has been termed 'bail-in' risk and is potentially a greater risk to investors than the 'bail-out' risk of the past.

- 2.3 There were many investors such as companies and charities which were protected but local authorities' deposits were not eligible for protection because public authorities have much better access to credit than citizens.

- 2.4 As a result of the increased risks, the Council has been placing a far greater emphasis on investing with the UK Government's Debt Management Office and other local authorities in order to minimise these risks.

Secured Investment Options

- 2.5 The Council also included secured investment options within its investment strategy such as those described below with a view to using them during 2015/16.

Reverse Repurchase Agreements (REPOs)

- 2.6 These involve the purchase of a security (usually bonds, gilts or other government securities) tied to an agreement to sell it back later at a pre-determined date and price. REPOs provide protection through the ownership of collateral in the form of securities which is significantly more secure than investing in unsecured bank deposits. These are therefore secured investments with banks which are exempt from bail-in risk so they offer a safer alternative at similar rates to unsecured bank deposits.
- 2.7 There have been delays with the implementation of REPOs for local authorities because of legal formalities but these are expected to be resolved soon so they should be available as a safer investment alternative in the near future.

Covered Bonds

- 2.8 These are also secured investments with banks which are exempt from bail-in risk and they offer a secure option for our long term investments.

(The glossary in Appendix 1 Annex C provides definitions of the various treasury terms used)

3 Borrowing Strategy

- 3.1 The Welsh Government concluded negotiations earlier this year with HM Treasury regarding the reform of the HRA subsidy system in Wales. We borrowed £40m from the Public Works Loan Board (PWLB) on 02/04/15 to buy ourselves out of the subsidy scheme to become self-financing.
- 3.2 We also terminated the PFI contract on the Council offices in Ruthin on 04/09/15 and as planned, we used a significant proportion of our investment balances to achieve this by buying ourselves out of the PFI agreement. The termination will save the council a considerable amount of money and provide greater flexibility in the use of the assets covered by the PFI agreement. As a result of this, we still have sufficient cash to cover our monthly outgoings and we can also access temporary borrowing from other local authorities should the need arise. The move reduces our exposure to the bail-in risks outlined above and other risks associated with significant cash holdings.
- 3.3 We will also continue to monitor interest rates to ensure that we undertake long term borrowing from the PWLB at the most advantageous time to fund our on-going Capital commitments. We are able to borrow at discounted rates from the PWLB to fund our capital programme and we will take advantage of this at the appropriate time.

4 Controls

4.1 Prudential Indicators

The Council sets prudential indicators which set boundaries within which our treasury management activity operates. The indicators are calculated to demonstrate that the Council's borrowing is affordable and include measures that show the impact of capital and borrowing decisions over the medium term. The Council has remained within all of its borrowing and investment limits for 2015/16 agreed by Council in February 2015. The Council has not deviated from the Capital related indicators either.

4.2 Audit Reviews

The Internal Audit review undertaken in February 2015 concluded that good controls within the Treasury management function continue to ensure that it manages its key risks effectively. This is demonstrated by the function's effective management of the recent Housing Revenue Subsidy Account buy-out process. The report listed the following key areas which have been managed well:

- There is regular reporting to elected members on the Council's treasury management activities, and the Corporate Governance Committee approved the annual Treasury Management Strategy Statement and Prudential Indicators in January 2015.
- Investments are only made with permitted institutions detailed in the Treasury Management Strategy Statement, within their specified limits, and a contract with an independent treasury advisory company provides assurance that the investment strategy and decisions are sound.
- Sufficient business continuity arrangements are in place to provide cover within the treasury management function in the absence of the Technical Accountant. A clear separation of duties also exists within the process.
- Since our last review, the Council has borrowed £20m to fund its Corporate Plan. We are satisfied that where loans have been taken out, they are with an agreed lender, an appropriate separation of duty exists within the process and they were authorised by either the former Head of Finance and Assets or the Chief Accountant.
- At the time of our review, the Finance Department had appropriate arrangements in place to effectively manage the upcoming changes to the Housing Revenue Subsidy Account from a treasury management perspective, i.e. whereby the Council will borrow and pay approximately £40m to HM

Treasury to buy itself out of the Housing Revenue Subsidy scheme and become self-financing from April 2015. This is following changes in legislation for how local authorities in Wales manage finances in relation to their housing stocks. *Please note*, following the completion of our testing, we were advised by the Chief Accountant that this transaction has now taken place.

5 Future

5.1 TM Strategy for next six months

As the Corporate Plan is progressing, we will continue to review our cash position to ensure that we undertake borrowing if required. The Council will also monitor market conditions and interest rate levels to ensure that external borrowing is undertaken at the optimal time in line with our TM strategy.

5.2 Reports

The next reports will be the Treasury Management Strategy Statement and Prudential Indicators 2016/17 and the TM Update Report 2015/16 which will be reported to the Corporate Governance Committee in January.

Report To: Corporate Governance Committee

Date of Meeting: 28th September 2015

Lead Member / Officer: Councillor Hugh Irving, Lead Member for Customers and Libraries
Tony Ward, Principal Manager – Business Support

Report Author: Clare O’Gorman, Corporate Complaints Officer

Title: Your Voice annual report 2014/15

1. What is the report about?

The report provides an overview of the feedback received via Denbighshire County Council’s customer feedback policy *Your Voice* during the period 01.04.14 – 31.03.15.

2. What is the reason for making this report?

To provide the Committee with an overview of the volumes and types of feedback received during 2014/15 to enable the Committee to agree that the council has a robust system in place for dealing with customer feedback.

To provide the Committee with information regarding the Public Service Ombudsman for Wales’ annual report and accompanying letter.

3. What are the Recommendations?

It is recommended that the Committee agree whether any further information is required in order to assure itself that the council has a robust system in place for dealing with customer feedback.

4. Report details

Headlines for 2014/15 (please see appendix 1 for further detail).

- A total of 411 complaints were recorded – a decrease of 19% compared to the previous year’s total of 510. Changes in the way complaints are recorded accounts for this in part. Previously, complaints that escalated to stage 2 were counted again, in effect double counting.
- Overall performance for the year is 91% (365/400) of stage 1 complaints responded to within the *Your Voice* timescales. **This does not meet the corporate target of 95%.**

- Overall performance for the year is 84% (32/38) of stage 2 complaints responded to within the *Your Voice* timescales. **This does not meet the corporate target of 95%.**
- The number of complaints successfully dealt with at stage 1, i.e. they did not progress to stage 2, increased to 93% (up from 91% last year).
- A total of 708 compliments were recorded – a decrease of 5% compared to the previous year's total of 749.
- A total of 76 suggestions were recorded – an increase of 13% compared to the previous year's total of 67.

Public Services Ombudsman for Wales

29 complaints were made to the Ombudsman during 2014/15. This is higher than the Welsh local authority average, see appendix 2 for further detail. One section 21 report was issued and concerned a Protection of Vulnerable Adults investigation, Adult Social Care. Section 21 reports are issued by the Ombudsman when the public body agrees to implement any recommendations made by the Ombudsman, and confirms he's satisfied that there is no public interest involved. A summary of the complaint is included as appendix 3.

2 complaints of Members breaching their code of conduct were made during 2014/15. Both complaints were closed after initial consideration, see appendix 4 for further detail.

5. How does the decision contribute to the Corporate Priorities?

The Your Voice scheme directly contributes to the corporate aim of:
An excellent council, close to the community.

6. What will it cost and how will it affect other services?

All costs relating to customer feedback are absorbed within existing budgets.

7. What are the main conclusions of the Equality Impact Assessment (EqIA) undertaken on the decision? The completed EqIA template should be attached as an appendix to the report.

Not applicable.

8. What consultations have been carried out with Scrutiny and others?

Monthly reporting to the Senior Leadership Team, quarterly reporting to Performance Scrutiny Committee and annual reporting to Corporate Governance Committee.

9. Chief Finance Officer Statement

There are no obvious financial implications arising from the report.

10. What risks are there and is there anything we can do to reduce them?

By not dealing with complaints effectively, the reputation of the council may suffer.

11. Power to make the Decision

Article 15 of the Council's Constitution outlines the Committee's powers with respect to monitoring and dealing with complaints.

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Table 1: Overall complaint response times – 4 year comparison

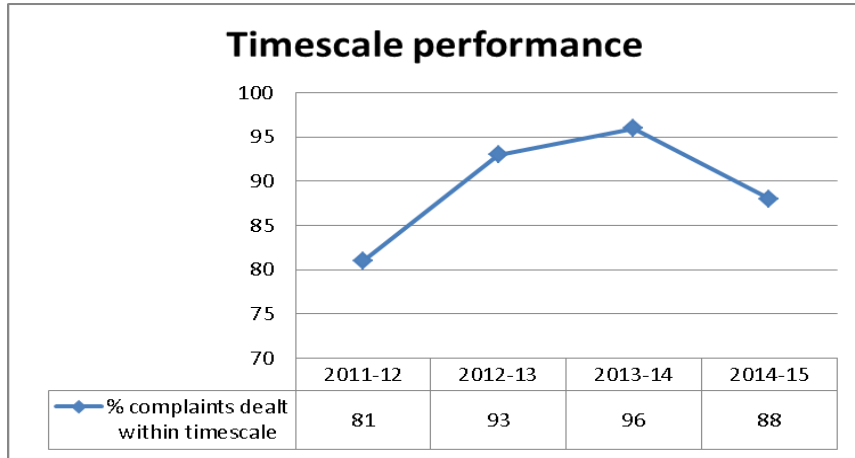


Table 2: Complaint response times by service – 2014-15

Service	Total Stage 1			Total Stage 2		
	Rec'd	Within	%	Rec'd	Within	%
Business Improvement & Modernisation	1	1	100%	0	0	-
Legal and Democratic Services	2	2	100%	1	0	0%
Customers and Education Support	18	16	89%	1	1	100%
Education	3	3	100%	1	0	0%
Environment	83	76	92%	2	2	100%
Finance and Assets	28	23	82%	4	4	100%
Housing and Community Development	52	47	90%	2	2	100%
Planning and Public Protection	82	77	94%	17	15	88%
Highways and Infrastructure	84	75	89%	9	7	78%
Communication, Marketing and Leisure	45	45	100%	1	1	100%
HR	2	0	0%	0	0	-
Corporate Total	400	365	91%	38	32	84%

Table 3: compliments by service – 3 year comparison

Service Area	2012/13	2013/14	2014/15
Social Services Adults	355	219	213
Social Services Children	49	58	54
Business Planning and Performance	0	4	11
Legal and Democratic Services	2	1	0
Customers and Education Support	19	49	36
Education	0	0	1
Environment	212	165	176
Finance and Assets	1	0	4
Housing Services	56	62	59
Regeneration	2	0	n/a
Planning and Public Protection	25	46	15
Highways and Infrastructure	75	75	64
Communication, Marketing and Leisure	24	70	75
	820	749	708

Table 4: social services complaints data – 3 year comparison

Service Area	2012/13	2013/14	2014/15
Social Services	118	97	75

Public Services Ombudsman for Wales – complaints data 2014/15

Chart 1: comparison of complaints received by the Ombudsman with average, adjusted for population distribution

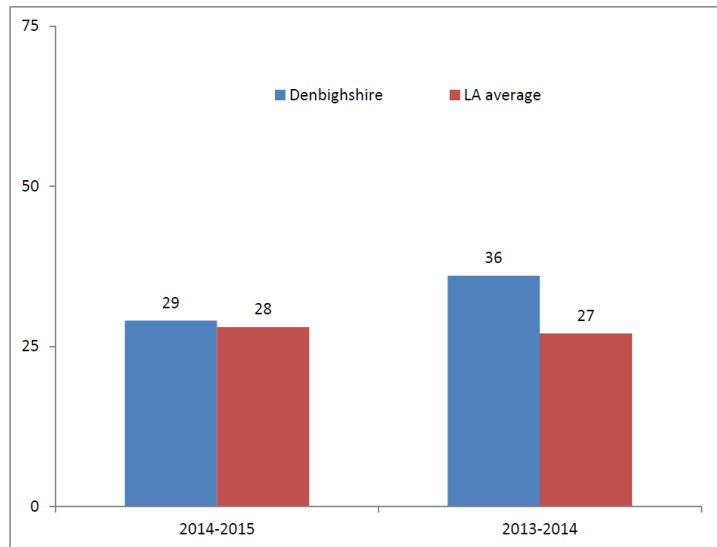
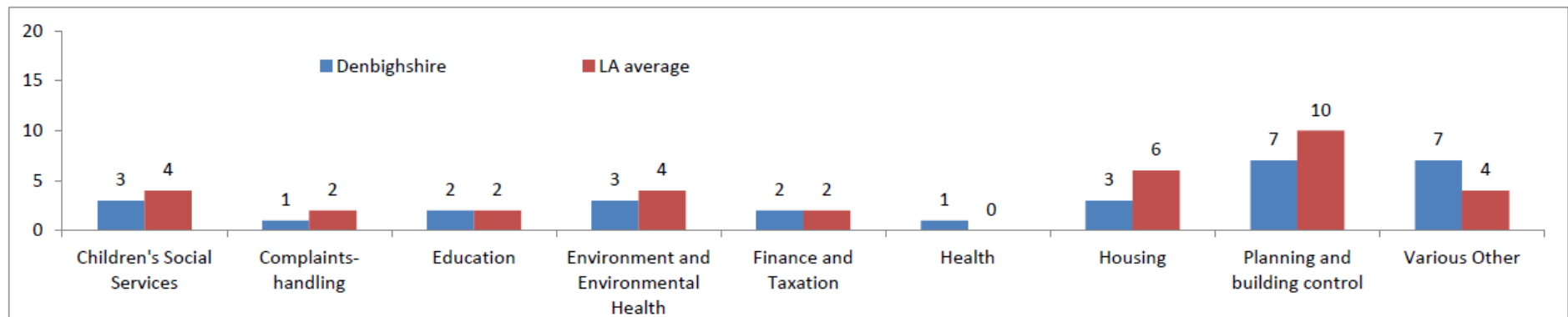


Chart 2: comparison of complaints by subject category with LA average



Public Services Ombudsman for Wales – investigation summary**Health****Other reports - Upheld****Denbighshire County Council – Other****Case reference 201400421 – Report issued October 2014**

Mr P complained about the Protection of Vulnerable Adults (POVA) investigation following an incident when the district nurse had failed to gain access to his mother's home. Mr P's mother was found unwell later the same day and was admitted to hospital. He was also unhappy with the way the Health Board dealt with his complaint about the response by the District Nursing Service ('the DNS').

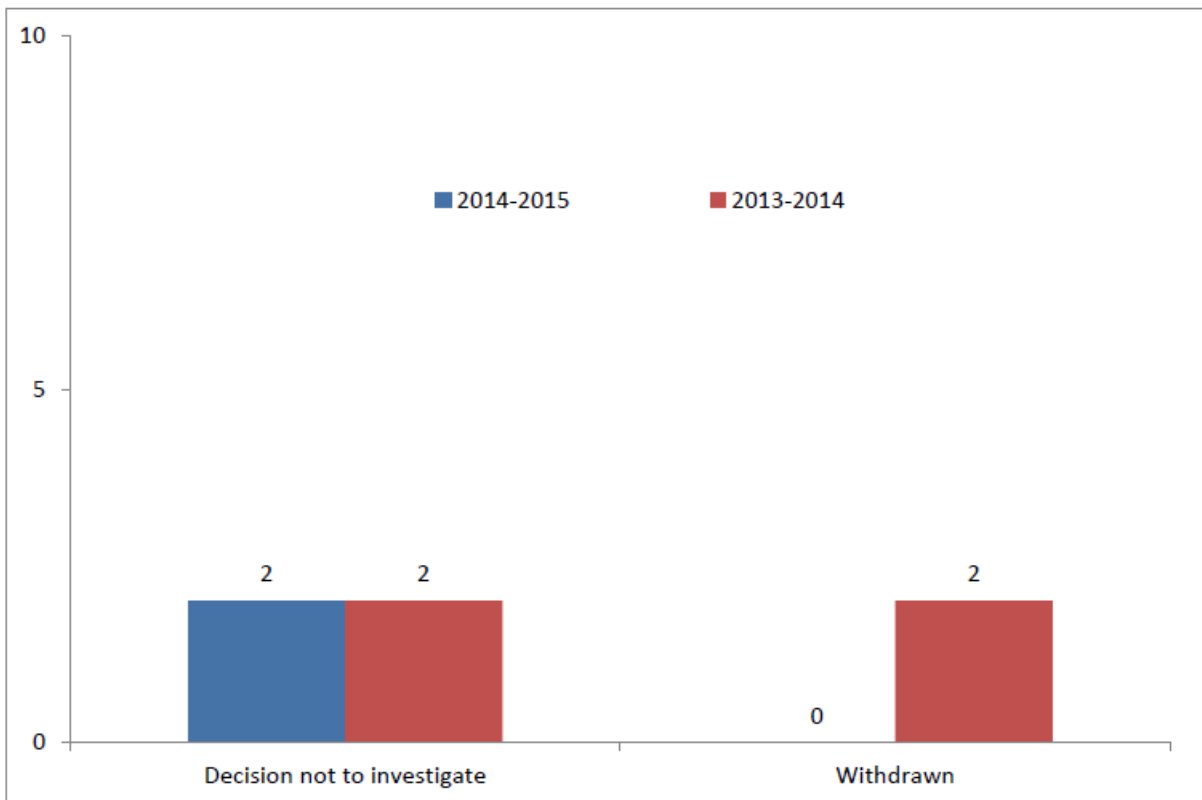
The Ombudsman found shortcomings in the Council's direction of the POVA investigation, which was not sufficiently robust. The initial decision taken at the strategy meeting was based on inadequate information. The Council also failed to start a health-led investigation into the response of the DNS, at the outset, which muddled and delayed matters. Overall, the process was protracted and reactive to prompts from the family. A number of changes to the outcome were made before a final POVA decision was reached which took into account the finding of a "failure to follow process" reached in the Health Board investigation.

It was not unreasonable for the Health Board to delay its own investigation initially, pending the outcome of the POVA investigation, but progress was slow and its poor complaint handling added to the delay.

The Ombudsman recommended that:

- a) the Council and the Health Board should apologise to Mr P and make a payment of £500 (£300 to be met by the Council) for the delay;
- b) the Council should provide details of the results of audits of POVA arrangements to test that the process was robust, informed and rigorous;
- c) the Health Board should produce evidence to this office to show that audits have been completed to test the recording of the following:
 - emergency or second contact at the DNS base
 - individual patient care planning (taking into account visiting patterns and patient preference).

Chart 3: code of conduct complaints



Report To: Corporate Governance Committee

Date of Meeting: 28 September 2015

Lead Member / Officer: Barbara Smith – Lead Member for Modernising & Housing
Alan Smith – Head of Business Improvement & Modernisation

Report Author: Ivan Butler – Head of Internal Audit

Title: Monitoring of Council Funded Service Providers

1. What is the report about?

This report provides the Corporate Governance Committee with an opportunity to comment on and contribute to the draft framework for setting up and monitoring Council Funded Service Providers (CFSPs).

2. What is the reason for making this report?

The Committee requested a progress update at its meetings of 20 May 2015 and 27 July 2015.

3. What are the Recommendations?

The Committee provides comments and feedback on the draft framework.

4. Report details

4.1 The Corporate Governance Committee received a report on 20 May 2015 outlining the project plan for developing a new framework to provide guidance on setting up, monitoring and reporting on services delivered by CFSPs.

4.2 The new framework will ensure that the Council has a robust mechanism to monitor governance, financial performance, operational performance and the use of Council funds.

4.3 The draft document in Appendix 1, entitled 'Framework for Delivering Services with Council-funded Service Providers' has now been produced to include the following:

- Why we need a framework
- Some 'must dos'
- The role of senior management and elected members

- Council representation on CFSPs
- Details of requirements for setting up, monitoring and reporting on CFSPs
- Appendices providing more detailed guidance on business cases, legal agreements and service level agreements.

4.4 The draft document was presented to Corporate Executive Team (CET) on 21 September 2015, which means that CET's comments and suggestions for any changes to the framework had not been received at the time of writing this report. A verbal update will therefore be provided at the Committee meeting.

4.5 A final draft version of the document will then be discussed at Senior Leadership Team on 1 October 2015 before being formally adopted and launched later that month.

5. How does the decision contribute to the Corporate Priorities?

There is no decision required on this report; however, the work carried out by CFSPs may contribute directly or indirectly to Corporate Priorities, depending on the service being provided.

6. What will it cost and how will it affect other services?

There are no costs attached to this report.

7. What are the main conclusions of the Equality Impact Assessment (EqIA) undertaken on the decision? The completed EqIA template should be attached as an appendix to the report.

This report does not require a decision or proposal for change, so there is no impact on people who share protected characteristics.

8. What consultations have been carried out with Scrutiny and others?

Corporate Executive Team (CET) was consulted on 21 September 2015, which means that its comments and suggestions for any changes to the framework had not been received at the time of writing this report.

9. Chief Finance Officer Statement

There are no financial implications attached to this report.

10. What risks are there and is there anything we can do to reduce them?

The new framework will ensure that the Council addresses the following risks:

- Having guidance and consistent arrangements for setting up and recording CFSPs means that it will be fully aware of all CFSPs that it deals with.

- Having regular and robust monitoring arrangements means that it will not fund CFSPs that do not deliver intended outcomes and will be aware of CFSPs that perform poorly, operationally and/or financially.
- Having robust governance arrangements over CFSPs reduces the likelihood of failure in its stewardship of public funds.
- Having early warning mechanisms through regular monitoring information reduces the likelihood that it will suffer financial loss due to a CFSP ceasing to exist and should not have to step in with contingency arrangements to deliver services.
- Having robust business cases for approval of CFSP arrangements means that it can ensure that CFSPs share the Council's values and should not bring the Council into disrepute through its behaviour.
- Having robust legal agreements and service level agreements ensures that both organisations understand their roles and responsibilities and strengthens the Council's position in the event of dispute.
- Providing robust guidance and support to its elected members who sit on outside bodies protects their interests, improves the likelihood of robust scrutiny and clarifies the legal position and conflicts of interest relating to directorships and trustees.
- Overall, the framework means that DCC should not suffer significant damage to its reputation due to failure of a CFSP.

11. Power to make the Decision

No decision required for this report.

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Framework for Delivering Services with Council- funded Service Providers

Date Agreed & Implemented		Version 0.5	Draft framework for consultation
Agreed by			
Review date			
Review frequency			

Contents

Introduction & Background	1
Why do we need a framework?.....	1
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Introduction & Background

Why do we need a framework?

1. While government funding to local authorities has reduced year on year, the public's expectations for good quality services has increased and there has also been an increasing interest from stakeholders in the governance of local authorities.
2. In January 2014, the 'Commission on Public Service Delivery' report (commonly called the 'Williams review') examined public service provision in Wales. The main message from this review was that things must change for public services to survive, as they cannot cope with the financial pressures and increasing demand on their resources, but that this change cannot be incremental. The report stresses that organisations need to look at new delivery models, e.g. collaboration and third party delivery but also insists that scrutiny of governance and performance needs to improve.
3. As the Council moves towards funding more organisations to deliver services on its behalf, it needs to ensure that these organisations have appropriate governance arrangements in place. In particular, this Framework relates to:
 - 'arms-length' organisations where the Council has transferred service delivery to another organisation;
 - organisations to which the Council has provided grant funding to deliver services on its behalf; and
 - delivery of services in partnership.
4. Where the Council is using Council-funded service providers (CFSPs), it needs to ensure that:

- ✓ it has guidance and consistent arrangements for setting up and recording CFSPs so that it is fully aware of all such organisations that it deals with;
- ✓ there are appropriate monitoring arrangements so that it will not fund CFSPs that do not deliver intended outcomes and it will be aware of such organisations that perform poorly, operationally and/or financially;
- ✓ there are appropriate governance arrangements over CFSPs, reducing the likelihood of failure in DCC's stewardship of public funds;
- ✓ it has early warning mechanisms through regular monitoring information, reducing the likelihood that the Council suffers financial loss due to a CFSP ceasing to exist and it should not have to step in with contingency arrangements to deliver services;
- ✓ there are business cases for approval of CFSP arrangements so that the Council can ensure that CFSPs share its values and should not bring it into disrepute through their behaviour;

- ✓ it has appropriate legal agreements and/or service level agreements to ensure that both organisations understand their roles and responsibilities and the Council strengthens its position in the event of dispute; and
- ✓ it provides robust guidance and support to its elected members and officers who sit on outside bodies to protect their interests, to improve the likelihood of robust scrutiny and clarify the legal position and conflicts of interest relating to directorships and trustees.

Some 'must dos'

5. Overall, the framework means that the Council should not suffer significant damage to its reputation due to failure of a CFSP; however, to ensure that arrangements for considering and setting up CFSPs are robust, the following points are crucial:

- ↪ The Council's officers and elected members must comply with this guidance when considering use of and developing arrangements with CFSPs shown in paragraph 3 above.
- ↪ Officers and elected members must base any decision to use a CFSP on a sound options appraisal and an approved business case, including risk assessment and EQIA (Equality Impact Assessment).
- ↪ All CFSPs should be subject to some form of legal agreement, which must include clauses to terminate or review delivery arrangements at the outset, taking into account the impact on services and their users, employees and assets.
- ↪ CFSPs should only be used to help meet a statutory need or to help deliver the Council's corporate priorities (there may be exceptions, e.g. where Welsh Government provides grant funding that the Council administers on its behalf).
- ↪ The decision to use CFSPs should consider governance at the outset to ensure that the Council and the CFSP can effectively scrutinise performance and be held accountable; monitor costs, performance and risk; and engage service users and citizens.
- ↪ Officers and elected members must clearly understand the role of boards, committees and the Council in the articles of association or other constitutional documents of the CFSP.
- ↪ The Council must set clear criteria for appointing representatives to boards of CFSPs, including skills, experience and payment.

The role of senior management and elected members

6. In addition to the above, Corporate Executive Team (CET) and elected members need to ask some critical governance questions when considering use of a CFSP and when approving business cases for their use:

- ? Are we clear about our overall expectations of the CFSP?
- ? Do these expectations align with the Council's corporate priorities?
- ? How well do we understand the financial commitment and risks flowing from the decision to use the CFSP?
- ? How do we ensure that the governance arrangements in the CFSP are sound and that those with an active role receive adequate training and advice?
- ? How will we safeguard our interests, such as assets and other resources made available to the CFSP?
- ? How will we know how well the CFSP is doing, through our scrutiny of both operational and financial performance?

Council representation on CFSPs

7. The Council must consider very carefully the question of representation on CFSP boards or committees. For example, elected members or officers who become directors will assume personal responsibilities under the Companies Act and it is possible that conflicts of interest will arise for such members and officers between the company and the Council.
8. It is crucial for the Council to provide advice and guidance to elected members and officers on their responsibilities to the Council and the CFSP. In particular, they should be fully aware of their respective codes of conduct within the Council's Constitution, which state that they have a duty to act in the Council's interests as a whole but outline the impact of becoming a director or trustee of a CFSP where they must act in the interests of the CFSP.
9. One very important point to stress is that having elected members or senior managers on CFSP boards or committees does not constitute adequate monitoring. There must be systematic and regular monitoring of service and financial performance of CFSPs, with formal reports to the relevant Council committee.
10. In particular, Council representatives on CFSPs must:

- ↪ be aware of how well the CFSP is meeting the Council's corporate priorities;
- ↪ carry out scrutiny or management roles effectively, taking action on shortcomings or under-performance;
- ↪ be risk aware and satisfied that risks to the Council and the CFSP are identified and managed effectively;
- ↪ act quickly on potential conflicts of interest;
- ↪ take action to ensure that funding is withheld or reviewed, or the agreement terminated, particularly where services or public money are at risk;
- ↪ take action where the CFSP is not meeting its intended objectives, or where they diverge from the Council's corporate priorities;
- ↪ periodically review delivery arrangements to ensure that the CFSP makes best use of resources and that robust governance is in place; and
- ↪ take action to ensure that CFSPs are reviewed or wound up where they are no longer active or effective, or contribute to the Council's priorities.

Framework Summary

11. Under CFSP arrangements, delivery of a service becomes the responsibility of a separate organisation or group of organisations and the Council loses direct control over day-to-day management of the service; however, it remains accountable for how public money is spent and the quality of services delivered.
12. There are also on-going financial and reputational risks if things go wrong. In 'A Statement on the Role of the Finance Director in Local Government', CIPFA recognises that:

'the statutory role of the finance director does not stop at the boundaries of the local authority but extends into its partnerships, devolved arrangements, joint ventures and companies in which the authority has an interest'.

13. However, it is important that the level of monitoring introduced is commensurate with the risk involved, which is mainly linked to the level of funding provided and the impact that failure of the service would have on the Council's reputation and on the public. This Framework therefore uses a risk-based approach with two categories of CFSP based on the Council's financial commitment.
14. The following sections of this Framework provide further details on the arrangements required for each category. It should be noted that these categories apply where the CFSP is delivering a service on behalf of the Council, not where the Council is just making a contribution to an organisation.

Category 1 - Services delivered through Council grant or contribution, partnership working or transfer of service >£100k per year

Category 2 - Services delivered through Council grant or contribution, partnership working or transfer of service £10k-£100k per year

Category 1 Requirements

Services delivered through Council grant or contribution, partnership working or transfer of service > £100k per year

Set Up	Approval	Monitoring within relevant service	Reporting to elected members
<ul style="list-style-type: none"> •Business case (see Appendix 1) •Legal agreement, depending on type of arrangement (see Appendix 2) •Service level agreement (see Appendix 3) •Review of financial soundness to be carried out by central Finance. 	Cabinet decision	Quarterly <ul style="list-style-type: none"> •<i>Financial report</i> - financial accounts, performance against budgets, forecasts for the financial year. •<i>Operational performance report</i> - performance against the service level agreement, forecasts for the financial year. 	Half-yearly <ul style="list-style-type: none"> •Financial and operational performance report to Corporate Governance Committee
		Annually <ul style="list-style-type: none"> •<i>Forward plan</i> - financial and operational plan for the year ahead. •<i>Financial report (in addition to the above quarterly report)</i> - external auditor's report. •<i>Governance assessment</i> - self-assessment checklist to include equalities; sustainability; HR practices; data protection and handling; FOI principles; standards and behaviour; and arrangements for engaging citizens and service users. 	Annually <ul style="list-style-type: none"> •In addition to the above, an annual report on governance arrangements to the Corporate Governance Committee

Category 2 Requirements

Services delivered through Council grant or contribution, partnership working or transfer of service £10k–£100k per

Set Up	Approval	Monitoring within relevant service	Reporting to elected members
<ul style="list-style-type: none"> •Business case (see Appendix 1) •Legal agreement, depending on type of arrangement (see Appendix 2) •Service level agreement (see Appendix 3) 	Corporate Executive Team	<p>Half-yearly</p> <ul style="list-style-type: none"> •<i>Financial report</i> – financial accounts, performance against budgets, forecasts for the financial year. •<i>Operational performance report</i> - performance against the service level agreement, forecasts for the financial year. 	<p>Annually</p> <ul style="list-style-type: none"> •Financial and operational performance report to Corporate Governance Committee

year

Appendix 1 – Business Cases

15. The content of a business case will depend on the type of service that the CFSP is providing but should fundamentally follow the Council's business case process used for projects within Verto.
16. All business cases should include:
 - a description and scope of service that the CFSP will provide, including a proposed start date;
 - aims and objectives of the service that the CFSP will provide, linked to the Council's corporate priorities;
 - the Council's financial contribution to the CFSP;
 - monitoring arrangements and responsibilities of the CFSP's governance and performance;
 - circumstances for terminating the CFSP agreement;
 - an Equality Impact Assessment (if a change to service delivery);
 - an assessment of benefits of the new service delivery arrangements using the CFSP;
 - a financial and operational risk assessment of the CFSP arrangements;
 - a three-year financial budget and operational plan of the CFSP;
 - start-up costs of the CFSP arrangements;
 - HR implications of the CFSP arrangement e.g. TUPE;
 - the Council's recurring liabilities relating to the CFSP arrangements;
 - any EU and other procurement regulation implications of the CFSP arrangements;
 - elected member and/or officer representation on the CFSP;
 - options for service delivery that have been explored, including consultation;
 - contingency plan arrangements to ensure continued service delivery in the event of the CFSP's failure; and
 - arrangements for audit access to the CFSP personnel and records.

Appendix 2 – Legal Agreements

17. Legal Services will decide on the type of agreement that is needed, depending on the CFSP arrangements being put in place.
18. Legal arrangements should include:
 - the name of the CFSP;
 - a general statement of the CFSP's aims, objectives and goals;
 - a service level agreement (see Appendix 3);
 - the extent of the Council's financial commitment to the CFSP;
 - the nature of financial relationship between the Council and the CFSP e.g. loan, grant, shareholding;
 - criteria for making and receiving payments to and from the CFSP;
 - procedures to alert the Council should any problem arise between formal monitoring stages;
 - dispute resolution arrangements;
 - the Council's criteria and arrangements for terminating the funding agreement with the CFSP;
 - the Council's exit strategy from the CFSP;
 - the level of Council representation on the CFSP i.e. elected members and/or officers;
 - details of any transfer of Council assets to the CFSP and destination of such assets;
 - Council policies to be adhered to by the CFSP, e.g. procurement policy, HR policies, equal opportunities, data protection;
 - responsibility and accountability of the 'management committee' of the CFSP;
 - access to records and accounts of the CFSP by Council representatives and auditors;
 - procedures for the Council to obtain information in respect of complaints made to the CFSP; and
 - any other relevant information, e.g. insurance arrangements at the CFSP.

Appendix 3 – Service Level Agreements

19. A service level agreement is an important document that allows the Council to monitor the CFSP's financial and operational performance and should include:
- a general statement of the aims, objectives and goals of the CFSP;
 - reporting requirements of the CFSP to the Council, including information required, timescales, responsibilities etc.;
 - the Council's monitoring arrangements, responsibilities etc.;
 - arrangements and responsibilities for the CFSP notifying the Council of any financial, performance or governance issues arising between formal monitoring periods;
 - specific measurements of achievement of the above objectives, including targets, timescales etc.; and
 - requirement for the CFSP to maintain a financial and operational risk assessment on a regular basis.

Corporate Governance Committee Forward Work Programme

18 Nov 2015		Standing Items	
	1	Issues Referred by Scrutiny Committees	Scrutiny Coordinator / Rhian Evans
	2	Recent External Regulatory Reports Received	Head of Business, Planning and Performance / Alan Smith, Keith Amos
	3	Internal Audit Progress Report	Head of Internal Audit / Ivan Butler, Cllr Julian Thompson-Hill
	4	Feedback on Corporate Equality Meeting – verbal	
	5	Forward Work Programme	
		Reports	
	6	Budget Process 2016/17	Chief Finance Officer / Richard Weigh
Page 303	7	Corporate Governance Committee Self Evaluation Report	Head of Business, Planning and Performance / Alan Smith
	8	Corporate Risk Register	Strategic Planning Team Manager / Liz Grieve
	9	New Model Constitution Update	Head of Legal, HR and Democratic Services / Gary Williams
	10	Corporate Governance Committee – Terms of Reference Update	Head of Legal, HR and Democratic Services / Gary Williams
27 Jan 2016		Standing Items	
	1	Issues Referred by Scrutiny Committees	Scrutiny Coordinator / Rhian Evans
	2	Recent External Regulatory Reports Received	Head of Business, Planning and Performance / Alan Smith, Keith Amos
	3	Internal Audit Progress Report	Head of Internal Audit / Ivan Butler, Cllr Julian Thompson-Hill
	4	Feedback on Corporate Equality Meeting – verbal	
	5	Forward Work Programme	
		Reports	

Corporate Governance Committee Forward Work Programme

	6	Budget Process 2016/17	Chief Finance Officer / Richard Weigh
	7	Annual Improvement Report - Update	Chief Finance Officer / Richard Weigh
	8	Financial Resilience of Councils in Wales - Update	Chief Finance Officer / Richard Weigh
	9	Treasury Management Report	Chief Finance Officer / Richard Weigh
	10	Corporate Governance Committee Annual Report	Cllr Jason McLellan
23 Mar 2016		Standing Items	
	1	Issues Referred by Scrutiny Committees	Scrutiny Coordinator / Rhian Evans
	2	Recent External Regulatory Reports Received	Head of Business, Planning and Performance / Alan Smith, Keith Amos
	3	Internal Audit Progress Report	Head of Internal Audit / Ivan Butler, Cllr Julian Thompson-Hill
Page 304	4	Feedback on Corporate Equality Meeting – verbal	
	5	Forward Work Programme	
		Reports	
	6	Budget Process 2016/17	Chief Finance Officer / Richard Weigh
27 Apr 2016		Standing Items	
	1	Issues Referred by Scrutiny Committees	Scrutiny Coordinator / Rhian Evans
	2	Recent External Regulatory Reports Received	Head of Business, Planning and Performance / Alan Smith, Keith Amos
	3	Internal Audit Progress Report	Head of Internal Audit / Ivan Butler, Cllr Julian Thompson-Hill
	4	Feedback on Corporate Equality Meeting – verbal	
	5	Forward Work Programme	
		Reports	
	6	Budget Process 2016/17	Chief Finance Officer / Richard Weigh
	7	Internal Audit Annual Report	Head of Internal Audit / Ivan Butler

Corporate Governance Committee Forward Work Programme

	8	Internal Audit Annual Assurance Plan 2015/16	Head of Internal Audit / Ivan Butler
	9	Governance Improvement Plan and Draft Annual Governance Statement 2015/16	Head of Internal Audit / Ivan Butler
	10	Annual Financial Audit Outline of Accounts and Notification of the Certification of Accounts	Chief Finance Officer / Richard Weigh
15 June 2016		Standing Items	
	1	Issues Referred by Scrutiny Committees	Scrutiny Coordinator / Rhian Evans
	2	Recent External Regulatory Reports Received	Head of Business, Planning and Performance / Alan Smith, Keith Amos
	3	Internal Audit Progress Report	Head of Internal Audit / Ivan Butler, Cllr Julian Thompson-Hill
Page 305	4	Feedback on Corporate Equality Meeting – verbal	
	5	Forward Work Programme	
		Reports	
	6	Budget Process	Chief Finance Officer / Richard Weigh
13 July 2016		Standing Items	
	1	Issues Referred by Scrutiny Committees	Scrutiny Coordinator / Rhian Evans
	2	Recent External Regulatory Reports Received	Head of Business, Planning and Performance / Alan Smith, Keith Amos
	3	Internal Audit Progress Report	Head of Internal Audit / Ivan Butler, Cllr Julian Thompson-Hill
	4	Feedback on Corporate Equality Meeting – verbal	
	5	Forward Work Programme	
		Reports	
	6	Budget Process 2016/17	Chief Finance Officer / Richard Weigh
	7	Child Practice Review	Head of Children and Family Services /

Corporate Governance Committee Forward Work Programme

			Leighton Rees
	8	Draft Statement of Accounts	Chief Finance Officer / Richard Weigh
	9	WAO Annual Improvement Report 2015/16	Wales Audit Office
21 Sep 2016		Standing Items	
	1	Issues Referred by Scrutiny Committees	Scrutiny Coordinator / Rhian Evans
	2	Recent External Regulatory Reports Received	Head of Business, Planning and Performance / Alan Smith, Keith Amos
	3	Internal Audit Progress Report	Head of Internal Audit / Ivan Butler, Cllr Julian Thompson-Hill
	4	Feedback on Corporate Equality Meeting – verbal	
	5	Forward Work Programme	
Page 306	6	Treasury Management Annual Report	Chief Finance Officer / Richard Weigh
		Reports	
	6	Budget Process 2016/17	Chief Finance Officer / Richard Weigh

NB The exact date of publication of occasional reports by for example Wales Audit Office or Annual Reports by the Ombudsman are not presently known. They will be assigned a meeting date as soon as practicable.