

To: Members of the Corporate
Governance Committee

Date: 20 September 2017

Direct Dial: 01824706204

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Dear Councillor

You are invited to attend a meeting of the **CORPORATE GOVERNANCE COMMITTEE** to be held at **9.30 am** on **WEDNESDAY, 27 SEPTEMBER 2017** 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 (Pages 5 - 6)

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 7 - 14)

To receive the minutes of the Corporate Governance Committee meeting held on 27 July 2017 (copy enclosed).

5 AUDIT ENQUIRIES 2016/17 (Pages 15 - 34)

To consider a report by the Chief Accountant (copy enclosed) to introduce the Audit Enquiries Letter and the Council's response to those enquiries.

- 6 APPROVAL OF STATEMENT OF ACCOUNTS** (Pages 35 - 194)
To consider a report by the Chief Accountant (copy enclosed) on the Statement of Accounts 2016/17.
- 7 INTERNAL AUDIT UPDATE** (Pages 195 - 220)
To consider a report by the Chief Internal Auditor (copy enclosed) updating members on Internal Audit progress.
- 8 INTERNAL AUDIT CHARTER** (Pages 221 - 236)
To consider a report by the Chief Internal Auditor (copy enclosed) updating members on the Internal Audit Charter.
- 9 CORPORATE SAFEGUARDING PROGRESS REPORT**
To receive a verbal report by the Chief Internal Auditor and Head of Community Support Services on progress in implementing the action plan on Corporate Safeguarding.
- 10 LOGGERHEADS CAR PARK PROJECT** (Pages 237 - 246)
To consider a report by Head of Highways and Environmental Services (copy enclosed) reviewing the Loggerheads Car Park Project.
- 11 DOMICILIARY CARE SERVICES ACTIONS UPDATE** (Pages 247 - 250)
To receive an information report (copy enclosed) on updates made to address concerns raised following the CSSIW National Review of Domiciliary Care in Wales.
- 12 WALES AUDIT OFFICE'S PROGRAMME OF WORK** (Pages 251 - 260)
To receive an information report from Wales Audit Office (copy enclosed) which sets out the Planned programme of work for both WAO's financial audit and performance audit.
- 13 CORPORATE GOVERNANCE COMMITTEE WORK PROGRAMME** (Pages 261 - 264)
To consider the committee's forward work programme (copy enclosed).

MEMBERSHIP

Councillors

Mabon ap Gwynfor
Tony Flynn
Martyn Holland

Alan James
Barry Mellor
Joe Welch

Lay Member

Paul Whitham

COPIES TO:

All Councillors for information
Press and Libraries
Town and Community Councils

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LOCAL GOVERNMENT ACT 2000

Code of Conduct for Members

DISCLOSURE AND REGISTRATION OF INTERESTS

| | |
|--|------------------------------------|
| I, (<i>name</i>) | <input type="text"/> |
| a *member/co-opted member of <i>(*please delete as appropriate)</i> | Denbighshire County Council |
| CONFIRM that I have declared a *personal / personal and prejudicial interest not previously declared in accordance with the provisions of Part III of the Council's Code of Conduct for Members, in respect of the following:- <i>(*please delete as appropriate)</i> | |
| Date of Disclosure: | <input type="text"/> |
| Committee (<i>please specify</i>): | <input type="text"/> |
| Agenda Item No. | <input type="text"/> |
| Subject Matter: | <input type="text"/> |
| Nature of Interest: <i>(See the note below)*</i> | <input type="text"/> |
| Signed | <input type="text"/> |
| Date | <input type="text"/> |

*Note: Please provide sufficient detail e.g. 'I am the owner of land adjacent to the application for planning permission made by Mr Jones', or 'My husband / wife is an employee of the company which has made an application for financial assistance'.

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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 Thursday, 27 July 2017 at 9.30 am.

PRESENT

Councillors Mabon ap Gwynfor, Martyn Holland, Alan James and Barry Mellor.

Observer Councillor Emrys Wynne.

ALSO PRESENT

Legal Services Manager (LJ), Head of Finance (RW), Chief Accountant (SG) Chief Internal Auditor (LL), Senior Auditor (NW), Corporate Health and Safety Manager (GL), Business Information Team Manager (CB), Finance Officer (KO) and Committee Administrator (SJ).

Wales Audit Office Representatives – Gwilym Bury and Michelle Phoenix.

1 APOLOGIES

Apologies for absence were received from Councillors Tony Flynn and lay member Paul Whitham.

Apologies for absence were received from Councillor Julian Thompson-Hill in his role of Lead Member for Finance, Performance and Strategic Assets.

2 APPOINTMENT OF CHAIR

Nominations were sought for a Member to serve as the Committee's Chair for the ensuing year. Councillor Alan James nominated Councillor Barry Mellor, seconded by Councillor Martyn Holland. No other nominations were received and it was therefore;

RESOLVED that Councillor Barry Mellor be appointed as the Corporate Governance Committee's Chair for the ensuing year.

3 APPOINTMENT OF VICE CHAIR

Nominations were sought for a Member to serve as the Committee's Vice Chair for the ensuing year. Councillor Alan James nominated Councillor Martyn Holland, seconded by Councillor Mabon ap Gwynfor. No other nominations were received and it was therefore;

RESOLVED that Councillor Martyn Holland be appointed as the Corporate Governance Committee's Vice Chair for the ensuing year.

4 DECLARATION OF INTERESTS

Councillors Mabon ap Gwynfor, Martyn Holland and Barry Mellor declared personal interests in agenda item 8 as they were school Governors.

5 URGENT MATTERS

No urgent matters were raised.

6 MINUTES

The minutes of the meeting of the Corporate Governance Committee held on 22 March 2017 were submitted.

***RESOLVED** that the minutes of the meeting held on the 22 March 2017 be received and approved as a correct record.*

7 WALES AUDIT OFFICE ANNUAL IMPROVEMENT REPORT

The Wales Audit Office representative (GB) introduced the report (previously circulated) and explained its contents. He explained the report had been created to summarise audit work by the Wales Audit Office (WAO) including studies on Governance, Information Management and the use of resources. The report was overall very positive about the Council with no significant recommendation for change. Six proposals for improvement were included in the report which the WAO representative expanded on.

The report which was seen at full Council was received by members and agreed that the proposals for improvement be monitored. The Chair thanked the WAO for their hard work.

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

8 CORPORATE HEALTH AND SAFETY ANNUAL REPORT

The Corporate Health and Safety Manager (CHSM) presented the Annual Health and Safety report (previously circulated) providing members with an update on the Health and Safety management within the Council from the perspective of the Corporate Health and Safety team.

The CHSM guided members through the report advising it provided an annual summary of issues identified and discussed over the last year. During consideration of the report the following matter was discussed in more depth-

Accident Statistics-

Statistics for the past year show the same number of RIDDOE reportable incidents as the year before. The CHSM explained this was a pleasing statistic. There was no trend found in relation to incidents reported.

The CHSM informed members of the legal requirement to report incidents, but some minor incidents could be reported on a local level, which the Health and Safety team would not investigate.

Monitoring within schools had changed with areas of education such as design technology being carefully monitored. In-house training had been provided to staff and the CHSM was happy of the level of training for staff in schools.

Members of the Committee thanked the CHSM for the report and the detail involved in making the report comprehensible. The Chair thanked the Health and Safety team for their hard work.

RESOLVED that the Corporate Governance Committee receive the report, note its contents and endorse the Corporate Health and Safety team Work plan for 2017/18.

9 DRAFT STATEMENT OF ACCOUNTS 2016/2017

A report by the Chief Accountant (CA), which provided an overview of the draft Statement of Accounts 2016/17 and the process underpinning it, had been circulated previously.

The Council had a statutory duty to produce a Statement of Accounts that compiled with approved accounting standards. The audited had to be formally approved by members on behalf of the Council and this role has been delegated to Corporate Governance Committee. The draft accounts had been finalised and signed by the Head of Finance on the 13th June. The draft accounts had been made available for audit as required and would be open to public inspection from 10th July to the 7th August 2017.

The Chief Accountant provided a detailed summary of Appendix 1, Statement of Account 2016/17 the following areas were discussed.

Schools- The CA explained to members 2016/17 had been a difficult year for schools. Changes to pensions had caused issues. Careful monitoring of schools was adhered to, with support given to schools where funds were negative to regain surplus funds.

Social care- Reserve funds had been used during 2016/17 so pressure for Social care to replenish reserve funds was a pressure.

Council Tax- An assessment of Council tax to predict income over the next year was established. The Head of Finance informed members as a County we had a high percentage of Council tax collection.

Following in-depth discussions the committee wanted to thank the Head of Finance, Chief Accountant and team for the work they had completed to deadlines and offered thanks for the detailed response to questions presented.

The CA encouraged members if they had any further questions or queries regarding the report to contact him direct. He informed the committee the Statement of Accounts was a key element of the Council's Government framework and it was important to provide an assurance that the accounts had been produced in

compliance with the relevant standards. The final audited accounts would be presented to the Corporate Governance Committee for approval at the 27th September committee meeting.

RESOLVED that the Corporate Governance Committee receive the report and notes the position as presented in the draft accounts appendix 1 to the report.

10 ANNUAL TREASURY MANAGEMENT REPORT

A report by the Head of Finance had been circulated previously. The Head of Finance (HOF) AND Chief Accountant (CA) provided a detailed summary of the report and appendices 1 and 2.

The term 'Treasury Management' includes the management of the Council's borrowing, investments and cash flow. Approximately £0.5 bn passed through the Council's bank accounts every year, and the Council's outstanding borrowing at 31 March 2017 was £184.73m at an average rate of 4.94% and the Council held £1.2m in investments at an average rate of 0.14%.

The Head of Finance explained to the Committee how risky Treasury Management was but the Council was monitoring and controlling these risks. The latest internal audit review had been positive with no significant issues raised.

The following responses were provided to issues raised by members of the committee-

- The total amount of borrowing included debt over 10years old. The loan portfolio is monitored and were feasible any debts are paid off, with additional loans being taken out at the opportune time.
- Work would continue to monitor treasury management and be reported to Corporate Governance Committee.

The Chair thanked the Finance department for the report and time invested in monitoring treasury management.

RESOLVED that the Corporate Governance receives the report and notes

- The performance of the Council's Treasury Management function during 2016/17, and its compliance with required prudential indicators as reported in the Annual Treasury Management Report 2016/17, appendix 1 to the report.*
- The Committee confirmed it had read, understood and taken into account the well being assessment.*

11 ANNUAL SIRO REPORT

A report by the Head of Business improvement and modernisation had been previously circulated. The Business information Team Manager (BITM) gave apologies on behalf of the Head of Business improvement and modernisation and presented the report to the Committee.

The report covered the period April 2016 to March 2017, detailed breaches of the data protection act by the Council which had been subject to investigation by the Senior Information Risk Officer (SIRO). It covered complaints about the Council relating to Freedom of Information legislation which had been referred to the Office

of the Information Commissioner (ICO) and provided information about Access to Information/ Freedom of Information requests made to the Council.

There had been no significant breaches of the Data Protection Act in the Council during the 2016/17 year. There had been a total of 5 instances of less serious incidents, details of the breaches was explained by the BITM to members. Of the five incidents one was reported to the ICO but no action was deemed necessary by the ICO. As a consequence of the outcomes of the ICO's investigation there had been recommendations to develop a formal policy on staff removing client information/ data out of the office. The Committee was informed this policy recommendation was in the process of being created and implemented.

A summary of Freedom of information (FOI) AND Environmental Information Regulation (EIR) requests had been included in the report. Table 1 provided details of the numbered completed requests for 2014/15 to 2016/17. The FOI and EIR requests were concentrated on specific areas predominately business related or from individuals. The most frequent over the last 12 months had been incorporated in a table in appendix 1. The BITM confirmed that managing FOI and EIR requests continued to present a resource cost to the Council.

In response to questions from members regarding the number of individual FOI and EIR requests the BITM confirmed individuals who submit requests where information is readily available on the internet are directed to the relevant information. If a number of requests were made regarding a particular piece of information, where possible this would be made available for the public to access.

RESOLVED that the Corporate Governance Committee receive the report and note its contents.

12 INTERNAL AUDIT PROGRESS REPORT

The Chief Internal Auditor (CIA) introduced the report (previously circulated) updating members on the Internal Audit progress in terms of its service delivery, assurance provision, reviews completed, performance and effectiveness in driving improvement.

The report provided information on work carried out by Internal Audit since the last committee meeting. It allowed the committee to monitor Internal Audits performance and progress as well as providing summaries of Internal Audits reports.

The CIA guided members through the reports which provided an update as at the end of June 2017 on –

- Internal audit reports recently issued
- Follow up of previous Internal Audit reports
- Progress on Internal Audit work to date in 2017/18
- A summary of upcoming Internal Audit projects
- Internal Audit performance Standards

The following matters were raised during debate-

- Concern regarding the number of outstanding issues – the CIA explained these were being monitored and work was being done to resolve.

- The upcoming projects the Internal Audit had scheduled was received by the Committee and praised.

The CIA added the Internal Audit Progress report was a standing item for Corporate Governance Committee to receive. To allow Internal Audit work and reports to be monitored and debated upon. The CIA was pleased with the performance of the Internal Audit to Date.

RESOLVED that the Corporate Governance Committee receive the update report and note its contents.

13 FLEET MANAGEMENT

The Chief Internal Auditor (CIA) introduced the report (previously circulated) which provided an update on progress in implementing the Action Plan that accompanied the Internal Audit Report on Corporate Fleet Management in October 2015.

The CIA presented the report which provided information on how the Council was implementing improvements in fleet management. The Internal Audit follow up action plan appendix 1 indicated progress had been made with implementing the issues and risks identified by Internal Audit.

Of the 13 issues raised in the original Audit in 2015, 11 had been successfully resolved, which included developing a new transport policy and improvement to Health and Safety driver checks. Work was still underway to resolve the outstanding 2 issues. The CIA was confident these would be resolved and was satisfied with the progress to date.

In reply to concerns raised regarding controls of fuel stocks and fuel cards the CIA explained work was being done to monitor fuel cards and declarations being made by drivers for fobs to be used for business use only. The CIA informed the committee the fleet master system now held more valuable information that was easily available and monitored.

RESOLVED that the report be received by the Corporate Governance Committee and its contents noted.

14 INTERNAL AUDIT ANNUAL REPORT

The Chief Internal Auditor (CIA) introduced the report (previously circulated) which provided details of the Internal Audit Annual Report for 2016/17. It provided the overall opinion on the adequacy and effectiveness of the Council's framework of governance, risk and control during the year which informed the 'Annual Governance Statement'.

The CIA referred to the 27 audit reports completed during the year and confirmed that only 1 audit review had been identified in the low assurance category. The CIA reassured the Committee the 'Parking Services' report that had received the low assurance was being monitored by internal audit. Councillor Mabon ap Gwynfor asked that information regarding the major issue raised within the 'Corporate

Priority Assurance: Developing the Local Economy' report be circulated to members and the update from any audit reviews completed regrading this report.

RESOLVED that,

(i) the Chief Internal Audit's Annual Report and overall 'opinion' be received and noted, and

(ii) an update of any follow up work in relation to the 1 low assurance report be circulated to members.

15 ANNUAL GOVERNANCE STATEMENT REPORT

A report by the Chief Internal Auditor (CIA), which provided the self- assessment report on the Council's governance and improvement arrangements for 2017/17 had been circulated previously.

The annual governance and improvement statement 2016/17 included a self- assessment of the Council's governance arrangements and displayed areas of improvement during the previous financial year. It highlighted any weaknesses in an action plan which the committee would monitor to ensure implementation of improvements. The CIA informed members that no significant issues had been raised this year, continued monitoring and updates would continue in the upcoming year.

RESOLVED that the Corporate Governance Committee receives the report and reviewed its contents.

16 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 amendment of the following report:-

29 November 2017:-

Information Management and IT Management in Schools rescheduled from 27 September 2017.

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

The meeting concluded at 11.40 a.m.

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Report To: Corporate Governance Committee

Date of Meeting: 27 September 2017

Lead Member / Officer: Councillor Julian Thompson-Hill / Richard Weigh, Head of Finance

Report Author: Steve Gadd, Chief Accountant

Title: **Audit Enquiries 2016/17**

1. What is the report about?

To introduce the Audit Enquiries Letter and the Council's response to those enquiries.

2. What is the reason for making this report?

Wales Audit Office (WAO), as DCC's appointed external auditors, have a duty to obtain evidence of how management and those charged with governance (in DCC this is the Corporate Governance Committee) are discharging their responsibilities for preventing and detecting fraud. The letter setting out the requirements and the details of the responses are included as **Appendix 1**.

3. What are the Recommendations?

That the Chair of the Corporate Governance Committee formally confirms the responses included in Appendix 1 to this report.

4. Report details

The details of the responses of both management (Richard Weigh, Head of Finance) and Corporate Governance Committee (Cllr Barry Mellor, Chair of CGC) are set out in Appendix 1. In summary the responses set out the Council's approach to the following areas of governance:

- Management processes in place to identify and mitigate against the risk of fraud.
- Awareness of any actual or alleged instances of fraud.
- Processes to gain assurance that all relevant laws and regulations have been complied with.
- Whether there is any potential litigation or claims that would affect the financial statements.
- Processes to identify, authorise, approve, account for and disclose related party transactions and relationships.

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

The annual external audit process 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 Well-being Impact Assessment?**
It is the professional judgement of the Section 151 Officer that a Well-being Impact Assessment is not required for this report.
- 8. What consultations have been carried out with Scrutiny and others?**
Wales Audit Office sought responses from Richard Weigh as Head of Finance and Section 151 Officer and Cllr Barry Mellor as Chair of the Corporate Governance Committee.
- 9. Chief Finance Officer Statement**
It is important that the Council discharges its responsibility for preventing and detecting fraud in all aspects of its work. The assurances sought by WAO in relation to fraud form a useful check to ensure that there are appropriate processes in place to identify and mitigate against the risk of fraud.
- 10. What risks are there and is there anything we can do to reduce them?**
The risk is that fraud could lead to the misappropriation of the Council's assets or the manipulation or misstatement of the financial statements. The responses from management and the Corporate Governance Committee help demonstrate that there are processes in place for identifying and responding to the risk of fraud and that adequate internal controls are in place to mitigate those risks.
- 11. Power to make the Decision**
The International Standard for Auditing (UK and Ireland) 240 (ISA 240) sets out that the primary responsibility for preventing and detecting fraud rests with both management and 'those charged with governance', which for DCC is the Corporate Governance Committee. The ISA 240 also sets out the requirement for external audit to obtain an understanding of how the Council discharges its responsibilities.

Mr Richard Weigh – Chief Accountant
Mr Jason McClellan – Chair of the Corporate Governance Committee
Via email

| | |
|------------------|---------------|
| Reference | AV/MJP/DCC |
| Date | 23 March 2017 |
| Pages | 1 of 16 |

Dear Richard and Councillor McClellan

Denbighshire County Council 2016/17

Audit enquiries to those charged with governance and management

In my 2017 Audit Plan, I note that I am responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. I also set out the respective responsibilities of auditors, management and those charged with governance.

This letter formally seeks documented consideration and understanding on a number of governance areas that impact on my audit of your financial statements. These considerations are relevant to both the management of the Council's management and 'those charged with governance' (the Corporate Governance Committee).

I have set out below the areas of governance on which I am seeking views.

1. Management processes in relation to:
 - undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud;
 - identifying and responding to risks of fraud in the organisation;
 - communication to employees of views on business practice and ethical behaviour; and
 - communication to those charged with governance the processes for identifying and responding to fraud.
2. Management's awareness of any actual or alleged instances of fraud.
3. How management gain assurance that all relevant laws and regulations have been complied with.

4. Whether there is any potential litigation or claims that would affect the financial statements.
5. Management processes to identify, authorise, approve, account for and disclose related party transactions and relationships.

The information you provide will inform our understanding of the Council and its business processes and support our work in providing an audit opinion on your 2016-17 financial statements.

I would be grateful if you could complete the attached table in [Appendix 1](#). For information purposes this table also includes the responses provided in 2015-16.

Your responses should be formally considered and communicated to us on behalf of both management and those charged with governance. If you have queries, please contact Michelle Phoenix on 07966 073281 or by e-mail at michelle.phoenix@audit.wales .

Yours sincerely

Anthony Veale
Engagement Director

Cc: Gary Williams - Head of Legal, HR and Democratic Services

Appendix 1

International Standard for Auditing (UK and Ireland) 240 – The auditor’s responsibilities relating to fraud in an audit of financial statements

Background

Under the ISA, the primary responsibility for preventing and detecting fraud rests with both management and ‘those charged with governance’, which for the Denbighshire County Council (the Council) is the Corporate Governance Committee. This includes fraud that could impact on the accuracy of the annual accounts. The ISA requires us, as external auditors, to obtain an understanding of how the Corporate Governance Committee exercises oversight of management’s processes for identifying and responding to the risks of fraud and the internal controls established to mitigate them.

What is ‘fraud’ in the context of the ISA?

The ISA views fraud as either:

- the intentional misappropriation of the COUNCIL’s assets (cash, property, etc); or
- the intentional manipulation or misstatement of the financial statements.

What are we required to do?

We have to obtain evidence of how management and those charged with governance are discharging their responsibilities if we are to properly discharge our responsibilities under ISA240. We are therefore making requests from both management and the Corporate Governance Committee:

| Enquiries of management | | |
|---|---|-----------------------------------|
| Question | 2015-16 Response | 2016-17 Response |
| 1. What is management’s assessment of the risk that the financial statements may be materially misstated due to | <ul style="list-style-type: none"> • Checks and balances in place within Finance and financial systems | Low risk – reasons set out below: |

Enquiries of management

| Question | 2015-16 Response | 2016-17 Response |
|--|--|---|
| <p>fraud and what are the principal reasons?</p> | <ul style="list-style-type: none"> • Financial systems subject to annual internal audit reviews • Segregation of duties built into systems and procedures • Bank reconciliation process separate from other activity • Monthly closedown processes and robust budget monitoring and reporting • Well defined procurement processes – contract procedure rules • Delegation schemes and approval processes built into ordering and payment systems • Expenditure approval processes linked to the above – thresholds set within delegation schemes • Tight controls over journal processing • Treasury management policies and | <ul style="list-style-type: none"> • Checks and balances in place within Finance and financial systems • All entries and notes within the published statements are subject to a tight control and checking process • Financial systems subject to annual internal audit reviews • Segregation of duties built into systems and procedures • Bank reconciliation process separate from other activity • Monthly closedown processes and robust budget monitoring and reporting • Well defined procurement processes – contract procedure rules • Delegation schemes and approval processes built into ordering and payment systems • Expenditure approval processes |

| Enquiries of management | | |
|---|---|---|
| Question | 2015-16 Response | 2016-17 Response |
| | <p>procedures well established with clear segregation built into the investment and payment processes</p> <ul style="list-style-type: none"> • Minimal cash transactions • Professionally qualified and experienced staff • National Fraud Initiative (NFI) participation | <p>linked to the above – thresholds set within delegation schemes</p> <ul style="list-style-type: none"> • Tight controls over journal processing • Treasury management policies and procedures well established with clear segregation built into the investment and payment processes • Minimal cash transactions • Professionally qualified and experienced staff • National Fraud Initiative (NFI) participation |
| <p>2. How can management assure the Corporate Governance Committee that it has not been inappropriately influenced by external pressures?</p> | <p>No specific financial outturn targets set by Welsh Government or other stakeholders. In addition, the following comments and processes support the assurance:</p> <ul style="list-style-type: none"> • Financial pressures and savings managed through the budget setting and monitoring procedures • Monthly reporting to Cabinet | <p>No specific financial outturn targets set by Welsh Government or other stakeholders. In addition, the following comments and processes support the assurance:</p> <ul style="list-style-type: none"> • Financial pressures and savings managed through the budget setting and monitoring procedures • Detailed monthly financial reporting |

| Enquiries of management | | |
|-------------------------|---|--|
| Question | 2015-16 Response | 2016-17 Response |
| | <ul style="list-style-type: none"> • Budget setting procedures specifically refer to savings plans included in the budget • Council must set an annual balanced budget • Annual reporting on level of reserves – through MTFP and annual accounts. In addition, all in-year transfers to or from reserves are reported to Cabinet • No specific financial targets set by outside bodies • Compliance with constitution and financial regulations • Reporting of related party details annually in the Statement of Accounts | <p>to Cabinet</p> <ul style="list-style-type: none"> • Budget setting procedures specifically refer to savings plans included in the budget • Council must set an annual balanced budget • Annual reporting on level of reserves – through MTFP and annual accounts. In addition, all in-year transfers to or from reserves are reported to Cabinet • No specific financial targets set by outside bodies • Compliance with constitution and financial regulations • Reporting of related party details annually in the Statement of Accounts • Assessment process (Strategic Investment Group) in place to test and approve capital investment |

| Enquiries of management | | |
|---|---|--|
| Question | 2015-16 Response | 2016-17 Response |
| | | recommendations/decisions |
| 3. Are management aware of any organisational pressure to meet revenue and capital budgets or other financial constraints? | <ul style="list-style-type: none"> • Management are aware of organisational pressures to meet budgets due to the financial constraints • Refer to points made in 2 above. • Management are regularly updated on the budget process and Medium Term Financial Plan through SLT and CET. | <ul style="list-style-type: none"> • Management are aware of organisational pressures to meet budgets due to the financial constraints • Refer to points made in 2 above. • Management are regularly updated on the budget process and Medium Term Financial Plan through SLT and CET. |
| 4. What processes are employed to identify and respond to the risks of fraud more generally and specific risks of misstatement in the financial statements? | <p>The Council has the following procedures in place, a number of which have been updated recently:</p> <ul style="list-style-type: none"> • Anti-fraud & corruption policy • Investigation procedures • Whistle-blowing policy • IA programme of work based on risk assessment • IA projects consider potential for | <p>The Council has the following procedures in place and these are kept under regular review:</p> <ul style="list-style-type: none"> • Anti-fraud & corruption policy • Investigation procedures • Whistle-blowing policy • IA programme of work based on risk assessment • IA projects consider potential for |

| Enquiries of management | | |
|--|--|--|
| Question | 2015-16 Response | 2016-17 Response |
| | <p>fraud and carry out appropriate tests</p> <ul style="list-style-type: none"> • Horizon scanning by the Head of Internal Audit to identify trends in frauds to develop a corporate fraud plan for 2015/16 • Financial systems reviews include annual data interrogation of payroll and creditor payments records • Systems and procedures/ checks and balances in Finance • Reporting benefit and CT fraud • National Fraud Initiative data matching and resulting investigations | <p>fraud and carry out appropriate tests</p> <ul style="list-style-type: none"> • Horizon scanning by the Head of Internal Audit to identify trends in frauds to develop a corporate fraud plan • Financial systems reviews include annual data interrogation of payroll and creditor payments records • Systems and procedures/ checks and balances in Finance • Reporting benefit and CT fraud • National Fraud Initiative data matching and resulting investigations |
| <p>5. How has management communicated expectations of ethical governance and standards of conduct and behaviour to all relevant parties, and when?</p> | <p>Management has communicated expectations in respect of ethical governance and standards of conduct and behaviour via:</p> <ul style="list-style-type: none"> • References in the Constitution • Financial Regulations (recently updated) | <p>Management has communicated expectations in respect of ethical governance and standards of conduct and behaviour via:</p> <ul style="list-style-type: none"> • References in the Constitution • Financial Regulations • Code of conduct (members and staff) |

| Enquiries of management | | |
|--|---|--|
| Question | 2015-16 Response | 2016-17 Response |
| | <ul style="list-style-type: none"> • Code of conduct (members and staff) • Declaration of interests/related part declaration • Policies and procedures, financial procedures • Some services have specific codes of confidentiality / declarations of interest | <ul style="list-style-type: none"> • Declaration of interests/related party declaration • Policies and procedures, financial procedures • Some services have specific codes of confidentiality / declarations of interest |
| <p>6. What arrangements are in place to report about fraud to those charged with governance?</p> | <ul style="list-style-type: none"> • Requirement to report to Head of Internal Audit and Section 151 Officer in Financial Regulations and Disciplinary • Corporate Governance Committee's terms of reference include requirement for annual report on fraud work • Internal Audit reports will raise issues as appropriate or escalate them for further formal investigation • Issues would also be raised in the | <ul style="list-style-type: none"> • Requirement to report to Head of Internal Audit and Section 151 Officer in Financial Regulations and Disciplinary procedures • Corporate Governance Committee's terms of reference include requirement for annual report on fraud work • Internal Audit reports will raise issues as appropriate or escalate them for further formal investigation • Issues would also be raised in the |

| Enquiries of management | | |
|-------------------------|--|--|
| Question | 2015-16 Response | 2016-17 Response |
| | Annual Governance Statements if they identified a particular governance weakness | Annual Governance Statements if they identified a particular governance weakness |

Enquiries of the Corporate Governance Committee

| Question | 2015-16 Response | 2016-17 Response |
|--|---|--|
| 1. How does the Corporate Governance Committee, in its role as those charged with governance, exercise oversight of management's processes for identifying and responding to the risks of fraud within the Council and the internal control that management has established to mitigate those risks? | <p>The Corporate Governance Committee reviews policies in relation to fraud and whistle blowing and receive updates / reviews as appropriate.</p> <p>Specific instances of fraud would be reported to the Corporate Governance Committee either as part of the regular Internal Audit Progress Reports or as stand-alone items.</p> <p>Control weaknesses are reported to the Committee throughout the year and Members are able to call Officers to the Committee for explanations / assurances.</p> | <p>The Corporate Governance Committee reviews policies in relation to fraud and whistle blowing and receives updates / reviews as appropriate.</p> <p>Specific instances of fraud would be reported to the Corporate Governance Committee either as part of the regular Internal Audit Progress Reports or as stand-alone items.</p> <p>Control weaknesses are reported to the Committee throughout the year as part of the feedback from internal and external audit reviews and Members are able to call Officers to the Committee for explanations / assurances.</p> |
| 2. Has the Corporate Governance Committee knowledge of any actual, suspected or alleged fraud since 1 April 2016? | No issues of any actual or suspected fraud have been reported to the Corporate Governance Committee during the 2015-16 financial year. | No issues of any actual or suspected fraud have been reported to the Corporate Governance Committee during the 2016-17 financial year. |
| 3. Has the Corporate Governance Committee any suspicion that fraud may be occurring within the organisation? | Any issues in respect of fraud would normally be investigated by Internal Audit and reported to the Corporate Governance Committee as part of their normal reporting procedures. | Any issues in respect of fraud would normally be investigated by Internal Audit and reported to the Corporate Governance Committee as part of their normal reporting |

| Enquiries of the Corporate Governance Committee | | |
|---|--|--|
| Question | 2015-16 Response | 2016-17 Response |
| | | procedures. |
| 4. Is the Corporate Governance Committee satisfied that internal controls, including segregation of duties, exist and work effectively? If 'yes', please provide details. If 'no' what are the risk areas? | The Committee receive regular reports on the effectiveness of internal controls which would include reference to segregation of duties if appropriate. | The Committee receive regular reports on the effectiveness of internal controls which would include reference to segregation of duties if appropriate. |
| 5. How do you encourage staff to report their concerns about fraud and what concerns about fraud are staff expected to report? | A policy framework is in place in defining the roles and responsibilities of all staff in relation to fraud. In addition, in 2015-16 policies on Financial Regulations and Whistleblowing have been revised. | A policy framework is in place in defining the roles and responsibilities of all staff in relation to fraud. |
| 6. From a fraud and corruption perspective, what are considered by the Corporate Governance Committee to be high risk posts within the organisation and how are the risks relating to these posts identified, assessed and managed? | All posts have potential risks due to the nature of the Council's business. Although some posts will have specific risks such as access to bank accounts, cash receipting and contract awards. In this respect, the Council has specific controls in place for such posts which covers areas such as segregation of duties and specific levels of authorisation. | All posts have potential risks due to the nature of the Council's business. Although some posts will have specific risks such as access to bank accounts, cash receipting and contract awards. In this respect, the Council has specific controls in place for such posts which covers areas such as segregation of duties and specific levels of authorisation. |
| 7. Is the Corporate Governance Committee aware of any related party relationships or transactions that could | The Committee receive notification of related party relationships as part of the approval of the statement of accounts | The Committee receive notification of |

| Enquiries of the Corporate Governance Committee | | |
|---|--|--|
| Question | 2015-16 Response | 2016-17 Response |
| give rise to instances of fraud and how does the Corporate Governance Committee mitigate the risks associated with fraud related to related party relationships and transactions? | process. Any specific instances of fraud or suspected fraud in this respect would be reported under a separate report. | related party relationships as part of the approval of the statement of accounts |
| 8. Is the Corporate Governance Committee aware of any entries made in the accounting records of the organisation that it believes or suspects are false or intentionally misleading?- | The Committee is not aware of any entries made in the accounting records of the organisation that it believes or suspects are false or intentionally misleading. | The Committee is not aware of any entries made in the accounting records of the organisation that it believes or suspects are false or intentionally misleading. |
| 9. Is the Corporate Governance Committee aware of any organisational, or management pressure to meet revenue and capital budgets or other financial constraints? | The Committee is aware of the financial constraints faced by the Council. The Committee received regular budget update reports throughout the year which provides details of the level of savings that the Council is required to make and the plans as to how these savings will be achieved. | The Committee is aware of the financial constraints faced by the Council. The Committee received regular budget update reports throughout the year which provides details of the level of savings that the Council is required to make and the plans as to how these savings will be achieved. |

International Standard for Auditing (UK and Ireland) 250 – Consideration of laws and regulations in an audit of financial statements Background

Under the ISA, in the UK and Ireland, the primary responsibility for ensuring that the entity's operations are conducted in accordance with laws and regulations and the responsibility for the prevention and detection of non-compliance rests with management and 'those charged with governance', which for the Council is the Corporate Governance Committee. The ISA requires us, as external auditors, to obtain an understanding of how the Committee gains assurance that all relevant laws and regulations have been complied with.

What are we required to do?

We have to obtain evidence of how management and those charged with governance are discharging their responsibilities, if we are to properly discharge our responsibilities under ISA 250. We are therefore making requests from both management and the Corporate Governance Committee:

Enquiries of management

| Question | 2015-16 Response | 2016-17 Response |
|--|---|---|
| 1. How have you gained assurance that all relevant laws and regulations have been complied with? | <p>Senior officers are professionally qualified and are required to keep up to date with legislative and regulatory changes</p> <p>Committee reports make specific reference to the legislation in respect of the powers to make decisions.</p> <p>Reporting protocols require consultation with the S151 Officer and the Monitoring Officer.</p> | <p>Senior officers are professionally qualified and are required to keep up to date with legislative and regulatory changes</p> <p>Committee reports make specific reference to the legislation in respect of the powers to make decisions.</p> <p>Reporting protocols require consultation with the S151 Officer and the Monitoring Officer.</p> |
| 2. Are there any potential litigations or claims that would affect the financial statements? | <p>This is reviewed as part of the final accounts closedown process. The Finance Department would liaise with the Legal Department to discuss any outstanding litigation and the financial impact thereon.</p> <p>Any financial impact would be considered as part of the Statement of Accounts process.</p> | <p>This is reviewed as part of the final accounts closedown process. The Finance Department would liaise with the Legal Department to discuss any outstanding litigation and the financial impact thereon.</p> <p>Any financial impact would be considered as part of the Statement of Accounts process.</p> |

Enquiries of the Corporate Governance Committee

| Question | 2015-16 Response | 2016-17 Response |
|----------|------------------|------------------|
|----------|------------------|------------------|

Enquiries of the Corporate Governance Committee

| Question | 2015-16 Response | 2016-17 Response |
|--|---|---|
| 1. How does the Corporate Governance Committee, in its role as those charged with governance, exercise oversight of management's processes to ensure that all relevant laws and regulations have been complied with? | The Corporate Governance Committee receive regular Internal Audit Progress Reports which includes control weaknesses identified in the Council's processes and procedures. Members of the Committee are able to call Officers to the Committee for explanations / assurances. | The Corporate Governance Committee receive regular Internal Audit Progress Reports which includes control weaknesses identified in the Council's processes and procedures. Members of the Committee are able to call Officers to the Committee for explanations / assurances. |
| 2. Is the Corporate Governance Committee aware of any non-compliance with relevant laws and regulations? | No. The CGC is not aware of any non-compliance with relevant laws and regulations. Any such instances would be reported to the Committee. | No. The CGC is not aware of any non-compliance with relevant laws and regulations. Any such instances would be reported to the Committee. |
| 3. If there have been instances of non-compliance what are they, and what oversight has the Corporate Governance Committee had to ensure that action taken by management to address and gaps in control? | There have been no instances of non-compliance. | There have been no instances of non-compliance. |

International Standard for Auditing (UK and Ireland) 550 – Related parties

Background

The nature of related party relationships and transactions may, in some circumstances, give rise to higher risks of material misstatement of the financial statements than transactions with unrelated parties. For example:

- Related parties may operate through an extensive and complex range of relationships and structures, with a corresponding increase in the complexity of related party transactions.
- Information systems may be ineffective at identifying or summarising transactions and outstanding balances between an entity and its related parties.

- Related party transactions may not be conducted under normal market terms and conditions; for example, some related party transactions may be conducted with no exchange of consideration.

Because related parties are not independent of each other, many financial reporting frameworks establish specific accounting and disclosure requirements for related party relationships, transactions and balances to enable users of the financial statements to understand their nature and actual or potential effects on the financial statements. An understanding of the entity's related party relationships and transactions is relevant to the auditor's evaluation of whether one or more fraud risk factors are present as required by ISA (UK and Ireland) 240, because fraud may be more easily committed through related parties.

What are we required to do?

Where the applicable financial reporting framework establishes requirements for related parties, the auditor has a responsibility to perform audit procedures to identify, assess and respond to the risks of material misstatement arising from the entity's failure to appropriately account for or disclose related party relationships, transactions or balances in accordance with the requirements of the framework. We are therefore making requests from both management and the Corporate Governance Committee:

| Enquiries of management | | |
|---|--|--|
| Question | 2015-16 Response | 2016-17 Response |
| 1. What controls are in place to identify, authorise, approve, account for and disclose related party transactions and relationships? | <ul style="list-style-type: none"> • Declaration of interest forms and related party disclosure forms • Disclosures included within the statement of accounts (all reviewed by the Chief Accountant and Head of Finance) • Draft accounts reviewed by the CGC | <ul style="list-style-type: none"> • Declaration of interest forms and related party disclosure forms • Disclosures included within the statement of accounts (all reviewed by the Chief Accountant and Head of Finance) • Draft accounts reviewed by the CGC |

| | | |
|--|--|---|
| | <ul style="list-style-type: none"> • Policies and procedures previously outlined in respect of authorisation of any expenditure | Policies and procedures previously outlined in respect of authorisation of any expenditure |
| <p>2. Confirm that you have:</p> <ul style="list-style-type: none"> • disclosed to the auditor the identity of the entity's related parties and all the related party relationships and transactions of which you are aware; and • appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the framework. | The Statement of Accounts discloses the identity of related parties and is compliant with the requirements of the CIPFA code of accounting practice. | The Statement of Accounts discloses the identity of related parties and is compliant with the requirements of the CIPFA code of accounting practice |

Enquiries of the Corporate Governance Committee

| Question | 2015-16 Response | 2016-17 Response |
|---|--|--|
| <p>1. How does the Corporate Governance Committee, in its role as those charged with governance, exercise oversight of management's processes to identify, authorise, approve, account for and disclose related party transaction sand relationships?</p> | <p>The Corporate Governance Committee receive the Statement of Accounts and seek assurances from officers regarding their accuracy. Members are able to challenge / query any aspect of the statement of accounts.</p> | <p>The Corporate Governance Committee receive the Statement of Accounts and seek assurances from officers regarding their accuracy. Members are able to challenge / query any aspect of the statement of accounts.</p> |

| | |
|-------------------------------|--|
| Report To: | Corporate Governance Committee |
| Date of Meeting: | 27 September 2017 |
| Lead Member / Officer: | Councillor Julian Thompson-Hill / Richard Weigh, Head of Finance |
| Report Author: | Steve Gadd, Chief Accountant |
| Title: | Approval of the Statement of Accounts 2016/17 |

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 2016/17 were approved, subject to audit, by the Head of Finance on 13 June 2017. The draft accounts were presented to Corporate Governance Committee on 19 July 2017 and were open to public inspection from 10 July to 4 August.

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 2016/17 accounts in compliance with the Code.

The accounts include an unqualified audit opinion and audit certificate. Wales Audit Office will update the Committee if there are any new issues to report on.

3. What are the Recommendations?

That elected members approve the Statement of Accounts 2015/16 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 Well-being Impact Assessment?

It is the professional judgement of the Section 151 Officer that a Well-being Impact Assessment is not required for this report.

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

Wales Audit Office has worked closely with the Finance team to ensure the timely and successful finalisation of the audit. Professional opinions are drawn from numerous other disciplines beyond finance, such as legal, property valuation, HR and pensions.

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.

It is also pleasing that the draft accounts were prepared and ready for audit two days before the earlier deadline of 15 June which will be the statutory deadline for the 2018/19 Statement of Accounts. Work will continue to bring the completion date forward in order that the Council is in a position to meet the deadline of 31 May for the 2020/21 set of accounts.

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

Local authorities are required under Section 151 of the Local Government Act 1972 to make arrangements for the proper administration of their financial affairs. The Appointed Auditor is required by the Public Audit (Wales) Act 2004 to examine and certify the accounts of the council and must be satisfied that the accounts have been completed in compliance with the Accounts and Audit (Wales) Regulations 2005. The Accounts & Audit Regulations require that the audited accounts are approved by 30 September.

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STATEMENT OF ACCOUNTS 2016/17

Denbighshire County Council
Statement of Accounts
2016/17

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Introduction

Denbighshire County Council is a Welsh unitary authority with a population of around 95,000. The County of Denbighshire covers an area that runs from the North Wales coastal resorts of Rhyl and Prestatyn down through the Vale of Clwyd, south as far as Corwen and the popular tourist town of Llangollen. Along the way, it takes in the historic towns of Rhuddlan, Denbigh and Ruthin, each with its own castle, and the tiny cathedral city of St. Asaph. 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, PO Box 62, Ruthin, LL15 9AZ. 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.

Following the "Telling the Story" review of the presentation of local authority financial statements the CIPFA Code of Practice on Local Authority Accounting 2016/17 (the Code) has changed the segmental reporting arrangements for the Comprehensive Income & Expenditure Statement (CI&ES) and introduced the Expenditure and Funding Analysis. Both the CI&ES and the Expenditure and Funding Analysis include a segmental analysis based on how the Council is structured, operates, monitors and manages financial performance. Previously the Council reported the cost of individual services in the CI&ES in accordance with the format specified in the Service Reporting Code of Practice (SeRCOP). The 2015/16 comparative data of the segmental section of the CI&ES has been restated and 2015/16 comparative year data provided for the Expenditure and Funding Analysis. There has been no impact on the Balance Sheet information as a result of these changes.

The Statement of Accounts contains the following sections:

Section 1- Narrative Report

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

Section 2 - Statement of Responsibilities

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

Section 3 - Main Financial Statements and Notes to the Accounts

The 2016 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 2017. 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.

Expenditure and Funding Analysis

This shows how annual expenditure is used and funded from resources in comparison with those resources consumed or earned in accordance with generally accepted accounting practices.

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 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 and Improvement Statement

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

Section 7 – Glossary

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

Section 1: Narrative Report

1.1 Review Of The Year – Revenue Expenditure

The Council sets a revenue budget each year. This is a budget for services it will provide in the year and that will be paid for by service users, Welsh Government Grants and Council Tax and Business Rate payers. For 2016/17, this gross expenditure budget was £285.3m. After budgeted use of General Balances, savings of £5.2m were required and successfully identified to achieve a balanced budget. The Council delivered revenue budgets savings of £3.6m during 2016/17 which was 70% of the budgeted level of savings with 25% of savings (£1.3m) anticipated to be achieved during 2017/18. The council has identified budget savings of £22.5m in the last four years and is likely to have to make savings of over £16m in the next three years.

By the end of the year, the Council had spent £2.2m more than it budgeted for on services and corporate budgets, however £2.6m of this figure related to schools' in year overspend which is part funded through the use of school balances, with the remainder carried forward as deficit balances.

This has been a difficult year for school finances due to the higher than usual inflationary pressures, however investment in school budgets in 2017/18 more than funds ongoing inflation increases and the Council has worked closely with schools in order to produce robust 3 year financial plans and it is therefore expected that the financial position for most schools will be consolidated during the coming months.

Service requests to carry forward underspends amounting to £0.414m were approved by Cabinet in June. The funds will be used to help mitigate against known pressures and provide funds for service investment.

Balances, Provisions and Reserves

The net contribution from earmarked reserves within the accounts is £2.6m (see Note 23 for details). The movement includes the net reduction of schools balances and the budgeted and planned use of reserves for purposes such as funding the capital plan. However it also includes the maintenance of specific reserves to help fund specific pressures in social care and to help mitigate the effects of budget reductions in future years.

The Council's general balances now stand at £7.1m. 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 during 2016/17 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.

Further details on services' financial performance can be found in the Final Outturn Report presented to Cabinet on the 6th June 2017 (Agenda Item 8 - [Denbighshire County Council - Agenda for Cabinet on Tuesday, 6 June 2017, 10.00 am](#)). However the table below shows the final revenue position as reported and approved by Cabinet in June 2017.

| | Final Revenue Outturn Report £000 |
|--|--|
| Service and Corporate Budgets | |
| Business Improvement & Modernisation | 4,436 |
| Legal, HR & Democratic Services | 2,396 |
| Facilities, Assets & Housing | 6,302 |
| Highways & Environmental Services | 17,352 |
| Planning & Public Protection | 2,795 |
| Community Support Services | 31,279 |
| Finance | 2,864 |
| Education & Children's Service | 14,131 |
| Customers, Communication & Marketing | 2,928 |
| Schools | 67,608 |
| Corporate | 18,019 |
| Total Service and Corporate Budgets | 170,110 |
| Other | |
| Capital Finance / Investment Interest | 13,214 |
| Levies | 4,364 |
| Total Expenditure (excludes HRA) | 187,688 |
| Less Funding | (185,484) |
| Final Outturn | 2,204 |
| Contribution (to)/from Reserves and General Balances Reported to Members: | |
| Allocated as follows: | |
| Earmarked Balances – Services | (414) |
| School Balances | 2,618 |
| Total | 2,204 |

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 2016/17 and how the expenditure was funded:

| Expenditure | £000 |
|--|---------------|
| Legal, HR & Democratic Services | 62 |
| Facilities, Assets & Housing | 5,933 |
| Highways & Environmental Services | 6,214 |
| Planning & Public Protection | 3,221 |
| Community Support Services | 582 |
| Customers, Communication and Marketing | 12 |
| Business Improvement & Modernisation | 887 |
| Education and Children's Services | 18,072 |
| Housing Revenue Account | 7,981 |
| Total | 42,964 |
| Funding | |
| Grants | 15,452 |
| Supported Borrowing | 4,167 |
| Prudential Borrowing | 14,528 |
| Capital Receipts | 551 |
| Capital Expenditure charged against the Council Fund | 8,266 |
| Total | 42,964 |

Expenditure on major Projects undertaken during the year includes:

| Project | Description | 2016/17 £000 |
|---|---|-------------------------|
| Rhyl | Coastal Defence Works, Rhyl Golf Club | 742 |
| Loggerheads County Park | Car Park Extension | 313 |
| Rhyl | Waterfront Development | 3,517 |
| Rhyl, Queen Street | Property Acquisitions/Demolition Works | 697 |
| Denbigh Leisure Centre | Refurbishment of Pool Hall | 347 |
| Bodnant Community School, Prestatyn | 21st Century Schools – Extension and Refurbishment Works | 905 |
| Ysgol Glan Clwyd, St Asaph | 21st Century Schools – Extension, Remodel and Refurbishment Works | 10,717 |
| Rhyl | 21st Century Schools – New School | 2,009 |
| Rhos Street and Ysgol Penbarras, Ruthin | 21st Century Schools – New Schools | 2,368 |
| Rhyl, Russell House | Improvements to accommodate relocation from Brighton Road Offices | 411 |
| Council Housing | Major Improvements/Acquisitions | 6,123 |
| Council Housing | Disabled Adaptations | 350 |
| Denbigh, Middle Lane | Extra Care Facility | 290 |

1.3 Other Issues

Pensions

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

International accounting standards require that councils account for the cost of pension entitlements earned in the year, rather than the cost of the contributions paid to the pension fund. The pension fund 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. Returns on investments are impacted by the wider national and international economic environment and taken with 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 Pension Fund is subject to a triennial valuation and the estimates contained in the accounts are based on the latest full valuation of the scheme as at 31 March 2016. The notes to the accounts show further details.

Housing Stock Business Plan

The council owns 3,411 council dwellings – known as the housing stock. Since 2005, the council has invested approximately £70m in improving its housing stock and achieved the Welsh Housing Quality Standard in 2014. Part of this investment has been funded through borrowing and the council has a detailed 30-year Housing Stock Business Plan which helps to ensure that the investment in the council's houses remains affordable and sustainable in the long term. The Housing Stock Business Plan is regularly reviewed and formally approved by the council's cabinet every year and it remains financially strong.

The council has to account for income and expenditure on its housing stock separately from other activities and this is called the Housing Revenue Account (HRA). All Housing Revenue Accounts in Wales were subject to a national subsidy system which meant that surplus rent income had to be paid back to the UK Government. The subsidy system ended in Wales on 2 April 2015 with all 11 Local Housing Authorities 'buying themselves' out of the system. For Denbighshire County Council this entailed a capital payment of £40m, funded through borrowing. The ending of the subsidy systems means that the council retains more rental income locally which allows capacity for additional investment in the housing stock and offers the possibility to increase the size of the stock in the coming years. The latest Housing Stock Business Plan allows for investment of £20m in new stock over the coming five years.

Borrowing & Investments

The Council's strategy in 2016/17 has continued to be one of keeping borrowing and investment balances as low as possible through use of temporary cash surpluses but to maintain a sufficient level of cash. Investment balances are continually monitored with the aim of maintaining sufficient levels to meet the Council's cash flow requirements. The council's treasury position is reported to the Corporate Governance Committee throughout the year. The Council's outstanding debt at 31 March 2017 was £184.7m and investment balances were £1.2m.

Accounting Policies & International Financial Reporting Standards (IFRS)

The Accounting Policies are detailed fully in Note 1 to the accounts. This is the seventh 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 2016/17.

The Corporate Plan 2012-2017

During 2016/17 the Council continued its commitment to delivering an ambitious Corporate Plan which aims to deliver investment of over £92m in schools, social care facilities and roads. 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 2016/17, individual projects within the Corporate Plan continued to be delivered, including investment in highways and schools. Significant projects completed during the year included a new high school in Rhyl, an extension to Ysgol Glan Clwyd in St. Asaph and the extension and refurbishment of Bodnant Community School in Prestatyn. Expenditure on Corporate Plan projects was £19.7m in 2016/17. While the current five-year Plan runs to 2017, it was always envisaged that some of the major investment projects within it would be delivered over a longer timeframe – therefore planned investment of £58m will roll forward into the next two years. These projects include schools in the Ruthin area and a new faith school in Rhyl.

Looking Ahead

A new council was elected in May 2017. It will determine its priorities and set them out in a new Corporate Plan to be delivered over the next five years.

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 hard decisions will have to be taken to ensure the Council lives within its means and continues to deliver its priorities.

However, the council's record of delivery in identifying and achieving savings while managing reserves and balances carefully results in a high degree of confidence that the council will continue to deliver effective services while providing some investment in the new Corporate Plan during this challenging period.

Reform of local government in Wales remains on the national agenda but proposals are not yet finalised. The integration of some social care and health provision across the region will progress during 2017/18 and is likely to develop further in future years.

Full details of the Council's budget for 2017/18 including details of service budgets, the Housing Revenue Account and Capital budgets can be found in the Budget Summary document which was presented and approved by Cabinet in June 2017 as part of the Finance Report – Appendix 1 (link: Agenda for Cabinet on Tuesday, 6 June 2017, 10.00am - , <https://moderngov.denbighshire.gov.uk/ieListDocuments.aspx?CId=281&MId=5411&LLL=0>).

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 proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

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

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

The Chief Financial Officer has also:

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

Certificate: Chief Financial Officer

I certify that the accounts presented give a true and fair view of the financial position of Denbighshire County Council at the reporting date and its income and expenditure for the year ended 31 March 2017.

SignedDate

Richard Weigh
Chief Financial Officer (Section 151 Officer)

Section 3: Financial
Statements and Notes
To The Accounts
2016/17

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Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

| | Final Outturn Report (Management Accounts) | Technical adjustments to Management Accounts | Net Expenditure Chargeable to the Council Fund and HRA Balances | Adjustments between the Funding and Accounting Basis | Net Expenditure in the Comprehensive Income and Expenditure Statement |
|---|---|--|---|--|---|
| 2016/17 | £000 | £000 | £000 | £000 | £000 |
| Customers, Communication & Marketing | 2,928 | (213) | 2,715 | 293 | 3,008 |
| Education & Children's Services | 14,131 | (791) | 13,340 | 27 | 13,367 |
| Schools | 67,608 | (335) | 67,273 | 12,067 | 79,340 |
| Business Improvement & Modernisation | 4,436 | 578 | 5,014 | 150 | 5,164 |
| Legal, HR & Democratic Services | 2,396 | 3 | 2,399 | (56) | 2,343 |
| Corporate & Miscellaneous | 18,019 | (3,723) | 14,296 | (355) | 13,941 |
| Facilities, Assets & Housing | 6,302 | (102) | 6,200 | 2,577 | 8,777 |
| Finance | 2,864 | (2) | 2,862 | (35) | 2,827 |
| Highways & Environment | 17,352 | (628) | 16,724 | 6,576 | 23,300 |
| Planning & Public Protection | 2,795 | 350 | 3,145 | 1,678 | 4,823 |
| Community Support Services | 31,279 | 425 | 31,704 | 123 | 31,827 |
| Local Authority Housing (HRA) | 0 | (5,813) | (5,813) | 2,547 | (3,266) |
| HRA Settlement Payment | 0 | 0 | 0 | 0 | 0 |
| PFI Termination Payment | 0 | 0 | 0 | 0 | 0 |
| Net Cost of Services | 170,110 | (10,251) | 159,859 | 25,592 | 185,451 |
| Other Income and Expenditure | 0 | (155,990) | (155,990) | (23,768) | (179,758) |
| (Surplus) or Deficit | 170,110 | (166,241) | 3,869 | 1,824 | 5,693 |
| Opening Council Fund & HRA Balance | | | (43,175) | | |
| Less/Plus (Surplus) or Deficit on Council Fund & HRA Balance in Year | | | 3,869 | | |
| Closing Council Fund and HRA Balance at 31 March* | | | (39,306) | | |

*For a split of this balance between the Council Fund and the HRA Balance – see the Movement in Reserves Statement

| 2015/16 | Final Outturn Report (Management Accounts) £000 | Technical adjustments to Management Accounts £000 | Net Expenditure Chargeable to the Council Fund and HRA Balances £000 | Adjustments between the Funding and Accounting Basis £000 | Net Expenditure in the Comprehensive Income and Expenditure Statement £000 |
|---|---|---|---|--|--|
| Customers, Communication & Marketing | 2,815 | 242 | 3,057 | 235 | 3,292 |
| Education & Children's Services | 14,186 | (711) | 13,475 | 121 | 13,596 |
| Schools | 65,701 | (92) | 65,609 | 8,164 | 73,773 |
| Business Improvement & Modernisation | 3,710 | 286 | 3,996 | 349 | 4,345 |
| Legal, HR & Democratic Services | 2,411 | 104 | 2,515 | 21 | 2,536 |
| Corporate & Miscellaneous | 16,220 | (1,811) | 14,409 | 1,476 | 15,885 |
| Facilities, Assets & Housing | 8,048 | (2,076) | 5,972 | 7,086 | 13,058 |
| Finance | 2,531 | 61 | 2,592 | (8) | 2,584 |
| Highways & Environment | 17,419 | (468) | 16,951 | 7,078 | 24,029 |
| Planning & Public Protection | 3,041 | 15 | 3,056 | (157) | 2,899 |
| Community Support Services | 31,755 | 516 | 32,271 | 132 | 32,403 |
| Local Authority Housing (HRA) | 0 | (6,696) | (6,696) | 12,935 | 6,239 |
| HRA Settlement Payment | 0 | 0 | 0 | 40,045 | 40,045 |
| PFI Termination Payment | 0 | 7,433 | 7,433 | 0 | 7,433 |
| Net Cost of Services | 167,837 | (3,197) | 164,640 | 77,477 | 242,117 |
| Other Income and Expenditure | 0 | (149,140) | (149,140) | (23,015) | (172,155) |
| (Surplus) or Deficit | 167,837 | (152,337) | 15,500 | 54,462 | 69,962 |
| Opening Council Fund & HRA Balance | | | (58,675) | | |
| Less/Plus Surplus or Deficit on Council Fund & HRA Balance in Year | | | 15,500 | | |
| Closing Council Fund and HRA Balance at 31 March* | | | (43,175) | | |

*For a split of this balance between the Council Fund and the HRA Balance – see the Movement in Reserves Statement

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 or rents. Authorities raise taxation and rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

| 2015/16 Re-stated | | | | 2016/17 | | |
|---------------------------|----------------------|-------------------------|--------------------------------------|---------------------------|----------------------|-------------------------|
| Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 | | Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 |
| 3,449 | (157) | 3,292 | Customers, Communication & Marketing | 3,197 | (189) | 3,008 |
| 24,744 | (11,148) | 13,596 | Education & Childrens' Services | 24,913 | (11,546) | 13,367 |
| 83,261 | (9,488) | 73,773 | Schools | 87,780 | (8,440) | 79,340 |
| 4,813 | (468) | 4,345 | Business Improvement & Modernisation | 5,398 | (234) | 5,164 |
| 2,964 | (428) | 2,536 | Legal, HR & Democratic Services | 2,737 | (394) | 2,343 |
| 52,600 | (36,715) | 15,885 | Corporate & Miscellaneous | 49,655 | (35,714) | 13,941 |
| 23,609 | (10,551) | 13,058 | Facilities, Assets & Housing | 18,963 | (10,186) | 8,777 |
| 4,900 | (2,316) | 2,584 | Finance | 4,304 | (1,477) | 2,827 |
| 34,288 | (10,259) | 24,029 | Highways & Environment | 34,589 | (11,289) | 23,300 |
| 9,741 | (6,842) | 2,899 | Planning & Public Protection | 9,651 | (4,828) | 4,823 |
| 52,315 | (19,912) | 32,403 | Community Support Services | 52,145 | (20,318) | 31,827 |
| 19,631 | (13,392) | 6,239 | Local Authority Housing (HRA) | 10,505 | (13,771) | (3,266) |
| 40,045 | 0 | 40,045 | HRA Settlement Payment* | 0 | 0 | 0 |
| 7,433 | 0 | 7,433 | PFI Termination Payment** | 0 | 0 | 0 |
| 363,793 | (121,676) | 242,117 | Cost of Services | 303,837 | (118,386) | 185,451 |

| 2015/16 Re-stated | | | | 2016/17 | | |
|---------------------------|----------------------|-------------------------|---|---------------------------|----------------------|-------------------------|
| Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 | | Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 |
| 16,189 | (21) | 16,168 | Other Operating Expenditure (Note 10) | 16,565 | (40) | 16,525 |
| 21,675 | (553) | 21,122 | Financing and Investment Income and Expenditure (Note 11) | 16,987 | (577) | 16,410 |
| 0 | (209,445) | (209,445) | Taxation and non-specific grant income (Note 12) | 0 | (212,693) | (212,693) |
| 401,657 | (331,695) | 69,962 | (Surplus) or Deficit on Provision of Services | 337,389 | (331,696) | 5,693 |
| | | (25,126) | (Surplus) or Deficit on revaluation of property, plant and equipment assets | | | (11,289) |
| | | 4,960 | Impairment losses on non-current assets charged to the Revaluation Reserve | | | 7,510 |
| | | (23,053) | Remeasurement of the net defined benefit liability/(asset) | | | 62,251 |
| | | (43,219) | Other Comprehensive Income & Expenditure | | | 58,472 |
| | | 26,743 | Total Comprehensive Income and Expenditure | | | 64,165 |

*On 2 April 2015 the Council made a one-off payment of £40,045k to the Government to buy itself out of the subsidy system

**During 2015/16 the Council made a compensation payment to their PFI counterparty following agreement to terminate the PFI arrangement for the provision of civic and office accommodation.

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 2016 | | (8,752) | (31,819) | (2,604) | (2,228) | (1,576) | (46,979) | (36,703) | (83,682) |
| Movement in reserves during 2016/17 | | | | | | | | | |
| (Surplus) or deficit on the provision of services | CI & ES | 7,916 | | (2,223) | | | 5,693 | | 5,693 |
| Other Comprehensive Income & Expenditure | CI & ES | | | | | | | 58,472 | 58,472 |
| Total Comprehensive Income & Expenditure | | 7,916 | 0 | (2,223) | 0 | 0 | 5,693 | 58,472 | 64,165 |
| Adjustments between accounting basis & funding basis under regulations | 9 | (3,961) | | 2,137 | (2,618) | (2,231) | (6,673) | 6,673 | 0 |
| Net Increase/Decrease before Transfers to Earmarked Reserves | | 3,955 | 0 | (86) | (2,618) | (2,231) | (980) | 65,145 | 64,165 |
| Transfers to/from Earmarked Reserves | 23 | (2,752) | 2,609 | 143 | | | 0 | | 0 |
| Increase/Decrease in 2016/17 | | 1,203 | 2,609 | 57 | (2,618) | (2,231) | (980) | 65,145 | 64,165 |
| Balance at 31 March 2017 | | (7,549) | (29,210) | (2,547) | (4,846) | (3,807) | (47,959) | 28,442 | (19,517) |

| | Note | Revenue Reserves | | | Capital Reserves | | Total Usable Reserves £000 | Unusable Reserves £000 | Total Authority Reserves £000 |
|--|---------|------------------------------|----------------------------|---------------------------------|----------------------------------|----------------------------------|-------------------------------|---------------------------|----------------------------------|
| | | Council Fund Balance £000 | Earmarked Reserves £000 | Housing Revenue Account £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied £000 | | | |
| Balance at 31 March 2015 | | (9,154) | (47,669) | (1,852) | (3,015) | (1,635) | (63,325) | (47,100) | (110,425) |
| Movement in reserves during 2015/16 | | | | | | | | | |
| (Surplus) or deficit on the provision of services | CI & ES | 22,498 | | 47,464 | | | 69,962 | | 69,962 |
| Other Comprehensive Income & Expenditure | CI & ES | | | | | | | (43,219) | (43,219) |
| Total Comprehensive Income & Expenditure | | 22,498 | 0 | 47,464 | 0 | 0 | 69,962 | (43,219) | 26,743 |
| Adjustments between accounting basis & funding basis under regulations | 9 | (6,150) | | (48,312) | 787 | 59 | (53,616) | 53,616 | |
| Net Increase/Decrease before Transfers to Earmarked Reserves | | 16,348 | 0 | (848) | 787 | 59 | 16,346 | 10,397 | 26,743 |
| Transfers to/from Earmarked Reserves | 23 | (15,946) | 15,850 | 96 | | | 0 | | 0 |
| Increase/Decrease in 2015/16 | | 402 | 15,850 | (752) | 787 | 59 | 16,346 | 10,397 | 26,743 |
| Balance at 31 March 2016 | | (8,752) | (31,819) | (2,604) | (2,228) | (1,576) | (46,979) | (36,703) | (83,682) |

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 2016 £000 | | Note | 31 March 2017 £000 | 31 March 2017 £000 |
|-----------------------|---|------|-----------------------|-----------------------|
| 100,283 | <i>Council Dwellings</i> | | 103,619 | |
| 226,507 | <i>Other Land & Buildings</i> | | 226,748 | |
| 6,853 | <i>Vehicles, Plant, Furniture & Equipment</i> | | 7,809 | |
| 117,782 | <i>Infrastructure</i> | | 118,352 | |
| 2,489 | <i>Community Assets</i> | | 2,489 | |
| 5,093 | <i>Assets Under Construction</i> | | 5,621 | |
| 1,432 | <i>Surplus Assets not Held for Sale</i> | | 5,549 | |
| 460,439 | Property, Plant & Equipment | 15 | 470,187 | |
| 8,968 | Heritage Assets | 42 | 8,912 | |
| 7,599 | Investment Property | 16 | 7,360 | |
| 1 | Long Term Investments | 17 | 1 | |
| 770 | Long Term Debtors | 17 | 721 | |
| 477,777 | Long Term Assets | | | 487,181 |
| 5,013 | Short Term Investments | 17 | 0 | |
| 2,740 | Assets Held for Sale (<1yr) | 20 | 3,305 | |
| 1,168 | Inventories | | 1,136 | |
| 18,331 | Short Term Debtors | 18 | 21,245 | |
| 6,592 | Cash and Cash Equivalents | 19 | 839 | |
| 33,844 | Current Assets | | | 26,525 |
| (6,968) | Short Term Borrowing | 17 | (6,058) | |
| (21,741) | Short Term Creditors | 21 | (24,606) | |
| (571) | Provisions | 22 | (342) | |
| (2,384) | Provision for Accumulated Absences | 22 | (3,134) | |
| (1,168) | Revenue Grants Receipts in Advance | 34 | (1,976) | |
| (1,877) | Capital Grants Received in Advance | 34 | (2,008) | |
| (34,709) | Current Liabilities | | | (38,124) |

| 31 March 2016 £000 | | Note | 31 March 2017 £000 | 31 March 2017 £000 |
|-----------------------|--|------|-----------------------|-----------------------|
| (1,429) | Long Term Creditors | 17 | (2,340) | |
| (422) | Provisions | 22 | (248) | |
| (183,991) | Long Term Borrowing | 17 | (179,618) | |
| (207,388) | Other Long Term Liabilities | 25 | (273,859) | |
| (393,230) | Long Term Liabilities | | | (456,065) |
| 83,682 | Net Assets | | | 19,517 |
| (8,752) | Council Fund | 24 | (7,549) | |
| (31,819) | Earmarked Reserves | 23 | (29,210) | |
| (2,604) | Housing Revenue Account | 24 | (2,547) | |
| (2,228) | Capital Receipts Reserve | 24 | (4,846) | |
| (1,576) | Capital Grants Unapplied | 24 | (3,807) | |
| (46,979) | Usable Reserves | | | (47,959) |
| (94,101) | Revaluation Reserve | | (92,672) | |
| 207,388 | Pensions Reserve | | 273,859 | |
| (152,732) | Capital Adjustment Account | | (156,236) | |
| 358 | Financial Instruments Adjustment Account | | 357 | |
| 2,384 | Short Term Accumulating Compensated Absences Account | | 3,134 | |
| (36,703) | Unusable Reserves | 25 | | 28,442 |
| (83,682) | Total Reserves | | | (19,517) |

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.

| 2015/16 £000 | | Note | 2016/17 £000 |
|-----------------|---|------|-----------------|
| 69,962 | Net (surplus) or deficit on the provision of services | | 5,693 |
| (83,871) | Adjustments to net (surplus) or deficit on the provision of services for non-cash movements | | (24,171) |
| 1,083 | Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities | | 3,897 |
| (12,826) | Net cash flows from Operating Activities | 26 | (14,581) |
| 44,996 | Investing Activities | 27 | 17,350 |
| (36,389) | Financing Activities | 28 | 2,984 |
| (4,219) | Net (increase) or decrease in cash and cash equivalents | | 5,753 |
| 2,373 | Cash and cash equivalents at the beginning of the reporting period | | 6,592 |
| 4,219 | Increase/(Decrease) in Cash | | (5,753) |
| 6,592 | Cash and cash equivalents at the end of the reporting period | 19 | 839 |

Notes to the Accounts

1. Accounting Policies

i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2016/17 financial year and its position at the year-end of 31 March 2017. 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 2016/17' (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's presentation of the accounts complies with the adoption of International Financial Reporting Standards (IFRS). The Main Statements comprise:

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

ii. Accounting for Local Authority Schools

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

iii. Accruals of Income and Expenditure

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

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

iv. Cash and Cash Equivalents

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

v. Charges to Revenue for Non-Current Assets

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

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

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

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

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

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service line in the Comprehensive Income and Expenditure Statement at the earlier of when the authority can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the Council Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required

to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

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

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
- The Local Government Pensions Scheme, administered by Flintshire County Council.

Both schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

The Local Government Pension Scheme

The Local Government Pension 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 2.5%.
- The assets of Clwyd Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unitised securities – current bid price
 - property – market value.
- The change in the net pensions liability is analysed into the following components:

Service cost comprising:

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- past service cost – the increase in liabilities arising from current year decisions the effect of which relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Corporate & Miscellaneous

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

Remeasurements comprising:

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- contributions paid to the Clwyd Pension Fund – cash paid as employer's contributions to the pension fund

In relation to retirement benefits, statutory provisions require the Council Fund Balance to be charged with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the Council Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

vii. Events after the Reporting Period

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

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

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

viii. Fair Value Measurement

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

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

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

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

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

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

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

ix. Financial Instruments**Financial Liabilities**

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

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

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase

has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

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

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

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

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

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

Soft Loans

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

x. Government Grants and Contributions

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

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

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

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

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

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

The Council's Heritage Assets are held at a number of sites, including Rhyl Museum (within Rhyl Library). Nantclwyd-y-Dre, Ruthin Gaol & Plas Newydd have permanent collections and the buildings themselves are also treated as Heritage assets. All sites (except Nantclwyd-y-Dre) are accredited under the Arts Council of England Museums Accreditation scheme. A scheduled monument, Castell Dinas Bran is also located within Denbighshire.

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

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

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

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

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

xii. Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

A de-minimis expenditure level of £30k has been set for investment properties, below which expenditure will not be subject to capital accounting requirements. Where an asset is revalued below £30k, any associated expenditure and depreciation will normally be written out and the asset removed from the Fixed Asset Register.

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.

xiii. Joint Operations

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

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

xiv. Leases

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

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

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

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset on the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line

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

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

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

xv. 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.

xvi. 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.

xvii. 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.

A de-minimis expenditure level of £30k has been set for property, plant and equipment, below which expenditure will not be subject to capital accounting requirements. Where an asset is revalued below £30k, any associated expenditure and depreciation will normally be written out and the asset removed from the Fixed Asset Register.

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

Subsequent revaluations of non-current assets are planned as part of a continuous assessment in order that all assets are revalued within five years of their previous valuation, although material changes to asset valuation will be adjusted in the interim period as they occur. 100% of the Council dwellings were revalued during 2016/17. 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

It is Council policy that where a material item of property, plant and equipment has major components whose cost is significant in relation to the total costs of the item, the components are depreciated separately; the requirements are applicable to enhancement expenditure incurred, acquisition expenditure incurred, and revaluations carried out. A de minimis materiality level of £2.5m of the value of the asset has been set, below which individual items of property, plant and equipment will not be considered for componentisation; significant components will be deemed as those whose current cost is 20% or more of the total current cost of the asset, and categorised as follows based on significance, useful life and depreciation method:

- Superstructure and Substructure
- Internal Finishes and Fittings
- Services

Land is identified as a separate component in its own right.

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 previous 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.

xviii. Provisions**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.

xix. 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.

xx. 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.

xxi. VAT

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

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

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code), the Council is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued but not yet adopted by the Code.

The 2017 Code introduces changes in relation to the Pension Fund Accounts. These accounts are prepared by the administering body, which in the case of this authority, is Flintshire County Council. Consequently, there is no impact of these changes on the 2016/17 accounts for Denbighshire County Council.

3. Critical Judgements in Applying Accounting Policies

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

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

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

The Statement of Accounts contains some estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be different from the assumptions and estimates. It is likely that the use of estimates when, for example, calculating accruals and service recharges will increase over the coming years due to the need to comply with the Welsh Government's proposals to bring forward the timetable for publishing the statements of accounts of local authorities, to bring them into line with other parts of the public sector. There has not, however, been a need for any significant increase in use of estimates in the current Statement of Accounts.

The items in the Council's Balance Sheet at 31 March 2017 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 £470,187k and further information is contained within Note 15.

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 £273,859k. Detailed information is contained within Notes 25, 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 2017 was £3,134k and is detailed in Note 25.

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 any changes such as economic climate and further changes to the welfare system mean that the allowances may need to be reviewed next year.

At 31 March 2017 the Council had a sundry debtor balance of £6,696k. A review of this balance suggested a specific bad debts provision of £1,015k and a general bad debts provision of £598k was appropriate. The Council Tax arrears were £2,432k with a bad debts provision of £1,491k. National Non-Domestic Rates arrears were £556k with a bad debts provision of £207k. Housing Benefit Overpayments had arrears of £1,552k with a bad debts provision of £776k. The figures for Housing Rents are shown in Housing Revenue Account Note 2.

5. Material Items of Income and Expense

There were no material items of income or expense in the financial year 2016/17.

6. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Chief Finance Officer in June 2017. 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 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

7. Note to the Expenditure and Funding Analysis

| Adjustments between Funding and Accounting Basis 2016/17 | | | | |
|---|--|--|--|------------------------------|
| Adjustments from Council Fund to arrive at the Comprehensive Income and Expenditure Statement amounts | Adjustments for Capital Purposes (Note 1) £000 | Net change for the Pension Adjustments (Note 2) £000 | Other Differences (Note 3) £000 | Total Adjustments £000 |
| Customers, Communication & Marketing | 331 | (47) | 9 | 293 |
| Education & Children's Services | 199 | (201) | 29 | 27 |
| Schools | 12,693 | (1,204) | 578 | 12,067 |
| Business Improvement & Modernisation | 230 | (79) | (1) | 150 |
| Legal, HR & Democratic Services | 4 | (60) | 0 | (56) |
| Corporate & Miscellaneous | 522 | (878) | 1 | (355) |
| Facilities, Assets & Housing | 2,727 | (238) | 88 | 2,577 |
| Finance | 0 | (46) | 11 | (35) |
| Highways & Environment | 6,789 | (206) | (7) | 6,576 |
| Planning & Public Protection | 1,768 | (100) | 10 | 1,678 |
| Community Support Service | 434 | (350) | 39 | 123 |
| Local Authority Housing (HRA) | 2,609 | (56) | (6) | 2,547 |
| Net Cost of Services | 28,306 | (3,465) | 751 | 25,592 |
| Other income and expenditure from the Expenditure and Funding Analysis | (31,451) | 7,685 | (2) | (23,768) |
| Difference between Council Fund (surplus) or deficit and Comprehensive Income and Expenditure Statement (Surplus) or Deficit on the Provisions of Services | (3,145) | 4,220 | 749 | 1,824 |

| Adjustments between Funding and Accounting Basis 2015/16 | | | | |
|---|--|--|--|------------------------------|
| Adjustments from Council Fund to arrive at the Comprehensive Income and Expenditure Statement amounts | Adjustments for Capital Purposes (Note 1) £000 | Net change for the Pension Adjustments (Note 2) £000 | Other Differences (Note 3) £000 | Total Adjustments £000 |
| Customers, Communication & Marketing | 223 | 6 | 7 | 236 |
| Education & Children's Services | 133 | (10) | 5 | 128 |
| Schools | 9,491 | (747) | (410) | 8,334 |
| Business Improvement & Modernisation | 438 | 7 | 9 | 454 |
| Legal, HR & Democratic Services | 25 | (18) | 13 | 20 |
| Corporate & Miscellaneous | 1,721 | (238) | (5) | 1,478 |
| Facilities, Assets & Housing | 7,930 | 19 | (62) | 7,887 |
| Finance | 3 | 4 | (15) | (8) |
| Highways & Environment | 7,265 | (124) | 17 | 7,158 |
| Planning & Public Protection | (81) | (12) | 1 | (92) |
| Community Support Service | 221 | (85) | (4) | 132 |
| Local Authority Housing (HRA) | 54,374 | 17 | (6) | 54,385 |
| Net Cost of Services | 81,743 | (1,181) | (450) | 80,112 |
| Other income and expenditure from the Expenditure and Funding Analysis | (32,945) | 7,286 | 9 | (25,650) |
| Difference between Council Fund (surplus) or deficit and Comprehensive Income and Expenditure Statement (Surplus) or Deficit on the Provisions of Services | 48,798 | 6,105 | (441) | 54,462 |

Note 1 Adjustments for Capital Purposes

This column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- **Financing and investment income and expenditure** – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- **Taxation and non-specific grant income** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non-specific Grant Income line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in year.

Note 2 Net Change for the Pensions Adjustment

This column shows the net change for the removal of pension contributions and the addition of IAS19 Employee Benefits pension related expenditure and income:

- **For services** this represents the removal of the employee contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs
- **For Financing and Investment Income and Expenditure** – the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.

Note 3 Other Differences

This column includes other differences between amounts debited/credited to the Comprehensive Income & Expenditure Statement and amounts payable/receivable to be recognised under statute.

- **For Financing and Investment Income and Expenditure** this recognises adjustments to the Council Fund for the timing differences for premiums and discounts.

8. Expenditure and Income Analysed by Nature

The authority's expenditure and income is analysed as follows:

| 2015/16 £000 | | 2016/17 £000 |
|------------------|--|------------------|
| | Expenditure | |
| 125,528 | Employee benefits expenses | 125,707 |
| 4,979 | Employee expenses of V A schools | 4,907 |
| 192,845 | Other services expenses | 145,540 |
| 0 | Support services recharges | 0 |
| 41,686 | Depreciation, amortisation and impairment | 29,082 |
| 21,376 | Interest payments | 16,579 |
| 15,215 | Precepts and levies | 15,463 |
| 28 | Loss on the disposal of assets | 111 |
| 401,657 | Total expenditure | 337,389 |
| | Income | |
| (54,658) | Fees, charges and other service income | (54,361) |
| (135) | Interest and investment income | (60) |
| (82,978) | Income from council tax and non-domestic rates | (85,365) |
| (193,750) | Government grants and contributions | (191,799) |
| (153) | Non-government grants and contributions | (71) |
| (21) | Gain on the disposal of assets | (40) |
| (331,695) | Total income | (331,696) |
| 69,962 | (Surplus) or Deficit on the Provision of Services | 5,693 |

9. Adjustments between Accounting Basis and Funding Basis under Regulation

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

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

Council Fund Balance

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

Housing Revenue Account Balance

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

| 2016/17 | Usable Reserves | | | |
|---|------------------------------|---------------------------------|----------------------------------|----------------------------------|
| | Council Fund Balance £000 | Housing Revenue Account £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied £000 |
| Adjustments to the Revenue Resources Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements: | | | | |
| • Pension Costs | (4,020) | (200) | | |
| • Financial Instruments | 3 | (2) | | |
| • Holiday pay | (756) | 6 | | |
| • Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure | (16,386) | (2,657) | | (2,402) |
| Total Adjustments to Revenue Resources | (21,159) | (2,853) | 0 | (2,402) |
| Adjustments between Revenue and Capital Resources | | | | |
| Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve | 2,926 | 971 | (3,897) | |
| Administrative costs of non-current asset disposal | | | | |
| Payments to the government housing receipts pool | | | | |
| Statutory provision for the repayment of debt | 7,503 | 2,522 | | |
| Capital expenditure financed from revenue balances | 6,769 | 1,497 | | |
| Total Adjustments between Revenue and Capital Resources | 17,198 | 4,990 | (3,897) | 0 |
| Adjustments to Capital Resources | | | | |
| Use of the Capital Receipts Reserve to finance capital expenditure | | | 1,279 | |
| Application of capital grants to finance capital expenditure | | | | 171 |
| Cash payments in relation to deferred capital receipts | | | | |
| Total Adjustments to Capital Resources | 0 | 0 | 1,279 | 171 |
| Total Adjustments | (3,961) | 2,137 | (2,618) | (2,231) |

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

10. Other Operating Expenditure

| 2015/16 £000 | | 2016/17 £000 |
|-------------------------|---|-------------------------|
| 9,121 | Police Precept | 9,338 |
| 4,361 | Fire Authority Precept | 4,364 |
| 1,733 | Community Council Precepts | 1,761 |
| 668 | (Gains)/losses on Held for Sale Assets and the disposal of non-current assets | 401 |
| 285 | Pension Administration Costs | 661 |
| 16,168 | Total | 16,525 |

11. Financing and Investment Income and Expenditure

| 2015/16 £000 | | 2016/17 £000 |
|-------------------------|---|-------------------------|
| 9,977 | Interest payable & similar charges | 9,385 |
| 7,001 | Net interest on the net defined benefit liability (asset) | 7,024 |
| (135) | Interest receivable & similar income | (59) |
| 4,279 | Income & expenditure in relation to investment properties & changes in their fair value | 60 |
| 21,122 | Total | 16,410 |

12. Taxation and Non Specific Grant Income

| 2015/16 £000 | | 2016/17 £000 |
|-------------------------|----------------------------------|-------------------------|
| (55,733) | Council tax income | (56,969) |
| (27,245) | Non domestic rates | (28,396) |
| (112,894) | Non-ringfenced government grants | (111,212) |
| (13,573) | Capital grants & contributions | (16,116) |
| (209,445) | Total | (212,693) |

13. 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 38,888 in 2016/17 (38,738 in 2015/16).

This basic amount (including Community Council precept and Office of the Police and Crime Commissioner, North Wales precept) for a Band D property was £1,444.75 (£1,422.40 in 2015/16) 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 in Council Tax System at 31 March 2017 | 3,958 | 7,168 | 14,299 | 7,701 | 5,364 | 3,622 | 1,978 | 310 | 166 |

Analysis of the net proceeds from Council Tax:

| 2015/16 £000 | | 2016/17 £000 |
|-----------------|--|-----------------|
| 55,733 | Council Tax collectable | 56,969 |
| (9,121) | Amount payable to North Wales Police Authority | (9,338) |
| 195 | Provision for non-payment of Council Tax | (368) |
| 46,807 | Net proceeds from Council Tax | 47,263 |
| 45,046 | Denbighshire County Council Split: | 45,465 |
| 1,733 | Denbighshire County Council | 1,761 |
| 28 | Community Councils | 37 |
| | Discretionary Non-domestic Rate Relief | |
| 46,807 | | 47,263 |

14. National Non-Domestic Rates (NNDR)

NNDR is organised on a national basis. The Welsh Government specified the rate of 48.6p in 2016/17 (48.2p in 2015/16) 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 £22,962k for 2016/17 (£23,129k for 2015/16) was based on an aggregate rateable value of £63,751k at year end.

Analysis of the net proceeds from non-domestic rates:

| 2015/16 £000 | | 2016/17 £000 |
|-----------------|--|-----------------|
| 23,129 | Non Domestic Rates collectable | 22,962 |
| (213) | Cost of Collection allowance | (214) |
| (268) | Provision for Bad Debts | (29) |
| 22,648 | Payment into National Pool | 22,719 |
| 27,245 | Redistribution from National Pool | 28,396 |

15. Property, Plant and Equipment

| 2016/17 | 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 |
|--|---------------------------|--------------------------------|--|-------------------------------|--------------------------|------------------------|-----------------------------------|---|
| Cost or Valuation | | | | | | | | |
| At 1 April 2016 | 112,975 | 251,277 | 18,487 | 151,893 | 2,564 | 1,432 | 5,093 | 543,721 |
| Additions | 7,804 | 7,695 | 3,151 | 5,039 | 0 | 0 | 15,971 | 39,660 |
| Revaluation increases / (decreases) recognised in the Revaluation Reserve | (4,316) | 2,772 | 19 | 0 | 0 | 0 | 0 | (1,525) |
| Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services | (1,409) | (5,170) | 0 | 0 | 0 | (50) | 0 | (6,629) |
| Derecognition – disposals | (971) | (2,617) | (55) | 0 | 0 | 0 | 0 | (3,643) |
| Derecognition – other | 0 | (213) | (3,667) | (184) | 0 | 0 | 0 | (4,064) |
| Assets reclassified (to)/from Held for Sale | 0 | (1,225) | 0 | 0 | 0 | (150) | 0 | (1,375) |
| Transfers in/(out) | (2,013) | 12,673 | 0 | 0 | 0 | 4,783 | (15,443) | 0 |
| At 31 March 2017 | 112,070 | 265,192 | 17,935 | 156,748 | 2,564 | 6,015 | 5,621 | 566,145 |

| 2016/17 | 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 |
|--|---------------------------|--------------------------------|--|-------------------------------|--------------------------|------------------------|-----------------------------------|---|
| Accumulated Depreciation & Impairment | | | | | | | | |
| At 1 April 2016 | (12,692) | (24,770) | (11,634) | (34,111) | (75) | 0 | 0 | (83,282) |
| Depreciation charge | (2,099) | (6,878) | (2,189) | (3,838) | 0 | 0 | 0 | (15,004) |
| Depreciation written out to Revaluation Reserve | 12,692 | 122 | 0 | 0 | 0 | 0 | 0 | 12,814 |
| Depreciation written out to the Surplus/Deficit on the Provision of Services | 0 | 27 | 0 | 0 | 0 | 50 | 0 | 77 |
| Impairment losses/(reversals) recognised in the Revaluation Reserve | (6,091) | (1,227) | 0 | 0 | 0 | (192) | 0 | (7,510) |
| Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services | (535) | (6,304) | 0 | (631) | 0 | 0 | 0 | (7,470) |
| Derecognition - disposals | 0 | 277 | 31 | 0 | 0 | 0 | 0 | 308 |
| Derecognition – other | 0 | 216 | 3,666 | 184 | 0 | 0 | 0 | 4,066 |
| Derecognition – Held for Sale | 0 | 43 | 0 | 0 | 0 | 0 | 0 | 43 |
| Transfers in/(out) | 274 | 50 | 0 | 0 | 0 | (324) | 0 | 0 |
| At 31 March 2017 | (8,451) | (38,444) | (10,126) | (38,396) | (75) | (466) | 0 | (95,958) |
| Net Book Value | | | | | | | | |
| At 31 March 2017 | 103,619 | 226,748 | 7,809 | 118,352 | 2,489 | 5,549 | 5,621 | 470,187 |
| At 31 March 2016 | 100,283 | 226,507 | 6,853 | 117,782 | 2,489 | 1,432 | 5,093 | 460,439 |

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

| 2015/16 | Council Dwellings £000 | Other Land & Buildings £000 | Vehicles, Plant, Furniture & Equipment £000 | Infrastructure Assets £000 | Community Assets £000 | Surplus Assets £000 | Assets Under Construction £000 | Total Property, Plant & Equipment £000 |
|--|---------------------------|--------------------------------|--|-------------------------------|--------------------------|------------------------|-----------------------------------|---|
| Accumulated Depreciation & Impairment | | | | | | | | |
| At 1 April 2015 | (26,920) | (44,479) | (12,290) | (38,327) | (69) | (105) | (3,305) | (125,495) |
| Depreciation charge | (2,607) | (6,542) | (2,106) | (3,570) | 0 | (7) | 0 | (14,832) |
| Depreciation written out to Revaluation Reserve | 6,438 | 8,022 | 0 | 0 | 0 | 87 | 0 | 14,547 |
| Depreciation written out to the Surplus/Deficit on the Provision of Services | 0 | 250 | 0 | 0 | 0 | 0 | 0 | 250 |
| Impairment losses/(reversals) recognised in the Revaluation Reserve | 0 | (4,923) | 0 | 0 | 0 | 0 | 0 | (4,923) |
| Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services | (3,942) | (2,703) | (23) | (1,520) | (6) | 0 | 0 | (8,194) |
| Derecognition - disposals | 0 | 0 | 107 | 0 | 0 | 0 | 0 | 107 |
| Derecognition - other | 3,465 | 2,853 | 2,141 | 98 | 0 | 0 | 0 | 8,557 |
| Transfers in/(out) | 0 | (4) | 0 | 0 | 0 | 7 | 0 | 3 |
| Other movements in depreciation & impairment | 10,874 | 22,756 | 537 | 9,208 | 0 | 14 | 3,305 | 46,694 |
| At 31 March 2016 | (12,692) | (24,770) | (11,634) | (34,111) | (75) | (4) | 0 | (83,286) |
| Net Book Value | | | | | | | | |
| At 31 March 2016 | 100,283 | 226,507 | 6,853 | 117,782 | 2,489 | 1,432 | 5,093 | 460,439 |
| At 31 March 2015 | 107,187 | 197,926 | 6,096 | 113,786 | 2,647 | 2,067 | 10,393 | 440,102 |

Depreciation

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

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

Voluntary Aided and Voluntary Controlled Schools

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

Asset Register Review

Each year net book values in the asset registers are reviewed and any assets being held at £0 net book value are derecognised, where appropriate. As a result of this derecognition, the gross book value has been reduced with an equivalent reduction in accumulated depreciation and impairment.

From 1 April 2015 a de minimis valuation level of £30k has been set.

Capital Commitments

At 31 March 2017, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2017/18 and future years. The budgeted cost of major commitments is £15,079k as below. Similar commitments at 31 March 2016 were £16,655k.

| Project | Contract Estimate £000 | Payments made to 31 March 2017 £000 | Total Future Contract Payments £000 |
|---|-----------------------------------|--|--|
| Rhyl, New School (Contract Value only) | 21,619 | 20,652 | 337 |
| Ysgol Glan Clwyd - Extension, Remodelling and Refurbishment | 14,510 | 12,219 | 3,236 |
| Rhos Street and Ysgol Penbarras - New Schools | 9,136 | 1,296 | 7,866 |
| Housing - External Repairs | 1,365 | 642 | 913 |
| Demolition of Sun Centre and internal refurbishment of Pavilion Theatre | 1,419 | 913 | 506 |
| East Rhyl Flood Defence | 1,400 | 91 | 1,309 |
| Rhyl Waterfront-Car Park, External Cladding and Sky Tower | 2,082 | 1,170 | 912 |
| Total | 51,531 | 36,983 | 15,079 |

Revaluations

As part of the programme to revalue all assets within five years of their previous valuation, a proportion of the freehold and leasehold properties which comprise the Authority's property portfolio have been valued by Mrs C Jones Black BSc (Hons) MRICS, on the under mentioned bases in accordance with the Statements of Asset Valuation and Guidance Notes of the Royal Institute of Chartered Surveyors, except that not all properties were inspected. This was neither practical nor considered by the valuer to be necessary for the purpose of the valuation. Inspections were carried out between November 2015 and June 2016.

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

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

| | Council Dwellings £000 | Other Land & Buildings £000 | Vehicles, Plant, Furniture & Equipment £000 | Surplus Assets £000 | Total £000 |
|--------------------------------|-----------------------------------|--|--|--------------------------------|-----------------------|
| Carried at historical cost | | | 7,809 | | 7,809 |
| Valued at current value as at: | | | | | |
| 31 March 2017 | 103,619 | | | | 103,619 |
| 31 March 2016 | | 39,851 | | 5,549 | 45,400 |
| 31 March 2015 | | 122,060 | | | 122,060 |
| 31 March 2014 | | 29,828 | | | 29,828 |
| 31 March 2013 | | 35,009 | | | 35,009 |
| Total Cost or Valuation | 103,619 | 226,748 | 7,809 | 5,549 | 343,725 |

In 2016/17 100% of the Council Houses were revalued as part of a review of the rolling programme.

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

In October 9.04 acres of land was appropriated from the Agricultural Estate to Housing Services. The land was valued at £2,320k.

In addition, during the year a number of sites have been purchased with a view to using them to provide Council dwellings in the future. As they are clear sites and not currently dwellings this land and property, valued at £4,059k, has been transferred to Surplus Assets.

Impairment Losses

General

During the revaluations exercise the Valuer found no other fundamental trends that would affect the remaining assets not revalued during 2016/17. However it is recognised that there are major projects in the pipeline that have a potential to affect future valuations but these projects are currently in their early stages.

In Year

Following the completion of the extension and refurbishment of Bodnant Community School, as part of the 21st Century School programme, the former infants site was declared Surplus to Education requirements in November 2016. The building was revalued and the loss has been treated as an impairment with £192,500 charged to the revaluation reserve.

16. Investment Properties

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

| 2015/16 £000 | | 2016/17 £000 |
|-----------------|--|-----------------|
| (418) | Rental income from Investment Property | (517) |
| 300 | Direct operating expenses arising from Investment Property | 406 |
| (118) | Net (gain)/loss | (111) |

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

| 2015/16 £000 | | 2016/17 £000 |
|-----------------|--|-----------------|
| 8,375 | Balance at start of the year | 7,599 |
| 99 | Additions | 0 |
| 0 | Disposals | (68) |
| (4,397) | Net gains/(losses) from fair value adjustments | (171) |
| | Transfers: | |
| 0 | • (to)/from Inventories | 0 |
| 3,522 | • (to)/from Property, Plant and Equipment | 0 |
| 7,599 | Balance at end of the year | 7,360 |

17. Financial Instruments

Categories of Financial Instruments

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

| 31 March 2016 | | | 31 March 2017 | |
|-------------------|-----------------|---|-------------------|-----------------|
| Long Term £000 | Current £000 | | Long Term £000 | Current £000 |
| | | Investments | | |
| 1 | 5,013 | Loans and receivables | 1 | 0 |
| 1 | 5,013 | Total Investments | 1 | 0 |
| | | Debtors | | |
| 770 | 9,889 | Loans and receivables | 721 | 10,318 |
| 770 | 9,889 | Total Debtors | 721 | 10,318 |
| | | Borrowings | | |
| (183,991) | (6,968) | Financial liabilities at amortised cost | (179,618) | (6,058) |
| (183,991) | (6,968) | Total Borrowings | (179,618) | (6,058) |
| | | Creditors | | |
| (1,429) | (18,359) | Financial liabilities at amortised cost | (2,340) | (21,433) |
| (1,429) | (18,359) | Total Creditors | (2,340) | (21,433) |

The debtors and creditors figures in the table above exclude any amounts which are not classed as financial instruments such as payments in advance, receipts in advance and any statutory items.

The outstanding borrowing in the table above includes a loan received from the Salix Energy Efficiency Scheme, which is a programme being delivered by the Welsh Government in partnership with Salix Finance and The Carbon Trust to provide interest free loans. The Council received a loan of £181k during 2011/12, £15k during 2013/14, £226k during 2015/16 and £221k during 2016/17. The balance on this loan at 31 March 2017 is £451k.

The Council is also a member of the Cycle scheme, which is a UK Government tax exemption initiative introduced to promote employees to cycle to work and therefore reduce environmental pollution. The Council gives loans to employees for this purpose and the balance outstanding at 31 March 2017 is £8k.

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

Income Expense, Gains and Losses

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

| 2015/16 | | | 2016/17 | | |
|-------------------------------|--------------------------|---|-------------------------------|--------------------------|---------------|
| Financial Liabilities £000 | Financial Assets £000 | | Financial Liabilities £000 | Financial Assets £000 | Total £000 |
| 9,977 | | Interest Expense Losses on de-recognition | 9,385 | | 9,385 |
| 9,977 | | Total expense in Surplus or Deficit on the Provision of Services | 9,385 | | 9,385 |
| | (135) | Interest Income Gains on de-recognition | | (59) | (59) |
| | (135) | Total income in Surplus or Deficit on the Provision of Services | | (59) | (59) |

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 2016 and 31 March 2017 consisted entirely of loans from the Public Works Loan Board (PWLB) and the Salix Energy Efficiency Scheme. The Council's treasury management advisers, Arlingclose Ltd has provided the Council with Fair Value amounts in relation to its debt portfolio. Arlingclose Ltd has assessed the Fair Values by calculating the amounts the Council would have had to pay to extinguish the loans on these dates.

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

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

The fair values calculated are as follows:

| 31 March 2016 | | | 31 March 2017 | |
|-------------------------|---------------------|------------------------------------|-------------------------|---------------------|
| Carrying Amount £000 | Fair Values £000 | | Carrying Amount £000 | Fair Values £000 |
| (190,959) | (260,635) | Financial Liabilities | (185,676) | (283,544) |
| (1,429) | (1,429) | Long Term Creditors | (2,340) | (2,340) |
| (192,388) | (262,064) | Total Financial Liabilities | (188,016) | (285,884) |
| 5,014 | 5,014 | Loans and Receivables | 1 | 1 |
| 770 | 770 | Long Term Debtors | 721 | 721 |
| 5,784 | 5,784 | Total Financial Assets | 722 | 722 |

18. Debtors

| 31 March 2016 £000 | | 31 March 2017 £000 |
|-----------------------|---------------------------------------|-----------------------|
| 6,830 | Central government bodies | 10,243 |
| 4,071 | Other local authorities | 2,017 |
| 907 | NHS bodies | 1,969 |
| 3 | Public corporations and trading funds | 0 |
| 6,520 | Other entities and individuals | 7,016 |
| 18,331 | Total | 21,245 |

19. Cash and Cash Equivalents

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

| 31 March 2016 £000 | | 31 March 2017 £000 |
|-----------------------|--|-----------------------|
| 471 | Cash held by the Council | 281 |
| (879) | Bank current accounts | (642) |
| 7,000 | Cash held instant access call account | 1,200 |
| 6,592 | Total Cash and Cash Equivalents | 839 |

20. Assets Held for Sale

| | Current | |
|--|-----------------|-----------------|
| | 2015/16 £000 | 2016/17 £000 |
| Balance Outstanding at start of year | 5,168 | 2,740 |
| Assets newly classified as Held for Sale: | | |
| • Property, Plant and Equipment | 80 | 1,331 |
| • Other | 0 | 0 |
| Revaluation losses | (732) | (490) |
| Revaluation gains | 71 | 160 |
| Assets declassified as Held for Sale: | | |
| • Property, Plant and Equipment | (1,595) | 0 |
| Assets sold | (252) | (436) |
| Balance outstanding at year end | 2,740 | 3,305 |

21. Creditors

| 31 March 2016 £000 | | 31 March 2017 £000 |
|-----------------------|-------------------------------------|-----------------------|
| (2,556) | Central government bodies | (3,318) |
| (1,850) | Other local authorities | (1,808) |
| (532) | NHS bodies | (412) |
| (117) | Public corporations & trading funds | (141) |
| (16,686) | Other entities & individuals | (18,927) |
| (21,741) | Total | (24,606) |

22. Provisions

| | Insurance Fund £000 | Equal/Back Pay Claims £000 | Other Provisions £000 | Total £000 |
|--------------------------------------|---------------------------|----------------------------------|-----------------------------|---------------|
| Balance as at 1 April 2016 | (902) | (35) | (56) | (993) |
| Additional provision made in 2016/17 | (275) | 0 | (13) | (288) |
| Amounts used in 2016/17 | 559 | 18 | 26 | 603 |
| Unused amounts reversed in 2016/17 | 47 | 17 | 24 | 88 |
| Balance as at 31 March 2017 | (571) | 0 | (19) | (590) |
| Long term | (242) | 0 | (6) | (248) |
| Short term | (329) | 0 | (13) | (342) |

An additional Provision on the Balance Sheet is the Provision for Accumulated Absences of (£3,134k), ((£2,384k) in 2015/16). 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 2017 a £571k 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 £329k to be settled within the next twelve months with the remainder of £242k to be settled within the next one to five years. The Authority may be reimbursed by its insurers but until claims are actually settled no income is recognised as the insurers will only reimburse amounts above our excess limits.

Equal / Back Pay Claims

This was a fund to pay for any potential liability arising. All outstanding claims have now been settled and paid.

All other provisions are individually insignificant.

23. Movements in 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 2016/17.

| | Balance at 31 March 2015 £000 | Transfers Out 2015/16 £000 | Transfers In 2015/16 £000 | Balance at 31 March 2016 £000 | Transfers Out 2016/17 £000 | Transfers In 2016/17 £000 | Balance at 31 March 2017 £000 |
|--|--|-------------------------------------|------------------------------------|--|-------------------------------------|------------------------------------|--|
| Council Fund: | | | | | | | |
| Balances held by schools under a scheme of delegation (i) | (3,538) | 2,283 | (307) | (1,562) | 2,904 | (286) | 1,056 |
| <u>Reserves held as part of the Council Corporate Plan (v)</u> | | | | | | | |
| Strategic Investment 21 st Century Schools | (15,120) | 17,145 | (2,171) | (146) | 0 | (2,229) | (2,375) |
| Strategic Investment Extra Care Housing | (2,294) | 790 | (400) | (1,904) | 163 | (400) | (2,141) |
| Town Plans/Economic Development | (708) | 219 | (134) | (623) | 432 | 0 | (191) |
| <u>Specific Grants Reserves</u> | | | | | | | |
| OPFI Grant | (7,065) | 8,499 | (1,434) | 0 | 0 | 0 | 0 |
| Revenue Grants Unapplied | (653) | 237 | (177) | (593) | 343 | (210) | (460) |
| Sustainable Waste Management (iv) | (4,068) | 968 | (247) | (3,347) | 0 | 0 | (3,347) |
| <u>Reserves held for Legal Cases</u> | | | | | | | |
| Town & Country Planning Act (s.106) Requirements | (1,411) | 198 | (15) | (1,228) | 63 | (9) | (1,174) |
| Single Status | (370) | 76 | 0 | (294) | 0 | 0 | (294) |
| <u>Other Major Reserves</u> | | | | | | | |
| Budget Mitigation (ii) | 0 | 0 | (1,511) | (1,511) | 0 | (1,000) | (2,511) |
| Adult Social Care (iii) | (2,992) | 386 | 0 | (2,606) | 1,866 | (1,378) | (2,118) |
| Capital Schemes (v) | (1,216) | 12,986 | (20,808) | (9,038) | 5,930 | (2,355) | (5,463) |
| Specialist Placements | (890) | 299 | 0 | (591) | 569 | (500) | (522) |
| Superannuation Recovery | (925) | 19 | (156) | (1,062) | 5 | (875) | (1,932) |
| Insurance Fund | (733) | 0 | (10) | (743) | 0 | (91) | (834) |
| Risk Management Fund | (221) | 0 | (51) | (272) | 0 | (59) | (331) |
| Delivering Change | (568) | 371 | (305) | (502) | 382 | (505) | (625) |

| | Balance at 31 March 2015 £000 | Transfers Out 2015/16 £000 | Transfers In 2015/16 £000 | Balance at 31 March 2016 £000 | Transfers Out 2016/17 £000 | Transfers In 2016/17 £000 | Balance at 31 March 2017 £000 |
|---|--|-------------------------------------|------------------------------------|--|-------------------------------------|------------------------------------|--|
| <u>Preparing for Major Events</u> | | | | | | | |
| Urdd | (48) | 0 | (21) | (69) | 23 | (21) | (67) |
| Elections | (93) | 5 | (25) | (113) | 0 | (10) | (123) |
| LDP | (67) | 0 | (20) | (87) | 0 | (20) | (107) |
| Severe Weather (incorporating Winter Maintenance) | (176) | 223 | (969) | (922) | 357 | 0 | (565) |
| <u>Service Reserves</u> | | | | | | | |
| Communication, Marketing & Leisure | (250) | 0 | (132) | (382) | 9 | 0 | (373) |
| Major Highways Projects | (79) | 0 | (80) | (159) | 0 | 0 | (159) |
| IT Networks Development | (162) | 0 | 0 | (162) | 0 | (405) | (567) |
| Cefndy Enterprises | 0 | 51 | (191) | (140) | 0 | (1) | (141) |
| Environmental Services | (146) | 0 | (40) | (186) | 8 | (11) | (189) |
| Design & Development | (120) | 0 | 0 | (120) | 0 | 0 | (120) |
| External Funding Administration | (130) | 84 | (71) | (117) | 1 | 0 | (116) |
| Finance & Legal | (128) | 36 | (8) | (100) | 16 | 0 | (84) |
| Revenues & Benefits | (402) | 0 | 0 | (402) | 0 | 0 | (402) |
| Out of County/Recoupment | (359) | 0 | 0 | (359) | 133 | 0 | (226) |
| Coroner | (100) | 0 | (70) | (170) | 0 | (69) | (239) |
| School Year Projects | (16) | 16 | 0 | 0 | 0 | 0 | 0 |
| ALN Reforms | 0 | 0 | (111) | (111) | 27 | (28) | (112) |
| Schools IT Network Development | (120) | 0 | 0 | (120) | 60 | 0 | (60) |
| N. Wales Schools Framework | 0 | 0 | 0 | 0 | 0 | (12) | (12) |
| <u>Other</u> | | | | | | | |
| Contract Services Equipment | (108) | 108 | 0 | 0 | 0 | 0 | 0 |
| Schools Financial Resilience | (46) | 0 | 0 | (46) | 0 | (154) | (200) |
| Modernising Education | (93) | 0 | 0 | (93) | 0 | (88) | (181) |
| IT Systems Development (EDRMS) | (40) | 0 | (40) | (80) | 26 | 0 | (54) |
| Regeneration Project (VAT refund) | (120) | 0 | 0 | (120) | 0 | (36) | (156) |
| S.117 Mental Health Act | (52) | 0 | 0 | (52) | 0 | 0 | (52) |
| Area Member Reserve | (41) | 0 | 0 | (41) | 26 | 0 | (15) |
| CESI Pooled Budget | (15) | 0 | (29) | (44) | 6 | 0 | (38) |
| Planning Delivery for Wales | (248) | 83 | (16) | (181) | 17 | 0 | (164) |
| N Wales Regional Transformation Fund | (7) | 7 | 0 | 0 | 0 | 0 | 0 |
| Training Collaboration | (30) | 0 | 0 | (30) | 0 | 0 | (30) |
| Signing Schemes | (89) | 27 | 0 | (62) | 20 | (44) | (86) |

| | Balance at 31 March 2015 £000 | Transfers Out 2015/16 £000 | Transfers In 2015/16 £000 | Balance at 31 March 2016 £000 | Transfers Out 2016/17 £000 | Transfers In 2016/17 £000 | Balance at 31 March 2017 £000 |
|--------------------------------------|--|-------------------------------------|------------------------------------|--|-------------------------------------|------------------------------------|--|
| Care Home fees | (358) | 0 | 0 | (358) | 0 | 0 | (358) |
| Social Care Amenity fund | (14) | 0 | 0 | (14) | 0 | 0 | (14) |
| Resident Survey | (17) | 2 | 0 | (15) | 0 | (22) | (37) |
| Channel Shift | (252) | 127 | 0 | (125) | 53 | (5) | (77) |
| Local Safeguarding Children's Board | (104) | 7 | 0 | (97) | 97 | 0 | 0 |
| Modernising Social Care | (300) | 88 | 0 | (212) | 0 | 0 | (212) |
| Children with Disabilities | (158) | 158 | (104) | (104) | 34 | (9) | (79) |
| Health & Social Care Support Workers | (44) | 0 | (1) | (45) | 0 | (2) | (47) |
| Digitisation Project | (46) | 23 | 0 | (23) | 23 | 0 | 0 |
| Fire Service Pension | (142) | 142 | 0 | 0 | 0 | 0 | 0 |
| Health & Safety | (177) | 177 | 0 | 0 | 0 | 0 | 0 |
| Facilities | 0 | 0 | (184) | (184) | 0 | 0 | (184) |
| Picturesque Project | 0 | 0 | (152) | (152) | 0 | 0 | (152) |
| Rhyl Waterfront | 0 | 0 | 0 | 0 | 0 | (150) | (150) |
| TOTAL | (47,669) | 45,840 | (29,990) | (31,819) | 13,593 | (10,894) | (29,210) |

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

- (i) Balances held by schools under a scheme of delegation: in accordance with section 48 of the Schools Standards and Framework Act 1998, the Denbighshire scheme for the financing of schools provides for the carry forward of individual school balances.
- (ii) Budget Mitigation: this has been set up to mitigate the effects of future reductions in funding received from Welsh Government and forms part of the budget strategy for 2017/18.
- (iii) Adult Social Care: this reserve has been established and maintained to help provide the service with financial resilience to cope with in-year budgetary pressures.
- (iv) 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.
- (v) 21st Century Schools and Extra Care Housing: as part of the Corporate Plan, the Council is embarking on an ambitious scheme of capital investment in schools, highways, extra care and regeneration. These reserves have been established to set aside the cash needed to fund the various projects. As each project receives final approval, the associated funding is transferred to the Capital Schemes reserve.

24. Usable Reserves

| 31 March 2016 £000 | | 31 March 2017 £000 |
|-----------------------|------------------------------|-----------------------|
| (8,752) | Council Fund | (7,549) |
| (31,819) | Earmarked Reserves (Note 23) | (29,210) |
| (2,604) | Housing Revenue Account | (2,547) |
| (2,228) | Capital Receipts Reserve | (4,846) |
| (1,576) | Capital Grants Unapplied | (3,807) |
| (46,979) | Total Usable Reserves | (47,959) |

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 2016 £000 | | Transfers (In)/Out £000 | 31 March 2017 £000 |
|-----------------------|---|-------------------------------|-----------------------|
| | <u>Council Fund Revenue Balances</u> | | |
| (7,608) | General Balances | 473 | (7,135) |
| (1,144) | Earmarked Balances | 730 | (414) |
| (8,752) | Total Council Fund Balances | 1,203 | (7,549) |
| (2,604) | Housing Revenue Account Balances | 57 | (2,547) |

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.

| 2015/16 Total £000 | | | 2016/17 | | |
|--------------------------|------|-------------------------------------|-------------------------|---------------------------------------|----------------|
| | | | Council Fund £000 | Housing Revenue Account £000 | Total £000 |
| (3,015) | Plus | Balance at 1 April | (2,071) | (157) | (2,228) |
| (960) | | Receipts – Asset Sales | (2,798) | (971) | (3,769) |
| (123) | | Receipts – Grants Repaid | (128) | 0 | (128) |
| (4,098) | | | (4,997) | (1,128) | (6,125) |
| 1,431 439 | Less | Applied During year: | | | |
| | | Finance Capital Expenditure - Other | 308 | 243 | 551 |
| | | Debt Redemption | 0 | 728 | 728 |
| (2,228) | | Balance at 31 March | (4,689) | (157) | (4,846) |

Capital Grants Unapplied

| 2015/16 £000 | | 2016/17 | |
|-----------------|---|----------|----------------|
| | | £000 | £000 |
| (1,635) | Balance at 1 April | | (1,576) |
| | Plus Grants and Contributions received in year | | |
| (11,163) | - Council Fund | (13,696) | |
| (2,410) | - HRA | (2,420) | |
| (3,756) | - Revenue Expenditure funded by Capital Under Statute | (1,567) | (17,683) |
| | Less Grant and Contributions applied in the year | | |
| 17,039 | - Grants received in year | 15,281 | |
| 349 | - Grants received previous years | 171 | 15,452 |
| (1,576) | Balance at 31 March | | (3,807) |

25. Unusable Reserves

| 31 March 2016 £000 | | 31 March 2017 £000 |
|-----------------------|--|-----------------------|
| (94,101) | Revaluation Reserve | (92,672) |
| (152,732) | Capital Adjustment Account | (156,236) |
| 358 | Financial Instruments Adjustment Account | 357 |
| 207,388 | Pensions Reserve | 273,859 |
| 2,384 | Accumulated Absences Account | 3,134 |
| (36,703) | Total Unusable Reserves | 28,442 |

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.

| 2015/16 £000 | | 2016/17 | |
|-----------------|--|----------|-----------------|
| | | £000 | £000 |
| (77,190) | Balance at 1 April | | (94,101) |
| (25,859) | Upward revaluation of assets | (16,705) | |
| 733 | Downward revaluation of assets not charged to the Surplus/Deficit on the Provision of Services | 5,416 | |
| (25,126) | Total Revaluation | (11,289) | |
| 4,960 | Impairment losses not charged to the Surplus/Deficit on the Provision of Services | 7,510 | |
| (20,166) | Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services | | (3,779) |
| 2,581 | Difference between fair value depreciation & historical cost depreciation | 3,334 | |
| 639 | Accumulated gains on assets sold or scrapped | 1,874 | |
| 35 | Write off of balances following reclassification to Investment Properties | 0 | |
| 3,255 | Amount written off to the Capital Adjustment Account | | 5,208 |
| (94,101) | Balance at 31 March | | (92,672) |

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert current and fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. The Account also contains valuation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 9 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

| 2015/16 £000 | | 2016/17 £000 | 2016/17 £000 |
|------------------|--|-----------------|------------------|
| (197,429) | Balance at 1 April | | (152,732) |
| | Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement: | | |
| 21,422 | • Charges for depreciation & impairment of non-current assets | 22,530 | |
| 20,264 | • Revaluation losses on Property, Plant & Equipment | 6,552 | |
| 661 | • Revaluation losses/gains on Held for Sale | 330 | |
| 3,893 | • Revenue expenditure funded from capital under statute | 3,304 | |
| 40,045 | • HRA settlement payment | 0 | |
| 967 | • 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 | 3,840 | |
| 87,252 | | | 36,556 |
| (3,255) | Adjusting amounts written out of the Revaluation Reserve | | (5,208) |
| 83,997 | Net written out amount of the cost of non-current assets consumed in the year | | 31,348 |
| | Capital Financing applied in the year: | | |
| (1,870) | • Use of the Capital Receipts Reserve to finance new capital expenditure | (1,279) | |
| (17,039) | • Capital grants & contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing | (15,281) | |
| (349) | • Application of grants to capital financing from the Capital Grants Unapplied Account | (171) | |
| (9,383) | • Statutory provision for the financing of capital investment charged against the Council Fund & HRA balances | (10,025) | |
| (15,056) | • Capital expenditure charged against the Council Fund & HRA balances | (8,266) | |
| (43,697) | | | (35,022) |
| 4,397 | Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement | | 170 |
| (152,732) | Balance at 31 March | | (156,236) |

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.

| 2015/16 £000 | | 2016/17 £000 |
|-----------------|---|-----------------|
| 349 | Balance at 1 April | 358 |
| | Proportion of premiums/discounts incurred/received in previous financial years to be charged/credited to the Council Fund | |
| 9 | Balance in accordance with statutory requirements | (1) |
| | Amount by which finance costs charged to the Comprehensive Income & Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements | |
| 9 | | (1) |
| 358 | Balance at 31 March | 357 |

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.

| 2015/16 £000 | | 2016/17 £000 |
|-----------------|--|-----------------|
| 224,336 | Balance at 1 April | 207,388 |
| (23,053) | Remeasurements of the net defined benefit liability/(asset) | 62,251 |
| 22,729 | 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 | 20,916 |
| (16,624) | Employer's pension contributions payable in the year | (16,696) |
| 207,388 | Balance at 31 March | 273,859 |

Accumulated Absences Account

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

| 2015/16 £000 | | 2016/17 £000 | 2016/17 £000 |
|-----------------|---|-----------------|-----------------|
| 2,834 | Balance at 1 April | | 2,384 |
| (2,834) | Settlement or cancellation of accrual made at the end of the preceding year | (2,384) | |
| 2,384 | Amounts accrued at the end of the current year | 3,134 | |
| (450) | 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 | | 750 |
| 2,384 | Balance at 31 March | | 3,134 |

26. Cash Flow Statement – Operating Activities

| 2015/16 £000 | | 2016/17 £000 |
|-----------------|---|-----------------|
| 69,962 | Net (surplus) or deficit on the provision of services | 5,693 |
| | Adjustments to net surplus or deficit on the provision of services for non-cash movements | |
| (96) | Increase/(Decrease) in Inventories | (32) |
| (145) | Increase/(Decrease) in Long Term Debtors | (49) |
| (10,139) | Increase/(Decrease) in Debtors/Payments in Advance | (1,057) |
| (73) | Increase/(Decrease) in Investment interest accrual | (13) |
| 5,665 | (Increase)/Decrease in Creditors/Receipts in Advance | 211 |
| (27) | (Increase)/Decrease in Loan Interest accrual | 26 |
| 663 | Transfers (to)/from Provisions | (347) |
| 715 | Bad Debt Provision | 366 |
| (41,686) | Depreciation & Impairment | (24,774) |
| (661) | Revaluations Losses on Property, Plant and Equipment | (4,639) |
| (4,398) | Movements in Market Value of Investment Properties | (170) |
| (6,104) | Pension Fund Adjustments | (4,220) |
| (27,585) | Other | 10,527 |
| | Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities. | |
| 1,083 | Sale of Property, Plant and Equipment | 3,897 |
| (12,826) | Net cash flows from Operating Activities | (14,581) |

The cash flows for operating activities include the following items:

| 2015/16 £000 | | 2016/17 £000 |
|-----------------|-------------------|-----------------|
| (209) | Interest received | (72) |
| 9,941 | Interest paid | 9,367 |

27. Cash Flow Statement – Investing Activities

| 2015/16 £000 | | 2016/17 £000 |
|-----------------|---|-----------------|
| 45,950 | Purchase of property, plant and equipment, investment property and intangible assets | 40,456 |
| 252,694 | Purchase of short-term and long-term investments. | 172,800 |
| 40,214 | Other payments for investing activities | 126 |
| (1,083) | Proceeds from the sale of property, plant and equipment, investment property and intangible assets. | (3,897) |
| (270,997) | Proceeds from short-term and long-term investments | (177,800) |
| (21,782) | Other receipts from investing activities | (14,335) |
| 44,996 | Net cash flows from investing activities | 17,350 |

28. Cash Flow Statement – Financing Activities

| 2015/16 £000 | | 2016/17 £000 |
|-----------------|--|-----------------|
| (79,971) | Cash receipts of short-term and long-term borrowing | (13,220) |
| (486) | Other receipts from financing activities | (2,287) |
| 9,683 | Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts | 0 |
| 34,385 | Repayments of short-term and long-term borrowing | 18,491 |
| (36,389) | Net cash flows from financing activities | 2,984 |

29. Partnership Arrangements

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

- a) GwE with Gwynedd County Council as the lead authority and with responsibility for preparing the Joint Committee's financial statements. The Council's contribution for 2016/17 was £622k (£633k in 2015/16). Denbighshire County Council has not included its share of the net assets within its 2016/17 financial statements on the basis that these amounts are considered to be immaterial.
- b) Clwydian Range and Dee Valley Area of Outstanding Natural Beauty (AONB) is a joint committee set up by the Council (lead body), Flintshire County Council and Wrexham County Borough Council in order to promote and enhance the work of the AONB. Denbighshire's core contribution for 2016/17 was £198k (£213k in 2015/16). Denbighshire County Council has not included its share of the net assets within its 2016/17 financial statements on the basis that these amounts are considered to be immaterial.
- c) 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. In 2016/17 the Council charged £304k to operate the WPPP Unit (£302k in 2015/16).

30. Agency Services

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

Highways and 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. The Council is due £1,061k in respect of NMWTRA work undertaken in 2016/17 (£1,482k in 2015/16): of this, £489k related to Consultancy Services, £563k related to Maintenance Works and £9k related to Tech Admin/Other Costs.

The six North Wales councils act as agents of Welsh Government in providing recyclable loans under the Houses into Homes Scheme, for the repair of properties which have been long term vacant, with the aim of bringing them back into use. Flintshire County Council is the lead/banker authority for the North Wales region and responsible for administering the fund. Repayments of £61k were made to Denbighshire County Council during 2016/17 and a further loan of £75k was 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. The scheme is administered by Street UK on behalf of the Authority. During 2016/17, loans of £107k were issued.

31. Members' Allowances

All Members are paid a basic salary per annum. Some Members also undertake senior roles and therefore receive a senior salary. All salary levels are set by a national body called the Independent Remuneration Panel. The council paid the following amounts to members of the council during the year:

| 2015/16 £000 | | 2016/17 £000 |
|-----------------|--------------|-----------------|
| 809 | Salaries | 804 |
| 25 | Expenses | 23 |
| 834 | Total | 827 |

32. Officers' Remuneration

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

| 2015/16 | | 2016/17 | | | |
|-----------------|---------------------|--------------------|------------------|-----------------|------------------|
| Total Employees | Remuneration Band | School Based Staff | Non-School Staff | Total Employees | Left During Year |
| 11 | £60,000 - £64,999 | 7 | 4 | 11 | 0 |
| 7 | £65,000 - £69,999 | 3 | 2 | 5 | 0 |
| 4 | £70,000 - £74,999 | 2 | 0 | 2 | 0 |
| 5 | £75,000 - £79,999 | 0 | 0 | 0 | 0 |
| 0 | £80,000 - £84,999 | 1 | 6 | 7 | 0 |
| 2 | £85,000 - £89,999 | 1 | 0 | 1 | 0 |
| 1 | £90,000 - £94,999 | 1 | 0 | 1 | 0 |
| 2 | £95,000 - £99,999 | 1 | 2 | 3 | 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 |
| 1 | £120,000 - £124,999 | 0 | 0 | 0 | 0 |
| 0 | £125,000 - £129,999 | 0 | 0 | 0 | 0 |
| 1 | £130,000 - £134,999 | 0 | 0 | 0 | 0 |
| 0 | £135,000 - £139,999 | 0 | 1 | 1 | 0 |
| 34 | Total | 16 | 15 | 31 | 0 |

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

- 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.

| 2016/17 | Salary, fees, allowances & performance related pay | Compensation for Loss of office | Expense allowances | Total excluding pension contributions | Current service rate pension conts at 13.8% Note 2 | Total inc. current service rate pension conts | Deficit recovery pension conts | Total Remuneration inc. total pension conts |
|---|--|---------------------------------|--------------------|---------------------------------------|--|---|--------------------------------|---|
| Post Title | Note 1 £ | £ | £ | £ | £ | £ | Note 3 £ | £ |
| Chief Executive | 136,000 | | | 136,000 | 18,769 | 154,769 | 18,360 | 173,129 |
| Corporate Director: Economy & Public Realm | 99,448 | | | 99,448 | 13,724 | 113,172 | 13,425 | 126,597 |
| Corporate Director: Communities | 99,448 | | | 99,448 | 13,724 | 113,172 | 13,425 | 126,597 |
| Head of Community Support Services | 81,547 | | | 81,547 | 11,253 | 92,800 | 11,009 | 103,809 |
| Head of Facilities, Assets & Housing | 81,547 | | | 81,547 | 11,253 | 92,800 | 11,009 | 103,809 |
| Head of Education & Children's Services | 81,547 | | | 81,547 | 11,253 | 92,800 | 11,009 | 103,809 |
| Head of Legal, HR & Democratic Services | 81,547 | | | 81,547 | 11,253 | 92,800 | 11,009 | 103,809 |
| Head of Business Improvement & Modernisation | 81,547 | | | 81,547 | 11,253 | 92,800 | 11,009 | 103,809 |
| Head of Planning & Public Protection | 80,563 | | | 80,563 | 11,253 | 91,816 | 11,009 | 102,825 |
| Head of Finance | 66,869 | | | 66,869 | 9,228 | 76,097 | 9,027 | 85,124 |
| Head of Customers, Communication & Marketing | 62,521 | | | 62,521 | 8,628 | 71,149 | 8,440 | 79,589 |
| Head of Highways & Environmental Services to 09/09/2016 | 37,259 | | | 37,259 | 3,977 | 41,236 | 3,890 | 45,126 |
| Head of Highways & Environmental Services from 08/08/2016 | 60,238 | | | 60,238 | 8,330 | 68,568 | 8,149 | 76,717 |
| | 1,050,081 | 0 | 0 | 1,050,081 | 143,898 | 1,193,979 | 140,770 | 1,334,749 |

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 2015/16 and 2016/17 the Chief Executive was awarded £9,750. The payments to the Corporate Director: Customers in 2015/16 include Pay in Lieu of Notice and payment for accrued annual leave. No other officer is entitled to PRP.

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

Note 3 This column relates to the cost to the authority of the recovery of the pensions deficit lump sum. The authority is required to charge an amount each year to the Council Fund in order to reduce the pensions deficit. This charge is allocated across services based on the pension costs of the posts within each of those services. It is not a payment to the individuals and the level of deficit is not affected by the number of posts in the Senior Leadership Team.

Note 4 The Chief Executive receives remuneration for his role as returning officer for local and national elections (with costs reimbursed for all with exception of County Council elections). In 2016/17 this amounted to £12,069 plus superannuation costs of £1,523: reimbursement received was (£12,943). The figures for 2015/16 were £3,901 plus £975, with reimbursement of (£4,660). These payments are not included in the analysis presented.

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

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 | |
|---|-----------------------------------|-----------|-----------------------------------|-----------|--|-----------|--|-----------------|
| | 2015/16 | 2016/17 | 2015/16 | 2016/17 | 2015/16 | 2016/17 | 2015/16 | 2016/17 |
| £0 - £20,000 | 29 | 22 | 65 | 42 | 94 | 64 | £766,752 | £368,005 |
| £20,001 - £140,000 | 8 | 2 | 23 | 9 | 31 | 11 | £1,378,909 | £316,701 |
| Total | 37 | 24 | 88 | 51 | 125 | 75 | £2,145,661 | £684,706 |

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 2016/17 was £136,000. The median remuneration of the workforce was £21,745. The ratio was therefore 6.25:1. In 2016/17, remuneration for staff ranged from £6,560 to £99,448. The remuneration includes salary and performance related pay and does not include severance payments or employer pension contributions.

33. 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:

| 2015/16 £000 | | 2016/17 £000 |
|-------------------------|---|-------------------------|
| 178 | Fees payable to the Auditor General for Wales with regard to external audit services carried out under the Code of Audit Practice prepared by the Auditor General for Wales | 178 |
| 94 | Fees payable to the Auditor General for Wales in respect of statutory inspections | 94 |
| 72 | Fees payable to the Auditor General for Wales for the certification of grant claims and returns | 62 |
| 0 | Fees payable in respect of any other services provided by the appointed auditor over and above the duties described above | 0 |
| 344 | | 334 |
| (5) | Wales Audit Office fee refund for 2013/14 | 0 |
| 339 | Total External Audit Costs | 334 |

34. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2016/17

| 2015/16 £000 | | 2016/17 £000 |
|-----------------|--|-----------------|
| | Credited to Taxation & Non Specific Grant Income | |
| (424) | Other Grants and Contributions | (164) |
| (258) | Welsh Government - Flood Alleviation | (113) |
| 0 | Welsh Government - General Capital Grant | (1,843) |
| (219) | Welsh Government - Local Road Safety | (91) |
| (2,411) | Welsh Government - Major Repairs Allowance | (2,420) |
| (7,057) | Welsh Government - 21 st Century Schools | (5,863) |
| (92) | Welsh Government - Safer Routes in Communities | (251) |
| (537) | Welsh Government - Local Transport Fund | (243) |
| (1,897) | Welsh Government - West Rhyl Coastal Defence | (229) |
| 0 | Welsh Government - East Rhyl Coastal Defence | (690) |
| 0 | Welsh Government – Vibrant and Viable Places | (4,203) |
| (678) | Other Welsh Government Grants | (6) |
| (13,573) | Total | (16,116) |
| | Credited to Services | |
| (3,979) | Welsh Government Sixth Forms Grant | (3,732) |
| (25) | Welsh Government Foundation Phase Grant | 0 |
| (2,049) | Welsh Government Flying Start Grant | (1,975) |
| (1,220) | Welsh Government Families First Grant | (1,113) |
| (196) | Other Education Grants from Welsh Government | (99) |
| (5,490) | Welsh Government Supporting People Grant | (5,490) |
| (1,692) | Other Social Services Grants from Welsh Government | (1,698) |
| (2,148) | Welsh Government Sustainable Waste Management Grant | (2,067) |
| (1,846) | Welsh Government Concessionary Fares Grant | (1,806) |
| (1,036) | Welsh Government Outcome Agreement Grant | 0 |
| (1,726) | Other Welsh Government Grants | (1,485) |
| (21,407) | Total Welsh Government Grants | (19,465) |
| (2,684) | Pupil Deprivation Grant | (2,913) |
| (4,675) | Education Improvement Grant | (3,982) |
| (26,206) | DWP Rent Allowances Subsidy | (25,547) |
| (8,187) | DWP Rent Rebates Subsidy | (8,342) |
| (477) | DWP Housing Benefit/Council Tax Benefit Admin Grant | (423) |
| (1,155) | Various Grants received from Betsi Cadwaladr University Health Board | (1,538) |
| (2,492) | Other Government Grants | (2,261) |
| (67,283) | Total Government Grants | (64,471) |
| (153) | Other Non-government Grants | (71) |
| (67,436) | Total Grants Credited to Services | (64,542) |

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

| 31 March 2016 £000 | | 31 March 2017 £000 |
|-----------------------|---|-----------------------|
| (1,877) | Capital Grants Receipts in Advance | |
| | Commuted Sums | (2,008) |
| (1,877) | Total | (2,008) |
| | Revenue Grants Receipts in Advance | |
| (97) | Welsh Government Flying Start Grant | 0 |
| (124) | Welsh Government Foundation Phase Grant | (124) |
| (13) | Education Improvement Grant | 0 |
| (13) | Welsh Government Minority Ethnic Language Grant | (13) |
| (8) | Welsh Government Families First Grant | (9) |
| (473) | DWP Housing Benefits Subsidy | (1,436) |
| (17) | Welsh in Education Grant | (6) |
| (291) | Welsh Government Supporting People Grant | (291) |
| (29) | Pupil Deprivation Grant | (23) |
| (16) | Welsh Government Community Learning Grant | (16) |
| (19) | Welsh Government Literacy & Numeracy Programmes Grant | (19) |
| (20) | Paul Hamlyn Grant – Ruthin Craft Centre | 0 |
| 0 | Transitional Grant Funding - Homelessness | (1) |
| (20) | Welsh Government Changing Perception Grant | (10) |
| (28) | Welsh Government Welfare Reform Grant | (28) |
| (1,168) | Total | (1,976) |

35. 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 34.

Elected Members

All current Elected Members were asked to complete a declaration and to disclose any related party transactions with the authority. All except two of those who were able returned a declaration. One further return was not completed in full, however the Council satisfied itself that the information contained in the return was a valid declaration.

The following material declarations have been made for 2016/17:

- An elected member declared a relationship to a contractor to whom the council paid £23k in 2016/17 and to whom £6k was owed at year end.
- An elected member declared a relationship to an individual who provided professional services to the Council and to whom the Council paid £17k in 2016/17
- An elected member declared a relationship to a company who rented an Industrial Unit from the Council
- An elected member was involved in a personal planning application process during 2016/17

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

Officers

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

Other Public Bodies

Teachers' Pension Agency

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

Clwyd Pension Fund

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

Community, Town & City Councils

Total precepts paid to the 37 community, town & city councils are included in Note 10 and amounted to £1,761k (£1,733k in 2015/16).

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 £13,702k (£13,482k in 2015/16). A breakdown is provided in Note 10.

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 £219k (£211k in 2015/16) and the Authority contributed £50k to the Health and Social Care Support Workers Service (£50k in 2015/16).

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

The Council is a member of the LGA/WLGA, to which payments of £106k were made in 2016/17 (£84k in 2015/16). The Council received no income from LGA/WLGA in 2016/17 (£2k in 2015/16).

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 2016/17 Denbighshire County Council made payments of £652k to the WJEC (£621k in 2015/16).

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:

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 2016/17 the Trust received £145k. The Council provides its payroll services. The Board of Directors consists of eleven members in total, of whom one was a Denbighshire County Councillor.

The audited financial statements for the financial year 2016/17 are not yet available. However, the net assets of the Group as at 31 March 2016 were £698k and the net outgoing resources for the year totalled £29k.

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

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

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

Clwyd Leisure Ltd.

Clwyd Leisure Limited was established on 1 April 2001 as a Non Profit Distributing Organisation. The company ceased trading on Friday 7 February 2014 and an insolvency practitioner has managed the winding-up of the company, which has now been concluded. The Liquidator's final report was approved at a meeting held on 24 February 2016. Under the terms of a debenture, the council was deemed a preferential creditor and received a total of £295k. At the beginning of 2016/17 there remained sundry debtor balances totalling £38k which had been provided for

in full pending the completion of formal write off procedures. These procedures were completed in full during the financial year and the amount was formally written off in January 2017.

The council is a guarantor of the company's pension commitments and these liabilities have now been subsumed into Denbighshire's overall liability. The full impact has been allowed for as part of the 2016 actuarial valuation, the results of which are applicable from 1 April 2017.

Scala Prestatyn Company Ltd.

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

The Council was informed by the insolvency solicitors in December 2015 that the process to remove the Scala Prestatyn Company Limited from the Register of Companies had formally begun. As part of this the Council has been informed that the 'Scala has no assets and is not in a position to make any outstanding payments'. The total debt owed by the company to the council amounted to £140k (£60k in sundry debtors and the £80k loan). The loan was written off during 2015/16 and the sundry debtor amounts were provided for in full pending the completion of the formal write off procedures. These procedures were completed in full during 2016/17 and the amount was formally written off in January 2017.

36. Capital Expenditure and Capital Financing

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

| 2015/16 £000 | | 2016/17 £000 |
|-----------------|---|-----------------|
| 188,857 | Opening Capital Financing Requirement | 233,672 |
| | Capital Investment | |
| 44,524 | Property, Plant & Equipment | 39,660 |
| 99 | Investment Properties | 0 |
| 3,893 | Revenue Expenditure Funded from Capital Under Statute | 3,304 |
| 40,045 | Capitalised Expenditure – HRA Settlement Payment | 0 |
| | Sources of Finance | |
| (1,870) | Capital receipts | (1,279) |
| (30,209) | Government grants & other contributions | (21,335) |
| | Sums set aside from revenue: | |
| (2,234) | Direct revenue contributions | (2,383) |
| (9,433) | MRP & Long Term Debtors | (10,075) |
| 233,672 | Closing Capital Financing Requirement | 241,564 |

| 2015/16 £000 | | 2016/17 £000 |
|-----------------|--|-----------------|
| | Explanation of movements in year | |
| 2,967 | Increase in underlying need to borrow (supported by government financial assistance) | 4,167 |
| 51,720 | Increase in underlying need to borrow (unsupported by government financial assistance) | 14,528 |
| (9,031) | MRP & Long Term Debtors | (10,075) |
| (439) | Set aside Capital Receipts | (728) |
| 0 | Assets acquired under finance leases | 0 |
| (402) | Assets acquired under PFI contracts | 0 |
| 44,815 | Increase/(decrease) in Capital Financing Requirement | 7,892 |

37. Leases

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

Authority as Lessee

Finance Leases

The Council has acquired some properties under finance leases.

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

| 31 March 2016 £000 | | 31 March 2017 £000 |
|-----------------------|--------------------------|-----------------------|
| 3,295 | Other Land and Buildings | 3,239 |
| 3,295 | | 3,239 |

Operating Leases

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

| 31 March 2016 £000 | | 31 March 2017 £000 |
|-----------------------|--|-----------------------|
| 25 | Not later than 1 year | 25 |
| 100 | Later than 1 year and not later than 5 years | 100 |
| 127 | Later than 5 years | 102 |
| 252 | | 227 |

The minimum lease payment charged to services in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £20k in 2016/17 and £16k in 2015/16.

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 March 2016 £000 | | 31 March 2017 £000 |
|-------------------------------------|--|-------------------------------------|
| 955 | Not later than 1 year | 1,031 |
| 2,609 | Later than 1 year and not later than 5 years | 2,746 |
| 12,085 | Later than 5 years | 13,651 |
| 15,649 | | 17,428 |

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 2016/17, the county council paid £5,530k to Teachers' Pensions in respect of teachers' retirement benefits, representing 16.48% of pensionable pay. The figures for 2015/16 were £5,342k and 14.1% up until 31 August then 16.48% thereafter. In addition, payments in respect of premature retirements were made of £379k (£530k in 2015/16). There were no contributions remaining payable at year end. The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 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 pension arrangement, 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.

- The Clwyd Pension Fund is a multi-employer arrangement, under which each employer is responsible for the pension costs, liabilities and funding risks relating to its own employees and former employees.
- 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 | |
|--|---------------------------------|-----------------|-------------------------------------|-----------------|
| | 2015/16 £000 | 2016/17 £000 | 2015/16 £000 | 2016/17 £000 |
| Comprehensive Income and Expenditure Statement | | | | |
| <i>Cost of Services:</i> | | | | |
| <i>Service cost comprising:</i> | | | | |
| • Current Service Cost | 14,653 | 13,147 | | |
| • Past Service Costs/(Gains) | 790 | 84 | | |
| • (Gain)/Loss from Settlements | 0 | 0 | | |
| <i>Other Operating Expenditure:</i> | | | | |
| • Administration Expenses | 285 | 661 | | |
| <i>Financing and Investment Income and Expenditure:</i> | | | | |
| • Net Interest Expense | 6,730 | 6,752 | 271 | 272 |
| <i>Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services</i> | 22,458 | 20,644 | 271 | 272 |
| <i>Other Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement</i> | | | | |
| <i>Remeasurement of the net defined benefit liability comprising:</i> | | | | |
| • *Return on Plan Assets (excluding the amount included in the Net Interest Expense) (A) | 7,440 | (51,659) | | |
| • *Actuarial (Gains) and Losses Arising on Changes in Demographic Assumptions (B) | 0 | (10,823) | | (398) |
| • *Actuarial (Gains) and Losses Arising on Changes in Financial Assumptions (C) | (30,299) | 129,984 | (194) | 783 |
| • *Other (D) | 0 | (5,841) | | 205 |
| <i>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i> | (401) | 82,305 | 77 | 862 |
| 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 | (22,458) | (20,644) | (271) | (272) |
| <i>Actual amount charged against the Council Fund Balance for pensions in the year:</i> | | | | |
| • Employer's contributions payable to the scheme | 15,797 | 15,893 | | |
| • Retirement benefits payable to pensioners | | | 828 | 803 |

* A + B + C + D = Remeasurement of the Net Defined Benefit Liability /(Asset) as quoted in the Comprehensive Income & Expenditure Statement: £62,251k 2016/17; (£23,053k) 2015/16.

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 | |
|--|---------------------------------|-----------------|-------------------------------------|-----------------|
| | 2015/16 £000 | 2016/17 £000 | 2015/16 £000 | 2016/17 £000 |
| Present Value of the defined benefit obligation | 523,391 | 654,439 | 8,411 | 8,470 |
| Fair value of plan assets | (324,415) | (389,051) | | |
| Sub-total | 198,976 | 265,388 | 8,411 | 8,470 |
| Other movements in the liability (asset) | | | | |
| Net liability arising from defined benefit obligation | 198,976 | 265,388 | 8,411 | 8,470 |

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

| | Local Government Pension Scheme | |
|--|---------------------------------|-----------------|
| | 2015/16 £000 | 2016/17 £000 |
| Opening fair value of scheme assets | 320,811 | 324,415 |
| Interest Income | 10,707 | 11,837 |
| Administration Expenses | (285) | (661) |
| Remeasurement gain/(loss): | | |
| • The return on plan assets, excluding the amount included in the net interest expense | (7,440) | 51,659 |
| • Other | | |
| The effect of changes in foreign exchange rates | | |
| Contributions from employer | 15,797 | 15,893 |
| Contributions from employees into the scheme | 3,566 | 3,583 |
| Benefits paid | (18,741) | (17,675) |
| Other | | |
| Closing fair value of scheme assets | 324,415 | 389,051 |

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

| | Funded Liabilities Local Government Pension Scheme | | Unfunded Liabilities Discretionary Benefits Arrangements | |
|--|--|-----------------|--|-----------------|
| | 2015/16 £000 | 2016/17 £000 | 2015/16 £000 | 2016/17 £000 |
| Opening balance at 1 April | 535,985 | 523,391 | 9,162 | 8,411 |
| Current service cost | 14,653 | 13,147 | | |
| Interest cost | 17,437 | 18,589 | 271 | 272 |
| Contributions from scheme participants | 3,566 | 3,583 | | |
| Remeasurement (gains) and losses: | | | | |
| • Actuarial (Gains) and Losses Arising on Changes in Demographic Assumptions | 0 | (10,823) | | (398) |
| • Actuarial (Gains) and Losses Arising on Changes in Financial Assumptions | (30,299) | 129,984 | (194) | 783 |
| • Other | 0 | (5,841) | | 205 |
| Past service cost | 79 | 0 | | |
| Losses/(gains) on curtailment | 711 | 84 | | |
| Liabilities assumed on entity combinations | | | | |
| Benefits paid | (18,741) | (17,675) | (828) | (803) |
| Liabilities extinguished on settlements | | | | |
| Closing balance at 31 March | 523,391 | 654,439 | 8,411 | 8,470 |

Local Government Pension Scheme Assets Comprised:

| | Fair value of scheme assets | |
|----------------------------------|-----------------------------|-----------------|
| | 2015/16 £000 | 2016/17 £000 |
| Cash and cash equivalents | 3,244 | 3,501 |
| Equities | | |
| • UK quoted | 0 | 0 |
| • Global quoted | 23,033 | 29,957 |
| • Global unquoted | 0 | 0 |
| • US | 0 | 0 |
| • Japan | 0 | 0 |
| • Europe | 0 | 0 |
| • Emerging markets | 18,492 | 24,121 |
| • Frontier | 6,164 | 0 |
| • Far East | 0 | 0 |
| Sub-total Equity | 47,689 | 54,078 |
| Bonds | | |
| Overseas Other Bonds | 39,903 | 46,297 |
| LDI | 73,967 | 90,649 |
| Sub-total Bonds | 113,870 | 136,946 |
| Property: | | |
| • UK | 9,732 | 17,507 |
| • Overseas | 15,896 | 8,948 |
| Sub-total Property | 25,628 | 26,455 |
| Alternatives: | | |
| • Hedge Funds | 32,766 | 34,236 |
| • Private equity | 35,361 | 38,905 |
| • Infrastructure | 6,488 | 7,003 |
| • Timber & Agriculture | 6,164 | 6,614 |
| • Commodities | 0 | 0 |
| • DGF | 53,205 | 81,313 |
| Sub-total Alternatives | 133,984 | 168,071 |
| Total Assets | 324,415 | 389,051 |

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 2016.

The principal assumptions used by the actuary have been:

| | Local Government Pension Scheme | | Discretionary Benefits Arrangements | |
|---|---------------------------------|-----------------|-------------------------------------|-----------------|
| | 2015/16 £000 | 2016/17 £000 | 2015/16 £000 | 2016/17 £000 |
| Mortality assumptions: | | | | |
| Longevity at 65 for current pensioners: | | | | |
| • Men | 23.5 years | 23.0 years | | |
| • Women | 26.0 years | 25.5 years | | |
| Longevity at 65 for future pensioners: | | | | |
| • Men | 26.4 years | 25.6 years | | |
| • Women | 29.4 years | 28.2 years | | |
| Longevity at 75 for future pensioners: | | | | |
| • Men | | | 14.5 years | 14.0 years |
| • Women | | | 16.6 years | 16.1 years |
| Rate of inflation | 2.00% | 2.30% | 2.00% | 2.30% |
| Rate of increase in salaries | 3.50% | 3.55% | | |
| Rate of increase in pensions | 2.00% | 2.30% | 2.00% | 2.30% |
| Rate of discounting scheme liabilities | 3.60% | 2.50% | 3.40% | 2.50% |

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 analyses 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 analyses below did not change from those used in the previous period.

| Change in assumptions at 31 March 2017 | Impact on the Net Liability arising from the Defined Benefit Obligation in the Scheme £000 |
|--|---|
| Longevity (increase in 1 year) | 13,150 |
| Rate of inflation (increase by 0.1%) | 12,092 |
| Rate of increase in salaries (increase by 0.1%) not provided | 2,613 |
| Rate for discounting scheme liabilities (increase 0.1%) | (11,873) |

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 Investment Strategy Statement 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.

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 18 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2019.

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 £16,686k expected contributions to the scheme in 2017/18.

The weighted average duration of the defined benefit obligation for scheme members is 18 years, 2016/17 (19 years 2015/16).

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 22 is an element in relation to the Scheme. The Council recognises that any future payments made by MMI after the imposition of the initial levy will be made at the reduced rate of 75%. The projection of future claims is uncertain because of the latest nature of the claims that MMI is still receiving. The levy has been subject to review every twelve months by the scheme administrator. Despite setting an initial levy of 15% when modelling projected outcomes for the solvent run-off of MMI, the administrator has now asked for an additional 10% as part of the 2015/16 review.

There has been no further update received during 2016/17 therefore a contingent liability should be noted in respect of the remaining exposure, which remains at £1,852k in respect of former Clwyd claims and £306k in respect of Rhuddlan claims.

41. Nature and Extent of Risks Arising from Financial Instruments

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

As part of the adoption of the Treasury Management Code, the Council approved the Treasury Management Strategy for 2016/17 on 23 February 2016. The Strategy sets out the parameters for the management of risks associated with Financial Instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

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

The main risks covered are:

Credit Risk: The possibility that other parties might fail to pay amounts due to the Council.

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

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

Credit Risk

Investments

The Council manages this risk by ensuring that investments are placed with central government, other local authorities or Banks and Building Societies having sufficiently high credit ratings as set out in the Treasury Management Strategy. A limit of £5,000k is placed on the amount of money that can be invested with a single counterparty. No more than £10,000k in total can be invested for a period longer than one year.

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

Debtors

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

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

| | | Long Term Rating when Investment Made | Long Term Rating at 31/03/2017 | Balance Invested at 31/03/2017 £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+ | 800 | 800 | | | |
| | NatWest | BBB+ | BBB+ | 400 | 400 | | | |
| | Total | | | 1,200 | 1,200 | | | |

| Definitions | | |
|-------------------|-----|---|
| Long Term Ratings | 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 2017 was as follows:

| | Years | 31 March 2016 £000 | 31 March 2017 £000 | % |
|--|------------------|-----------------------|-----------------------|---------------|
| Short Term Borrowing | Less than 1 year | (5,440) | (4,533) | 2.45 |
| Long Term Borrowing | Over 1 under 6 | (22,687) | (21,217) | 11.49 |
| | Over 6 under 10 | (11,685) | (10,713) | 5.80 |
| | Over 10 under 15 | (10,453) | (10,168) | 5.50 |
| | Over 15 under 20 | (22,729) | (29,349) | 15.89 |
| | Over 20 under 25 | (23,221) | (14,796) | 8.01 |
| | Over 25 under 30 | (6,000) | (6,000) | 3.25 |
| | Over 30 under 35 | 0 | (4,000) | 2.17 |
| | Over 35 under 40 | (62,130) | (69,630) | 37.69 |
| | Over 40 under 45 | (25,820) | (14,320) | 7.75 |
| Over 45 under 50 | 0 | 0 | 0.00 | |
| Total Long Term Borrowing | | (184,725) | (180,193) | 97.55 |
| Total Borrowing at Nominal Amount | | (190,165) | (184,726) | 100.00 |
| Accrued Interest | | (1,476) | (1,451) | |
| Deferred Premium | | 965 | 952 | |
| Total Borrowing at Amortised Cost | | (190,676) | (185,225) | |

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 2016 and 31 March 2017, 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 £000 | Plas Newydd £000 | Ruthin Gaol £000 | Nant Clwyd Y Dre £000 | Total Heritage Assets £000 |
|---|------------------------------------|---------------------|---------------------|--------------------------|-------------------------------|
| Cost or Valuation 1 April 2016 | 361 | 1,130 | 4,493 | 2,984 | 8,968 |
| Additions | 0 | 0 | 0 | 0 | 0 |
| Impairment Losses recognised in the Revaluation Reserve | 0 | 0 | 0 | 0 | 0 |
| Depreciation | 0 | (8) | (33) | (15) | (56) |
| 31 March 2017 | 361 | 1,122 | 4,460 | 2,969 | 8,912 |

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

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

It has been identified that a Denbighshire High School has a painting by the Welsh Landscape painter, Sir John "Kyffin" Williams. It is estimated to be worth between £14,000 - £20,000.

Collections Management and Valuations

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. During 2016/17 there was no member of staff with sole responsibility for the care of the collections in Denbighshire; instead, the Heritage Service contracted out the curatorial care of the collections to Bodelwyddan Castle Trust in order to satisfy the requirements of Museums Accreditation. This arrangement with Bodelwyddan Castle Trust came to an end in April 2017 and has been replaced by the post of Curator. The Curator will develop and implement a cost effective methodology of assessing the value of collections as well as continuing 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

| 2015/16 £000 | | Note | 2016/17 £000 |
|-----------------|---|------|-----------------|
| | Expenditure | | |
| 3,009 | Repairs & maintenance | | 3,886 |
| 2,190 | Supervision & management | | 2,327 |
| 15 | Rents, rates, taxes & other charges | | 12 |
| 40,045 | Settlement Payment to Welsh Government * | | 0 |
| 14,329 | Depreciation and impairment of non-current assets | 5 | 4,106 |
| 40 | Debt management costs | | 32 |
| (10) | Movement in bad debt provision | | 84 |
| 59,618 | Total Expenditure | | 10,447 |
| | Income | | |
| (13,225) | Dwelling Rents (Gross) | | (13,605) |
| (167) | Non-Dwelling Rents (Gross) | | (166) |
| (13,392) | Total Income | | (13,771) |
| 46,226 | Net Expenditure of HRA Services as included in the Comprehensive Income and Expenditure Statement | | (3,324) |
| 58 | HRA Share of Corporate Expenditure | | 58 |
| 46,284 | Net Expenditure of HRA Services | | (3,266) |
| | HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement | | |
| 9 | Pension Administration Costs | | 22 |
| 3,385 | Interest payable and similar charges | | 3,222 |
| (15) | Interest and investment income | | (15) |
| 212 | Net interest on the net defined benefit liability (asset) | 6 | 234 |
| (2,411) | Capital grants and contributions receivable | | (2,420) |
| 47,464 | (Surplus) or deficit for the year on HRA services | | (2,223) |

*On 2 April 2015 the Council made a one-off payment of £40,045k to the Government to buy itself out of the subsidy system

Movement on the HRA Statement

| 2015/16 £000 | | 2016/17 £000 | |
|-----------------|--|-----------------|----------------|
| (1,852) | Balance on the HRA at 1 April | | (2,604) |
| 47,464 | (Surplus) or deficit for the year on the HRA Income & Expenditure Statement | (2,223) | |
| (48,312) | Adjustments between accounting basis and funding basis under statute (see below) | 2,137 | |
| (848) | Net (increase) or decrease before transfers to or from reserves | | (86) |
| 96 | Transfers to or (from) reserves | | 143 |
| (752) | (Increase) or decrease in year on the HRA | | 57 |
| (2,604) | Balance on the HRA at 31 March | | (2,547) |

| | | | |
|-----------------|---|--|--------------|
| | <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> | | |
| (14,329) | Charges for depreciation and impairment of non-current assets | | (4,106) |
| (40,045) | Housing Settlement Payment | | 0 |
| 2,411 | Capital grants and contributions applied | | 2,420 |
| 0 | Revenue Expenditure Funded from Capital Under Statute | | 0 |
| (585) | 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 | | (971) |
| | <u>Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement</u> | | |
| 2,474 | Statutory provision for the financing of capital investment | | 2,522 |
| 1,405 | Capital Expenditure charged against HRA balances | | 1,497 |
| | Adjustments primarily involving the Capital Receipts Reserve | | |
| 585 | Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the HRA Income & Expenditure Statement | | 971 |
| | Adjustments primarily involving the Financial Instruments Adjustment Account | | |
| 4 | 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 | | (2) |
| | Adjustments primarily involving the Pensions Reserve | | |
| (665) | Reversal of items relating to retirement benefits debited or credited to the HRA Income & Expenditure Statement | | (693) |
| 427 | Employer's pension contributions payable in the year | | 493 |
| | Adjustments involving the Accumulated Absence Account | | |
| 6 | Amount by which officer remuneration charged to the HRA Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | | 6 |
| (48,312) | Total Adjustments | | 2,137 |

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

The Council's total housing stock was as follows:

| 2015/16 No. of Properties | | 2016/17 No. of Properties |
|--------------------------------------|--------------|--------------------------------------|
| 1,827 | Houses | 1,816 |
| 972 | Flats | 977 |
| 616 | Bungalows | 618 |
| 3,415 | Total | 3,411 |

During the year twelve properties were sold under the Right to Buy Scheme. Six were reclassified and two were purchased during the year.

2. Rent Arrears

At the 31 March 2017, tenants' rent arrears were £368k, (£334k as at 31 March 2016) which represented 2.45% of the net rent income due in the year. Arrears totalling £40k were written off during the year. A contribution to the provision for Bad and Doubtful Debts of £84k was made during the year and the balance at year end is £270k.

3. Capital Receipts

HRA capital receipts for 2016/17 are summarised below:

| 2015/16 £000 | Housing Receipts | 2016/17 £000 |
|-------------------------|-----------------------------|-------------------------|
| 585 | Sales - Right to Buy Scheme | 971 |
| 0 | Sales - Land | 0 |
| 0 | Repaid Discounts | 0 |
| 0 | Mortgages | 0 |
| 585 | Total Receipts | 971 |

4. Analysis of Housing Revenue Account Capital Expenditure

During 2016/17, capital expenditure of £7,981k 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.

| 2015/16 £000 | Housing Capital Expenditure | 2016/17 £000 |
|-----------------|---|-----------------|
| 54 | Quality Performance Management - IT Project | 7 |
| 0 | Acquisitions | 1,724 |
| 3,908 | Improvement Works | 6,250 |
| 3,962 | In-year Expenditure | 7,981 |
| | <i>Financed by:</i> | |
| 2,411 | Major Repairs Allowance (Grant) | 2,420 |
| 146 | Usable Capital Receipts | 243 |
| 1,405 | Direct HRA Revenue Contributions | 1,497 |
| 0 | Prudential Borrowing | 3,821 |
| 3,962 | Total | 7,981 |

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

In line with the Resource Accounting framework, depreciation charges, impairment and revaluation losses are included in the HRA Net Cost of Services. The depreciation charge is based on the Balance Sheet value of dwellings and other assets and reflects the assets held and consumed in the delivery of the service, rather than simply the cash spent on them each year. The impairment and revaluation losses arise as a result of the revaluation process. The depreciation charge, impairment and revaluation losses are reversed out of the Net Cost of Services via the Movement on the HRA Statement. The reversal brings the net capital charge to the HRA back to the statutory charge, which is calculated in line with The General Determination of the Item 8 Credit and Item 8 Debit (Wales) 2015. The depreciation charge, impairment and revaluation losses have no effect on HRA balances.

The total depreciation charges and impairment and revaluation losses for 2016/17 are shown below:

| 2015/16 £000 | HRA Depreciation Charges & Impairment Losses | 2016/17 £000 |
|-----------------|---|-----------------|
| 2,607 | Operational Assets – Dwellings | 2,099 |
| 114 | Operational Assets – Communication Systems | 63 |
| 2,721 | Total Depreciation | 2,162 |
| 11,608 | Impairment and Revaluation Losses | 1,944 |
| 14,329 | Total HRA Depreciation & Impairment Losses | 4,106 |

In 2016/17 100% of the Council Houses were revalued, instead of the usual 20% per annum, due to a change in the revaluation schedule. The next 100% revaluation will be in 2021/22.

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:

| 2015/16 £000 | Comprehensive Income and Expenditure Statement | 2016/17 £000 |
|-----------------|---|-----------------|
| 444 | <u>Net cost of services:</u> Current Service Cost | 437 |
| 0 | Past Service Cost | 0 |
| 9 | <u>Net Operating Expenditure</u> Pension Administration Expenses | 22 |
| 212 | Net Interest Expense | 234 |
| 665 | Net charge to the Comprehensive Income & Expenditure Statement | 693 |
| | | |
| | Movements on the HRA statement | |
| (665) | Reversal of net charges made for retirement benefits in accordance with the Code | (693) |
| 427 | Employer's contribution payable to the Clwyd Pension Fund Scheme | 493 |

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 2017 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 2016-17 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 Narrative Report and Annual Governance Statement 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 2017 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 2016-17.

Opinion on other matters

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

Matters on which I report by exception

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

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

Certificate of completion of audit

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 on behalf of
Huw Vaughan Thomas
Auditor General for Wales

24 Cathedral Road
Cardiff
CF11 9L

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Section 6: Annual Governance and Improvement Assessment 2016-17



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Introduction

Good governance in Denbighshire County Council (the Council) encourages better-informed and longer-term decision-making, as well as the efficient use of resources. It strengthens accountability for the stewardship of those resources. Good governance is characterised by robust scrutiny, which places important pressures on improving the Council's performance and tackling corruption. Good governance can improve organisational leadership, management and oversight, resulting in more effective interventions and, ultimately, better outcomes.

To fulfil its wide range of functions, the Council must satisfy a complex range of political, economic, social and environmental objectives over the short, medium and longer term. This subjects it to a different set of external and internal constraints and incentives than those found in the private sector, all of which affect its governance arrangements. A key piece of legislation in Wales is the Well-being of Future Generations (Wales) Act 2015, which requires the Council to consider the longer term in making its decisions and to work collaboratively with other public bodies to improve well-being in Wales.

Financing of the Council's activities also has an important impact on governance:

- The principle source of revenue is taxation.
- Council services are often provided in a non-competitive environment, so the bottom line does not normally determine the types of goods and services to be provided.
- Service recipients, unlike consumers in the private sector, may have little or no option to use a different service provider or to withhold payment.

Stakeholders are, therefore, interested in issues such as:

- a) whether the Council's planned outputs have been delivered and outcomes achieved; and
- b) whether this has been done in an efficient, economic, effective and equitable manner.

The Council, therefore, must be highly transparent and provide high-quality information about all aspects of its performance. Within our annual governance review, we carry out a self-assessment of our arrangements, which we combine with our corporate self-assessment showing how we achieve continuous improvement. This self-assessment helps us to understand our strengths and weaknesses in relation to the following key principles of good governance that we use in our governance framework.

Principles of good governance in the public sector

Governance comprises the arrangements put in place to ensure that the Council's intended outcomes for stakeholders are defined and achieved. The fundamental function of good governance in the Council is to ensure that it achieves its intended outcomes while acting in the public interest at all times.

Acting in the public interest implies that the Council's primary consideration is the benefits for society, which should result in positive outcomes for service users and stakeholders.

Acting in the public interest requires:

- a) Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- b) Ensuring openness and comprehensive stakeholder engagement

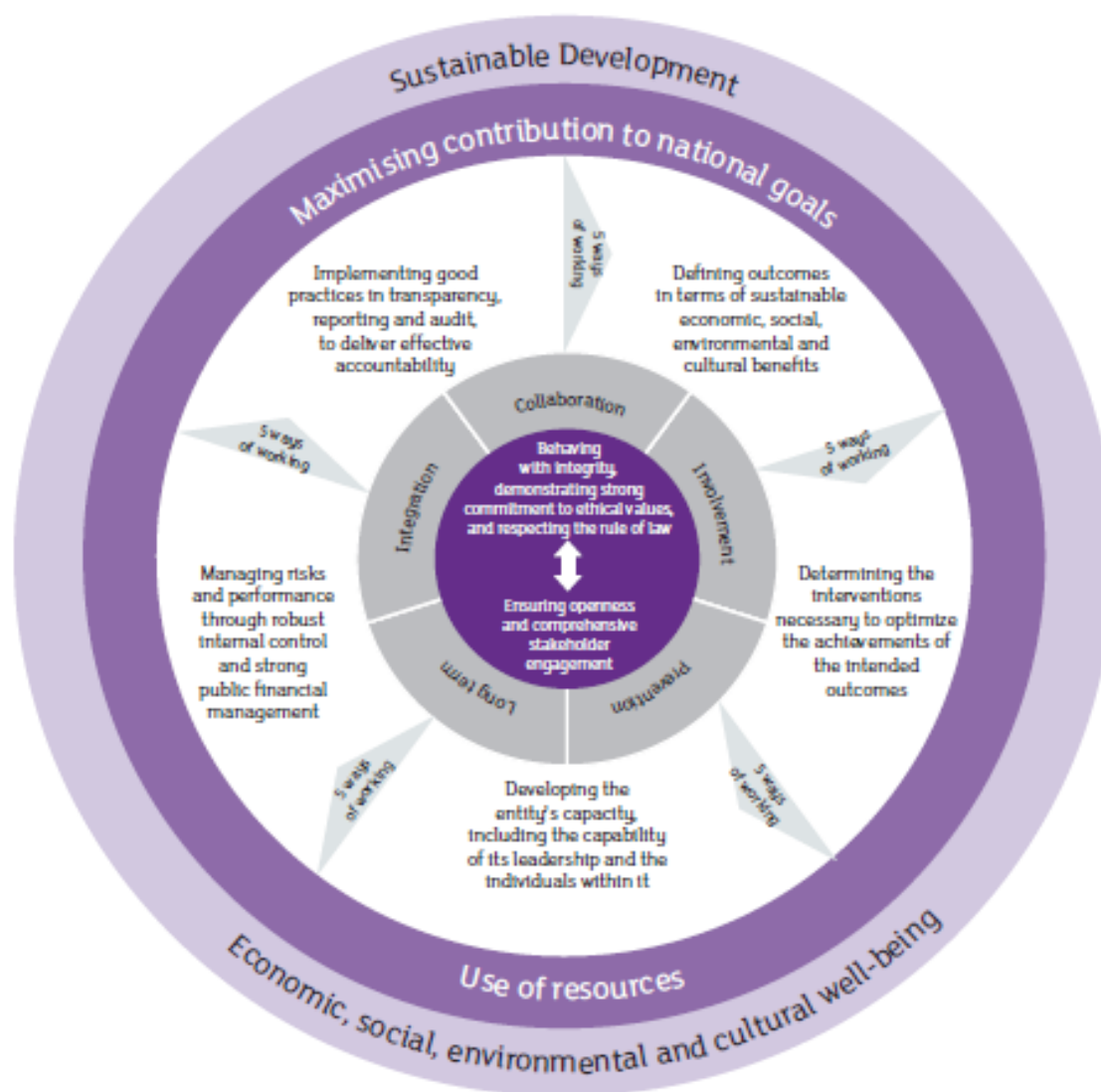
In addition, achieving good governance in the Council requires effective arrangements for:

- c) Defining outcomes in terms of sustainable economic, social and environmental benefits
- d) Determining the interventions necessary to optimise the achievement of the intended outcomes
- e) Developing the Council's capacity, including the capability of its leadership and employees
- f) Managing risks and performance through robust internal control and strong financial management
- g) Implementing good practices in transparency, reporting and audit to deliver effective accountability

The diagram below brings together the above principles of good governance with the requirements of the Well-being of Future Generations (Wales) Act 2015. It shows sustainability as all-encompassing. The core behaviours of

- a) behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law; and
- b) ensuring openness and comprehensive stakeholder engagement;

need to be applied to the five ways of working outlined in the 2015 Act. These five ways of working have to permeate all segments of delivering outcomes, which, in turn, should ensure effective use of resources as the Council maximises its contribution to the economic, social, environmental and cultural well-being of Wales.



Summary of our governance arrangements

We are required to review the effectiveness of our governance arrangements each year. These include:

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

Principles of Good Governance

- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- Ensuring openness and comprehensive stakeholder engagement
- Defining outcomes in terms of sustainable economic, social and environmental benefits
- Determining the interventions necessary to optimise the achievement of the intended outcomes
- Developing the Council's capacity, including the capability of its leadership and employees
- Managing risks and performance through robust internal control and strong financial management
- Implementing good practices in transparency, reporting and audit to deliver effective accountability

Evidence Sources

- Corporate Plan
- Annual delivery document
- Corporate priorities
- Financial planning
- Performance management
- Partnership arrangements
- Customer feedback
- HR strategy & policies
- Procurement management
- Constitution
- Partnership governance
- Job descriptions
- Chief Executive Officer
- S151 Officer
- Monitoring Officer
- Published reports
- Customer engagement
- Community Engagement Plan
- City, Town & Area Plans
- Member Area Groups
- Resident surveys
- Communication Strategy
- Staff engagement
- Well-being Statement & Objectives
- Well-being Impact Assessments

Assurance Sources

- Performance reports
- Financial reports
- Democratic arrangements
- External regulator reports
- Internal Audit reports
- Service challenges
- Self-assessments
- Peer reviews
- Partnership boards
- Staff surveys
- Resident surveys
- Customer feedback
- Consultations

Evidence Sources

- Leadership
- Core Values
- Equalities arrangements
- FOI arrangements
- Codes of conduct
- Anti-fraud & Corruption Policy
- Whistleblowing arrangements
- 'Audit' & Standards committees
- Statutory committees
- Decision-making framework
- Record of decisions
- Scrutiny function
- Openness & transparency
- Expert advice & guidance
- Risk management
- Project management
- Internal controls
- Internal Audit service
- Information management
- Elected member & staff training & performance management
- Staff & elected member development
- Complaints processes

Corporate Governance Self-Assessment

'Annual Governance & Improvement Assessment' signed by Leader & CEO

Governance Improvement Action Plan monitored by Corporate Governance Committee

Elected Members

- Corporate Governance Committee

Executive

- Corporate Executive Team
- Senior Leadership Team

Principle A – Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Good governance means...

The Council is accountable not only for how much it spends, but also for how it uses the resources under its stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes that it has achieved. In addition, the Council has an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies.

How we achieve this...

The Council has a wide variety of ways in which it ensures that its elected members and officers behave with integrity and that it leads a culture where acting in the public interest is visibly and consistently demonstrated. Our leadership sets the tone for the organisation by creating a culture of openness, support and respect. We have supported this throughout the year with our Strategy for Leadership 2014-2017 encompassing leadership attitudes and behaviours, management skills and responsibility to create a collective leadership culture and capability.

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

We have various other ways in which we consistently demonstrate our core values, high standards of conduct and adherence to legislation and government policies, for example:

- Clear and transparent Freedom of Information arrangements to allow access to information.
- Codes of conduct for elected members and employees that form part of induction training.
- A register of financial interests and hospitality for elected members and employees to ensure transparency in decision-making.
- A process for elected members to declare interests generally and in relation to specific issues and/or reports at meetings.
- A protocol to ensure that elected members and employees treat each other with respect and behave professionally.
- A customer feedback and complaints framework that allows the opportunity for customers to comment on the behaviour of elected members and employees.
- An anti-fraud and corruption policy, which we updated and re-launched this year.
- Revised whistleblowing procedures that enable issues to be raised freely with a wide range of people or bodies.

- Key HR policies and procedures and Contract Procedure Rules that place a clear emphasis on ethical values and integrity.
- Financial management arrangements that conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).
- The Head of Internal Audit's annual report, which confirmed that we operate an effective system of internal control, governance and risk management.
- Operation of an effective and impartial Standards Committee to uphold good behaviour by elected members.
- The Constitution, protocols, job descriptions, statutory committees, legal guidance, financial guidance etc., which all ensure that our statutory officers and other key post holders and elected members are able to fulfil their responsibilities in accordance with legislative and regulatory requirements.

Principle B - Ensuring openness and comprehensive stakeholder engagement

Good governance means...

The Council is established and run for the public good, so it should ensure openness in its activities, using clear, trusted channels of communication and consultation to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.

How we achieve this...

The Council has demonstrated and communicated its commitment to openness. We make decisions that are open about our actions, plans, outputs and outcomes, and use formal and informal consultation and engagement to help determine the most appropriate and effective interventions/courses of action. We also use partnership working to allow for resources to be used more efficiently and outcomes achieved more effectively.

The Well-being of Future Generations (Wales) Act 2015 requires us to agree and publish our Well-being Objectives, which set out what actions we intend to take to contribute to the seven aims embodied in the Act. As there is inevitably an overlap with the Public Service Board's duty to publish a Well-being Plan and the development of our new Corporate Plan, we have aligned these through our County Conversation during the year, carrying out considerable consultation and engagement with our community in order to develop our priorities for the new planning period.

Other examples of our openness, consultation, engagement and communication include:

- Advertising our 'public' meetings in advance, so that they are open for public and media attendance.
- All of our committee reports are discussed openly unless they meet strict criteria for confidential discussion.
- Publishing 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.
- Publishing our Annual Performance Report so that the public can see how well we are performing in the delivery of our Corporate Plan.
- A customer feedback and complaints framework that provides the opportunity for customers to comment on our services. We listen to these views when deciding on service planning and improvement.
- Clear and transparent Freedom of Information arrangements to allow access to information.
- A clear decision-making framework to show who can make what decisions and a comprehensive and published record of decisions made. 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.

- All key decisions include an assessment of financial implications, contribution to corporate priorities, risks and impact assessments that provide evidence of clear reasoning for decisions.
- A website that provides a wealth of information for businesses, residents and service users, as well as details of past and current consultations on a range of topics.
- A draft communication and engagement strategy and toolkit that we are currently consulting on internally and that will be in place during 2017-18. This has been revised in line with the Well-being of Future Generations Act.
- A Communications Strategy on our website that sets out how the Council aspires to improve internal and external communications over the coming years.
- We continue our close liaison with the 37 city, town and community councils.
- We have significantly improved our engagement with businesses over the last two years, including, improved face-to-face contact with businesses, our 'Better Business for All' project, a small business development grant scheme to aid start-up and growing businesses, and a range of training events to provide support and advice.

Principle C - Defining outcomes in terms of sustainable economic, social and environmental benefits

Good governance means...

The long-term nature and impact of many of the Council's responsibilities means that it should define and plan sustainable outcomes. The Council should ensure that its decisions further its purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users and institutional stakeholders, is vital.

How we achieve this...

Our Corporate Plan 2012-17 was widely consulted on and clearly shows what we were aiming to achieve, setting 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. Actual performance against the Corporate Plan is regularly reported to Cabinet and County Council.

As our current Corporate Plan is reaching its conclusion and local government elections will be held on May 2017, we have been working hard to develop the Council's potential priorities for the upcoming administration. As part of our 'County Conversation' consultation, six potential priority areas have emerged, which were referred back to the public during a second phase of consultation. This has led to support for the priorities and a relative ranking that gives us a fairly clear idea of what our community thinks should be our core priorities for the next planning period, based on extensive public engagement, data analysis and a thorough assessment of need. We have deliberately developed our Well-being Objectives to match these priority areas, so that we do not end up with two sets of priorities. These priority areas will be taken forward to the new administration after May's elections for revision by County Council in July 2017.

In addition to this, to explain our approach to our citizens, and to comply with legislation, we have developed a Well-being Statement, which we have published on our website along with our Well-being Objectives.

In November 2016, a joint Cabinet and Senior Leadership Team (SLT) Workshop was held to identify and discuss the corporate priorities that will be considered in formulating the next Corporate Plan. The Workshop included a summary of what the current programme of 'County Conversation' had told us, the data collected, feedback from our partners, and the proposals for what the 'long list' of priorities could be.

The recent Wales Audit Office (WAO) report '*Good Governance when determining significant service changes - Denbighshire County Council*' highlighted that:

“The Council’s vision and strategy provides a clear framework to shape and drive significant service changes”

“The Council actively engages with stakeholders to inform decision-making and is committed to widening involvement to better reflect the diversity of Denbighshire”

During the year, we have carried out a significant amount of work to implement the requirements of the Future Generation Act’s sustainable development principles. We have also launched our Well-being Impact Assessment, which is an on-line, integrated assessment. It incorporates an equality impact assessment and has been designed to assess the likely impact of ideas, policies, reports or projects on the social, economic, environmental and cultural well-being of Denbighshire, Wales and the world. It supports us to consider the impact of our proposals on people who share protected characteristics, the Welsh language, biodiversity, health, community cohesion, economic development, etc.

The approach has been designed to support the development of our thinking and to consider ways to enhance the contribution that our proposals could make to the well-being of future generations. We have presented the Impact Assessment to the WAO and officers from the Future Generations Commissioner’s department, and it was well received.

Since its launch, over 150 impact assessments have been initiated. The reports to Cabinet and Council for a decision have generally been accompanied by a well-being impact assessment report and these have informed discussions. We are beginning to see the culture of the organisation change as it responds to the new approach. The quality of the impact assessments has varied, so Corporate Executive Team (CET) randomly samples assessments to discuss every month and a member/officer quality assurance group has been established to provide feedback on impact assessments and will participate in assessments of critical projects.

In addition, we have a variety of other ways to ensure that we define outcomes and the risks to achieving them; manage service users’ expectations; consider economic, social and environmental impacts of policies, plans and decisions; and take a longer-term view when making decisions about service provision:

- Council decisions need an assessment of the risk of making and not making the decision.
- We have a risk management framework that includes project, service and corporate risk registers.
- Our Procurement & Commissioning Strategy 2016-2021 specifically refers to and takes account of the Future Generations Act and Denbighshire Well-being Plan. It also requires us to demonstrably be delivering more and better community benefits through the procurement process.
- Discussion between elected members and officers on the information needs of elected members to support decision making.
- A record of decision making and supporting materials.

Principle D - Determining the interventions necessary to optimise the achievement of the intended outcomes

Good governance means...

The Council achieves its intended outcomes by providing a mixture of legal, regulatory and practical interventions. Determining the right mix of interventions is a critically important strategic choice that the Council has to make to ensure that it achieves its intended outcomes. The Council needs robust decision-making mechanisms to ensure that its defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs, while still enabling effective and efficient operations. The Council may need to review decisions continually to ensure that achievement of outcomes is optimised.

How we achieve this...

The Council has a robust decision-making mechanism that ensures that its decision-makers receive objective and rigorous analysis of a variety of options, including risks associated with those outcomes.

The recent WAO report '*Good Governance when determining significant service changes - Denbighshire County Council*' highlighted that:

"Accountability and governance arrangements for councillors and officers considering significant service changes are clear and well understood"

"The challenge by councillors of new service delivery proposals is robust"

"The Council proactively reviews and improves the effectiveness of its decision-making arrangements"

Our planning and control cycles ensure that we regularly plan and monitor delivery of strategic and operational plans, priorities and targets. In addition, we use a Service Challenge process, which we have developed further this year. The appointment of a full-time Service Challenge Coordinator in April 2016 has enabled a more focused approach to the process. The key development for 2016-17 was the incorporation of the Business Performance Report in the Service Challenge papers, which brings together information regarding the internal housekeeping aspects of each service, e.g. health and safety, Finance, Internal Audit and HR reports.

In addition, a mini staff survey is undertaken to take into account the views of staff within the respective service at the time of the Service Challenge. It is planned to use the results of the mini staff surveys to produce a report identifying points that services might learn from one another. Additionally, the Service Challenge Coordinator plans to review some aspects of the Service Challenge process and to make recommendations for further improvements to the process that could be implemented in 2017-18.

Over the term of this Council, we will have delivered savings of £30m, mostly through efficiency, while at the same time investing in key priorities through the Corporate Plan. There has been a significant degree of internal consultation on budget proposals

and we sought residents' views on proposals where appropriate. In addition to the Impact Assessments that were completed for each budget proposal, an elected member task and finish group has continued to assess the impact of budget decisions on communities. We recognise that the scale of savings that we need to make may not be evenly spread across our services but have robust budget planning processes in place to capture a range of funding scenarios, cost pressures and risks that will allow elected members a range of options to deliver a balanced budget.

The picture for the medium term suggests that funding will continue to reduce and we will have to prioritise the provision of vital services. Budget processes will continue to drive out efficiencies and attempt to minimise the impact on service delivery and the Council will always strive to be as efficient as it can be. However, if funding continues to be cut, whether in cash or real terms, difficult budget decisions will have to be taken that could also shape the way local services are provided in the future. We are a high performing Council and this should not change, even after these cuts are implemented.

During 2016-17, several of our key financial policies and procedures were updated to reflect changes such as those noted above and to ensure that new legislative and other changes were properly reflected in the policies that underpin our governance arrangements.

In March 2017, WAO produced a report '*Savings Planning - Denbighshire County Council*', which concludes that:

"The Council has an effective and well-considered savings planning approach, which is supporting future financial resilience."

The WAO report highlights that the Council has a good track record of delivering planned savings and has an effective financial planning framework, with good links between corporate and medium-term financial planning processes. The report suggests two proposals for improvement relating to development of an income generation/charging policy and more formal risk rating of savings proposals.

We also have a variety of other mechanisms to ensure that we determine the right mix of interventions, plan these interventions, and optimise the achievement of intended outcomes, including:

- Consideration of feedback from citizens and service users when making decisions about service improvements, planning and delivery or where services are no longer required, through our communication and engagement strategies.
- Consideration and monitoring of risks when working in partnership or collaboratively with others.
- A Strategic Planning & Performance team that supports corporate performance monitoring, service planning and monitoring, risk management, performance, service challenges etc.
- Service business planning that includes development, monitoring and reporting on local performance indicators, measures and activities.

Principle E - Developing the Council's capacity, including the capability of its leadership and employees

Good governance means...

The Council must have appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mind-set, to operate efficiently and effectively and achieve its intended outcomes. The Council must ensure that it has the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because the environment in which the Council operates will change over time, there will be a continuous need to develop the Council's capacity, as well as the skills and experience of individual staff members.

How we achieve this...

The Council reviews its operations, performance and use of assets regularly to ensure their continuing effectiveness through Service Challenges and quarterly performance reporting. It is also currently undergoing a review of its corporate asset management strategy to provide a basis for developing a more robust and integrated approach to asset management across the Council.

As part of reviewing the way we work, we have continued to review our governance arrangements relating to services provided by alternative service providers, such as third party or arms-length service providers. To ensure that we spend public money wisely and that the public continues to receive good services and value for money, we have continued to develop and have tested new corporate arrangements to assess alternative service provider proposals thoroughly to ensure that decision-making processes are robust and ultimately lead to the right conclusion for the Council.

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

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

- a) clearly sets out respective roles and responsibilities of elected members and officers, particularly relating to governance;
- b) includes a formal scheme of delegation and reserve powers for decision-making; and
- c) ensures that there is a shared understanding of roles.

Our Constitution also 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.

The Council is proactive in developing the capabilities of elected members and senior management to achieve effective leadership. There is a process in place for appraising the performance of Cabinet Members by the Leader, which has been strengthened by aligning their priorities to the Corporate Plan. Portfolio Profiles created for each Cabinet Member are more user-friendly and include Cabinet Members' aligned Corporate Plan Priorities, and indicate the measures that have been put in place to achieve the priorities within the current Corporate Plan, together with the aligned risks from the Corporate Risk Register.

During their appraisals, Cabinet Members are encouraged to share with the Leader any areas where they feel they have performed well or where they may require additional support. They are asked whether they have any training requirements and are encouraged to complete a Personal Development Plan and an Annual Report. Cabinet Members are encouraged to participate in regional working and to attend Scrutiny Committee meetings when possible, particularly when there is a discussion about an item relevant to their portfolio.

The Leader continues to encourage feedback from SLT, which is discussed with the Cabinet Members during their appraisals. Regular meetings are convened between Cabinet Lead Members with their relevant Heads of Service and Corporate Directors.

As we are nearing the end of this term of Council, the Leader has conducted exit interviews with all of his Cabinet Members to gain feedback on how things have worked for them during the Council term. A series of questions has been developed asking them about the support they have received; frequency of their 1:1 meetings with their relevant Corporate Director and Heads of Service; and what training is required at the beginning to assist a Cabinet Member in progressing their portfolio objectives, understanding service plans, corporate risk register, Well-being Impact Assessments, media awareness and social media. All of the responses received will be collated and formulate an action plan for discussion with the Chief Executive, Head of Legal, HR and Democratic Services and the Democratic Services Manager so this can be included in the induction sessions for the new Cabinet.

Academi Wales, the Welsh Government and Welsh Local Government Association continue to work in partnership with the Local Government Association to deliver the Leadership Programme for councillors, which the Institute of Leadership and Management, the UK's leading awarding body for leadership and management, recognises. Five out of the eight current Cabinet Members have now completed the programme.

We have carried out a significant amount of work during the year to develop our senior and middle managers. Our Strategy for Leadership 2014-2017 encompasses leadership attitudes and behaviours, management skills and a responsibility to

create a collective leadership culture and capability. Our vision is to have individual leaders who are role models, displaying our identified leadership attitudes and behaviours. They are people we trust and who create a culture of trust, who work together to achieve results and who learn from each other to deliver our shared management responsibilities.

As part of this development we are highlighting the difference between leadership and management and have developed key principles of leadership for the Council:

- Creating a collective culture of learning from experience and becoming a learning organisation
- Using a coaching style
- Giving and receiving feedback
- Being reflective and self-aware
- Working collectively and collaboratively
- Learning from each other

The Strategy is ongoing and aims to:

- Develop better working relationships between managers and staff
- Allow us to be able to collectively learn from our mistakes
- Become a learning organisation
- Decrease any knowledge gaps
- Ensure that we have competent supervisors, team leaders and managers

We also ensure that we develop the capability of our leadership and other individuals, consider leadership's effectiveness, and review employee performance in a range of ways, including:

- Elected member and employee induction programmes.
- Employee and elected member appraisals.
- Training plans for elected members, particularly when first taking office.
- Developing our 'middle managers' through regular leadership conferences.
- Addressing service succession planning within the Service Challenge process.
- Various HR policies that help to ensure the health and well-being of the workforce and to support individuals in maintaining their own physical and mental well-being.

Principle F - Managing risks and performance through robust internal control and strong financial management

Good governance means...

The Council needs to ensure that it has implemented and can sustain an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision-making activities.

A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery, and accountability.

It is also essential that the Council has a culture and structure for scrutiny in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful service delivery.

How we achieve this...

The Council has embedded risk management and recognises that it is an integral part of all activities and considers it in all aspects of decision making. We review our Corporate Risk Register formally twice a year, with CET and Cabinet reviewing risks together, reviewing mitigating actions and the external environment to assess the risk score and adding new risks as appropriate. 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 and alternative service providers. The service particularly focuses its work on key priority areas and corporate risks and its programme of work ensures that all corporate risks are considered, either within agreed corporate and service projects or within a specific risk management project that picks up any remaining corporate risks not reviewed earlier in the year.

The Head of Internal Audit's opinion is that the Council operates a robust system of financial and operational internal controls, has effective governance arrangements and is managing its risks effectively.

We have a robust performance management framework that helps us to manage corporate and service performance effectively. We monitor our performance regularly, take regular reports to Scrutiny Committee and Cabinet meetings and produce an Annual Performance Report to evaluate progress. Our performance continues to be excellent. Our 2015-16 Annual Performance review shows us to be ranked third of all local authorities in Wales for National Strategic Indicators and Public Accountability Measures, an improvement from fourth in the previous year.

The recent WAO report '*Good Governance when determining significant service changes - Denbighshire County Council*' highlighted that:

"The Council monitors service performance and evaluates the impact of individual service change, although at times this is not always timely"

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

The Council has a Corporate Governance Committee that includes the role of 'audit committee'. The Committee is independent from Cabinet and is effective in providing a further source of assurance regarding the Council's arrangements for managing risk and maintaining an effective control environment. During the year, the Committee has called senior management to account on several occasions, particularly following adverse Internal Audit reports, which has contributed to prompter service improvement.

We also operate an effective scrutiny function that provides constructive challenge and debates on policies and objectives before, during and after decisions are made.

The Council continues to develop its information management arrangements to ensure that they are robust for safe collection, storage, use and sharing of data. During the year, the Research and Intelligence Team, Corporate Programme Office and Corporate Information Team combined to form a new team - the Business Information Team. Developments have focused on further reducing information risk and modernising the way that the Council handles information. For example:

- Continued roll-out of EDRMS (electronic document records management system) as a corporate electronic filing structure. The success of the project has been recognised by the Council's Modernisation Board, which has recently agreed to extend funding for the project until March 2019.
- Processes for handling and responding to Access to Information requests have been improved to ensure that adequate provision is made to manage this workload. Performance continues to be good in responding to access requests.
- The modernisation of the Archive Service continued with the launch of a brand new website, which provides access to an online catalogue and digital images of collections.
- A Digital Records Bureau was formed, which enables the Council to accelerate its conversion from paper to digital records. The Bureau has responsibility for digital conversion activities in support of EDRMS implementations, the digital mailroom, modern record file requests and box deposits. The Council is one of the first local authorities in the country to have a digital mailroom.
- The implementation of a new suite of information security policies during 2016 has updated and further strengthened the Council's arrangements for the safe collection, storage, use and sharing of data.

- The introduction of revised data protection regulations will increase requirements in security, handling and sharing of personal data. A plan is currently being developed to assist the Council with meeting these new requirements.

The Council's Information Risk Policy includes a requirement to include specific information in the 'annual governance statement' and to share and discuss this with the Corporate Governance Committee. The Council's Senior Information Risk Officer's (SIRO) report to Corporate Governance Committee for 2016-17 states that:

- There have been no significant breaches of the Data Protection Act in the Council during the year.
- There have been five less serious breaches reported, only one of which was deemed serious enough to report to the Information Commissioner's Office (ICO) but no action was deemed necessary by the ICO. The ICO considered that, although a breach had occurred, the Council's systems were generally robust.
- The ICO has made one recommendation, which is that we should develop a formal policy on staff taking personal data relating to their clients out of the office. This would be instead of the guidelines we currently use, which are advisory only.

Our financial management supports both long-term achievement of outcomes and short-term financial and operational performance. It also supports the delivery of services and transformational change, as well as securing good stewardship. We integrate financial management at all levels of planning and control, including management of financial risks and controls. Internal Audit's annual review our key financial systems provided positive reports during the year, while the WAO provides annual assurance on the financial accounts and statements.

Other ways in which we manage risk and performance and ensure robust internal control include:

- Service Challenges reviewing service risks registers.
- Internal Audit focuses the planning of its work on key priority areas and reports on a wide range of corporate and service areas throughout the year. The service planned to undertake a review of the Council's overall arrangements for managing the risk of fraud and corruption during 2016-17 but, due to resource changes, was unable to do this. It is now planned for early in 2017-18.
- Council decisions are based on clear, objective analysis and advice, pointing out the implications and risks.
- The role and responsibility for scrutiny has been established and is clear in the Council's Constitution.

Principle G – Implementing good practices in transparency, reporting and audit to deliver effective accountability

Good governance means...

Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the Council plans and carries out its activities in a transparent manner.

We achieve this by...

The Council advertises its meetings in advance and publishes its committee papers and reports for the public and other stakeholders in a fair, balanced and understandable style, ensuring that they are easily accessible. Some Council meetings are also webcast to allow wider access. Reports are produced in Cabinet Lead Member names and are restricted to a maximum of four pages to ensure that they are concise, with appendices providing additional information where required. All reports are produced bilingually.

The above reports include regular updates on financial and operational performance. In addition, as well as this annual governance and improvement report, we produce an annual performance report and annual financial statements that are published on our website.

We discuss any reports of external regulators at the relevant management and elected member levels and monitor action plans arising from their reviews. This includes recommendations arising from national WAO studies, which we respond to and take to the relevant Scrutiny Committee, explaining what the report has found and what, if anything, we are doing to incorporate any recommendations arising in the report. Internal Audit also follows up any critical external regulator reports to ensure that improvements are implemented promptly.

The Council's Internal Audit service is effective and works with services to help to deliver improvement across the whole organisation. This includes services delivered in partnership and through alternative service delivery methods. The Head of Internal Audit has a direct reporting line to the Chair of Corporate Governance Committee and access to the service's Cabinet Lead Member as required. Internal Audit reports are clear and concise, including improvement action plans that it regularly follows up and reports on to ensure that improvements are implemented within timescale.

In addition to the above arrangements, we have a range of ways to ensure that we operate transparently, implement good practice in reporting and ensure assurance and effective accountability:

- Internal Audit reports presented to Corporate Governance Committee. Where Internal Audit provides an adverse report, the service is called to account at the Committee. This report includes an improvement action plan that Corporate Governance Committee will monitor.

- The new process for monitoring alternative service providers also includes an assessment of governance and monitoring arrangements so that any services that are provided through such an arrangement in future have robust governance and reporting arrangements in place from the start. We are also implementing scrutiny arrangements to monitor alternative service providers' financial and operational performance.

Significant governance issues

There are no significant governance issues to report this year.

Any other less significant issues that we have identified in our self-assessment above have been included in the Governance Improvement Action Plan that the Corporate Governance Committee monitors. This plan also includes any issues raised in last year's action plan that have not yet been fully addressed.

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

Signed: *David H Evans* (Leader) *11-9-*.....2017

Signed: *M McL* (Chief Executive) *11/09/*.....2017

Appendix A - Governance Improvement Action Plan

| Improvement Area | Action | Responsibility | Timescale |
|---|---|--|------------------|
| Alternative Service Providers | | | |
| To ensure that there are robust governance arrangements for services provided by alternative service providers, the Head of Internal Audit had planned to review the Citizens Advice Bureau service arrangements in 2016-17. Due to changes in the team's capacity during the year, this review will now take place in 2017-18. | The Citizens Advice Bureau service arrangements will be reviewed in 2017-18. | Chief Internal Auditor | By 31 March 2018 |
| The Council has not undergone a review to assess the robustness of its counter-fraud and anti-corruption arrangements. | The Council's overall arrangements for managing the risk of fraud and corruption will be reviewed in 2017-18. | Chief Internal Auditor | By 31 March 2018 |
| <p>The WAO report '<i>Savings Planning - Denbighshire County Council</i>' identified two proposals for improvement to strengthen financial arrangements:</p> <ul style="list-style-type: none"> • Develop an income generation/charging policy • Formally risk rate savings according to achievability and identify sustainable mitigating actions for those classified as high risk. | Implement proposals for improvement arising from the WAO report ' <i>Savings Planning - Denbighshire County Council</i> ' | Head of Finance | By 31 March 2018 |
| <p>The WAO report '<i>Good Governance when determining significant service changes - Denbighshire County Council</i>' identified one improvement:</p> <ul style="list-style-type: none"> • The Council's governance arrangements could be strengthened by consistent, timely monitoring of the impact of each significant service change. | Implement improvements to strengthen arrangements to ensure consistent, timely monitoring of the impact of each significant service change. | Head of Business Improvement & Modernisation | By 31 March 2018 |

| Improvement Area | Action | Responsibility | Timescale |
|--|---|-----------------------------------|------------------|
| The ICO recommended that the Council should develop a formal policy on staff taking personal data relating to their clients out of the office. | Develop a Council policy in this area. Initial thinking is that it will raise some technology-based issues, especially in Community Support Services, where the Council or its partners still use some paper systems. It may be necessary to tackle these in a phased way, perhaps in line with more general initiatives to digitise the Council's processes. | Business Information Team Manager | By 31 March 2018 |

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.

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-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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WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru
Auditor General for Wales

Audit of Financial Statements Report – **Denbighshire County Council**

Audit year: 2016-17

Date issued: September 2017

Document reference: 486A2017

This document has been prepared as part of work performed in accordance with statutory functions.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000.

The section 45 code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales and the Wales Audit Office are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at

infoofficer@audit.wales.

We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

Mae'r ddogfen hon hefyd ar gael yn Gymraeg. This document is also available in Welsh.

The team who delivered the work comprised Anthony Veale, Michelle Phoenix, Gareth Evans and the Denbighshire County Council audit team.

Contents

This document summarises the conclusions on the 2016-17 audit. 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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Summary report

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) at 31 March 2017 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 levels at which we judge such misstatements to be material for the Council are £3.336 million for income and expenditure items and working capital balances, and £3.336 million for other balances. 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 2016-17 that require reporting under ISA 260.

Status of the audit

- 6 We received the draft financial statements for the year ended 31 March 2017 on 13 June 2017, 17 days prior to the agreed deadline of 30 June 2017, and have now substantially completed the audit work.
- 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 Chief Accountant and Head of Finance.

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 In the course of the audit, we consider a number of matters both qualitative and quantitative relating to the accounts and report any significant issues arising to you. There were some issues arising in these areas this year:

- **We have no concerns about the qualitative aspects of your accounting practices and financial reporting.**

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.

- **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.
- **There were no significant matters discussed and corresponded upon with management which we need to report to you.**
- **There are other matters significant to the oversight of the financial reporting process that we need to report to you:**

Fixed asset register –the Council continues to maintain complex spreadsheets to support the fixed assets disclosed within the financial statements. As previously reported, the fixed asset register spreadsheets are well maintained and support the preparation of the statement accounts. However, we remain of the view that the Council should prioritise investing in an integrated fixed asset register to 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 onset of earlier closure of local authority accounts in future years should be a key driver in respect of the Council's consideration. We understand that there has been some delay in implementing a new fixed asset register due to the Council also considering its options for a new general ledger system, however, we reiterate our recommendation made in 2014-15 and 2015-16 that this is considered by the Council going forward.

Fixed assets valuations – Appendix 3 details the amendments made to the draft financial statements following our audit. The more significant amendments relate to the revaluation of fixed assets during the year, ie the calculation of the revaluations and the accounting treatment applied to bring these revaluations into the financial statements. In order to improve the process, we recommend that:

- the valuation exercise prepared by the Council Valuer is undertaken earlier (pre year-end).
 - the Finance Department reviews the valuations to ensure they appear reasonable.
 - the revaluations are subject to an earlier external audit (ideally pre year-end). The earlier completion and checking of the valuation exercise, supplemented by an earlier external audit review, will have the added benefit of supporting the earlier closure of the financial statements which will start to impact on the 2018-19 accounts.
- **We did not identify any material weaknesses in your internal controls.**
 - **There are no other matters specifically required by auditing standards to be communicated to those charged with governance.**

Independence and objectivity

- 13 As part of the finalisation process, we are required to provide you with representations concerning our independence. We can confirm that with the exception of one member of staff, there are no known threats to the independence of the Auditor General for Wales or on the independence of staff or contractors working on his behalf.
- 14 With regards to the exception noted above, one member of the audit team is connected to a member of the Council's staff. We have therefore taken additional steps to safeguard our independence and objectivity.
- 15 We have therefore complied with ethical standards and in our professional judgment, we are independent and our objectivity is not compromised.

Appendix 1

Final Letter of Representation

Denbighshire County Council

Auditor General for Wales

Wales Audit Office

24 Cathedral Road

Cardiff

CF11 9LJ

27 September 2017

Representations regarding the 2016-17 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 2017 for the purpose of expressing an opinion on their truth and fairness.

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 CIPFA Code of Practice on Local Authority Accounting; in particular the financial statements give a true and fair view in accordance therewith; and
- 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 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.

Representations by the Corporate Governance Committee

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 for 2016-17 were approved by Denbighshire County Council on 27 September 2017.

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 (S151 Officer)

Date: 27 September 2017

Signed by:

Councillor Barry Mellor

Date: 27 September 2017

Appendix 2

Proposed audit report of the Auditor General for Wales to the Members of Denbighshire County Council

Auditor General for Wales' report to the Members of Denbighshire County Council

I have audited the accounting statements and related notes of Denbighshire County Council for the year ended 31 March 2017 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 2016-17 based on International Financial Reporting Standards (IFRSs).

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

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 8, the responsible financial officer is responsible for the preparation of the statement of accounts which gives a true and fair view.

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

Scope of the audit of the accounting statements

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

In addition, I read all the financial and non-financial information in the Narrative Report and Annual Governance Statement 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 2017 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 2016-17.

Opinion on other matters

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

Matters on which I report by exception

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

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

Certificate of completion of audit

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 on behalf of
Huw Vaughan Thomas
Auditor General for Wales

24 Cathedral Road
Cardiff
CF11 9LJ

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.

Exhibit 1: summary of corrections made to the draft financial statements

| Value of correction | Nature of correction | Reason for correction |
|---------------------|--|---|
| £4,059,000 (net) | <p>Property Plant & Equipment</p> <p>The Gross Book Value of Surplus Assets has been increased by £4,333,000 and Council Dwellings decreased by an equivalent amount to account for the transfer of a number of existing and newly acquired assets that were not operational at 31 March 2017.</p> <p>This adjustment has impacted on the following areas within the 2016-17 financial statements:</p> <ul style="list-style-type: none"> • Balance Sheet • Note 15 Property Plant & Equipment | To ensure that assets are classified in accordance with the requirements of the Code of Practice on Local Authority Accounting. |
| £4,009,000 (net) | <p>Property Plant & Equipment</p> <p>Other Land & Buildings have increased by £9,139,000, Assets Under Construction decreased by £12,949,000 and the revaluation reserve decreased by £199,000 to account for the recognition of an asset becoming operational and to account for the revaluation of this asset.</p> <p>There is a corresponding increase in the Cost of Services.</p> <p>The overall impact on the Council Fund is nil as the adjustment is transferred into the Capital Adjustment Account.</p> <p>This has impacted on the following areas:</p> <ul style="list-style-type: none"> • Comprehensive Income & Expenditure Statement • Movement in Reserves Statement • Balance Sheet • Cash Flow Statement • Expenditure & Funding Analysis | To bring the accounting treatment in line with the requirements of the Code of Practice on Local Authority Accounting. |

| Value of correction | Nature of correction | Reason for correction |
|---------------------|---|--|
| | <p>Property Plant & Equipment (continued)</p> <ul style="list-style-type: none"> • Note 7 Note to the Expenditure and Funding Analysis Note 8 Expenditure and Income Analysed by nature • Note 9 Adjustments between Accounting Basis and Funding Basis under Regulation • Note 15 Property Plant & Equipment • Note 25 Unusable Reserves • Note 26 Cash flow statement – operating activities | <p>To bring the accounting treatment in line with the requirements of the Code of Practice on Local Authority Accounting.</p> |
| £1,804,000 | <p>Property Plant & Equipment</p> <p>Decrease in the valuation of Other Land & Buildings of £1,804,000 to account for an error in the valuation of a school and a corresponding movement within the Comprehensive Income & Expenditure Statement (£299,000) and the revaluation reserve (£1,505,000). The overall impact on the Council fund is nil as the adjustment is transferred into the Capital Adjustment Account.</p> <p>This adjustment has impacted on the following areas:</p> <ul style="list-style-type: none"> • Comprehensive Income & Expenditure Statement • Movement in Reserves Statement • Balance Sheet • Cash Flow Statement • Expenditure & Funding Analysis • Note 7 Note to the Expenditure and Funding Analysis • Note 8 Expenditure and Income Analysed by nature • Note 9 Adjustments between Accounting Basis and Funding Basis under Regulation • Note 15 Property Plant & Equipment • Note 25 Unusable Reserves • Note 26 Cash flow statement – operating activities | <p>To ensure that the assets are carried at the correct valuation and in accordance with the requirements of the Code of Practice on Local Authority accounts.</p> |

| Value of correction | Nature of correction | Reason for correction |
|---|--|---|
| £738,000 | <p>Property Plant & Equipment</p> <p>An adjustment has been made to amend the incorrect apportionment of cost on disposal of part of an asset. As a result of this amendment, the loss on disposal has reduced by £738,000 (from £967,000 to £229,000).</p> <p>This adjustment has impacted on the following areas:</p> <ul style="list-style-type: none"> • Comprehensive Income & Expenditure Statement • Movement in Reserves Statement • Balance Sheet • Cash Flow Statement • Expenditure & Funding Analysis • Note 7 Note to the Expenditure and Funding Analysis • Note 8 Expenditure and Income Analysed by nature • Note 9 Adjustments between Accounting Basis and Funding Basis under Regulation • Note 10 Other Operating Expenditure • Note 15 Property Plant & Equipment • Note 25 Unusable Reserves • Note 26 Cash flow statement – operating activities | <p>To ensure that the asset valuation had been correctly applied to each respective element of retained land, appropriated land and land disposed of in accordance with the requirements of the Code of Practice on Local Authority accounting.</p> |
| £405,000 (£157,000 after social housing adjustment factor applied) | <p>Property Plant & Equipment</p> <p>The valuation of Council Dwellings has decreased by £157,000 to correct an error in the calculation applied to an element of the council dwellings revaluation. The overall impact on the Council Fund is nil.</p> <p>This adjustment has impacted on the following areas within the 2016-17 financial statements:</p> <ul style="list-style-type: none"> • Comprehensive Income & Expenditure Statement • Movement in Reserves Statement • Balance Sheet • Note 15 Property Plant & Equipment • Note 25 Unusable Reserves | <p>To ensure that all of the council dwellings are valued consistently and in line with the requirements of the Code of Practice on Local Authority Accounting.</p> |

| Value of correction | Nature of correction | Reason for correction |
|----------------------|---|--|
| £211,000 (net) | <p>Property Plant & Equipment</p> <p>An adjustment has been made to remove all parts of a property disposed in the year from fixed assets. This has decreased the gain recognised on disposal.</p> <p>This adjustment has impacted on the following areas within the 2016-17 financial statements:</p> <ul style="list-style-type: none"> • Comprehensive Income & Expenditure Statement • Movement in Reserves Statement • Balance Sheet • Cash Flow Statement • Expenditure & Funding Analysis • Note 7 Note to the Expenditure and Funding Analysis • Note 8 Expenditure and Income Analysed by nature • Note 9 Adjustments between Accounting Basis and Funding Basis under Regulation • Note 10 Other Operating Expenditure • Note 15 Property Plant & Equipment • Note 25 Unusable Reserves • Note 26 Cash flow statement – operating activities | To bring the accounting treatment in line with the requirements of the Code of Practice on Local Authority Accounting. |
| £5,127,000 narrative | <p>National Non Domestic Rates (NNDR)</p> <p>A narrative adjustment has been made to the total year-end rateable value disclosed in Note 14 National Non Domestic Rates.</p> | To correct Note 14 narrative disclosure in respect of National Non Domestic Rates. |

| Value of correction | Nature of correction | Reason for correction |
|---------------------|---|---|
| Various | <p>A number of below material, narrative, presentational and other amendments have been made to the accounts.</p> <p>The disclosures affected:</p> <ul style="list-style-type: none"> • Narrative Report • Comprehensive Income & Expenditure Account • Movement in Reserves Statement • Balance Sheet • Expenditure & Funding Analysis • Cash Flow Statement • Accounting Policies • Note 4 Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty • Note 7 Expenditure & Funding Analysis • Note 8 Expenditure and Income Analysed by Nature • Note 15 Property Plant & Equipment • Note 23 Movements in Earmarked Reserves • Note 25 Unusable Reserves • Note 26 Cash Flow Statement – Operating Activities • Note 29 Partnership Arrangements • Note 32 Officer Remuneration • Note 35 Related Parties • Note 40 Contingent Liabilities • Housing Revenue Account | <p>To ensure full compliance with the Code of Practice on Local Authority Accounting, ensure presentational accuracy in line with International Financial Reporting Standards and improve or correct narrative disclosures.</p> |

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Report To: Corporate Governance Committee

Date of Meeting: 27 September 2017

Lead Member / Officer: Lisa Lovegrove – Chief Internal Auditor

Report Author: Lisa Lovegrove – Chief Internal Auditor

Title: Internal Audit Update

- 1. What is the report about?**
This report provides an update for Corporate Governance Committee on Internal Audit's latest progress in terms of its service delivery, assurance provision, reviews completed, performance and effectiveness in driving improvement.
- 2. What is the reason for making this report?**
This reports provides information on work carried out by Internal Audit since the last Committee meeting. It allows the Committee to monitor Internal Audit's performance and progress as well as providing summaries of Internal Audit reports so that the Committee can receive assurance on other Council services and corporate areas.
- 3. What are the Recommendations?**
The Committee considers the report content, assesses Internal Audit's progress and performance, and decides whether it needs any further assurance on audit reports.
- 4. Report details**
Full details are provided in the attached update report.
- 5. How does the decision contribute to the Corporate Priorities?**
Not applicable - there is no decision required with this report.
- 6. What will it cost and how will it affect other services?**
Not applicable - there is no decision required with this report.
- 7. What are the main conclusions of the Well-being Impact Assessment?**
Not applicable - there is no decision required with this report.
- 8. What consultations have been carried out with Scrutiny and others?**
Not applicable - there is no decision required with this report.
- 9. Chief Finance Officer Statement**
Not applicable - there is no decision required with this report.
- 10. What risks are there and is there anything we can do to reduce them?**
Not applicable - there is no decision required with this report.
- 11. Power to make the Decision**
Not applicable - there is no decision required with this report.

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

Corporate Governance Committee Update

September 2017



Introduction

1. This report provides an update on Internal Audit's latest progress in terms of its service delivery, assurance provision, reviews completed, performance and effectiveness in driving improvement.
2. The report provides an update as at September 2017 on:
 - Internal Audit reports recently issued
 - Follow up of previous Internal Audit reports
 - Progress on Internal audit work to date in 2017–18
 - A summary of upcoming Internal Audit projects
 - Internal Audit performance standards.

Internal Audit reports recently issued

3. The following section provides an overview of recent Internal Audit reports, including the overall Assurance Rating and the number of Risks/Issues raised in the report's action plan.

Definitions of Assurance Rating

| | | |
|---------------|------------------|---|
| Green | High Assurance | Risks and controls well managed and objectives being achieved |
| Yellow | Medium Assurance | Minor weaknesses in management of risks and/or controls but no risk to achievement of objectives |
| Amber | Low Assurance | Significant weaknesses in management of risks and/or controls that put achievement of objectives at risk |
| Red | No Assurance | Fundamental weaknesses in management of risks and/or controls that will lead to failure to achieve objectives |

Definitions of Risks/Issues

| | | |
|---------------|----------|--|
| Green | Low | Advisory issues discussed with managers during the audit and not included in audit reports and action plans |
| Yellow | Moderate | Operational issues that are containable at service level |
| Amber | Major | Corporate, strategic and/or cross-service issues potentially requiring wider discussion at SLT and/or CET |
| Red | Critical | Significant issues to be brought to the attention of SLT, CET, Cabinet Lead Members and Corporate Governance Committee |

Corporate Priority Assurance: Modernising the Council – September 2017

- | | | Medium Assurance | | | | | | |
|---|--|--|---|-----------------------|---|--------------------|---|-----------------------|
| 4. The results of our review support the main conclusions outlined in the Programme’s final tranche report, namely that over the life of the 2012–17 Corporate Plan, the Council has: | <ul style="list-style-type: none"> progressed its Modernisation agenda in line with the original aspirations, making a positive contribution to the agreed objectives and desired benefits; delivered a range of valued projects; saved money; and created a more modern environment to that in existence at the start of the Programme. | <table border="1"> <tr> <td style="background-color: yellow;">2</td> <td>Moderate Risks/Issues</td> </tr> <tr> <td style="background-color: orange;">0</td> <td>Major Risks/Issues</td> </tr> <tr> <td style="background-color: red;">0</td> <td>Critical Risks/Issues</td> </tr> </table> | 2 | Moderate Risks/Issues | 0 | Major Risks/Issues | 0 | Critical Risks/Issues |
| 2 | Moderate Risks/Issues | | | | | | | |
| 0 | Major Risks/Issues | | | | | | | |
| 0 | Critical Risks/Issues | | | | | | | |
| 5. It is clear that the Council has modernised over the life of its last Corporate Plan, with particular highlights including: | <ul style="list-style-type: none"> The centralised mailroom allows staff to receive post electronically, which reduces the use of paper and improves information security. The roll out of the EDRMS system to 80% of Pc users across the Council has reduced data duplication and improved staff mobility as staff do not need to be near paper files. Several upgrades of key IT systems and hardware that help support and facilitate a modern, flexible workforce. Examples include Citrix Access Gateway (CAG i.e. remote access), a county wide desktop refresh and the email migration from Lotus Notes to Microsoft Outlook. The Council’s new telephony system facilitates a more mobile, flexible workforce as well as better customer services. | | | | | | | |

6. Despite these successes, we agree with the programme closure review that the absence of robust baselines for performance has made it difficult to clearly identify the full extent of improvement over the period. These should have been outlined at the start of the programme.
7. We consider there is also scope for the Council to improve the way in which success criteria for its priority outcomes are measured going forward. Some indicators of performance did not capture all activities linked to the specific modernisation priority outcomes, owing mainly to the fact that they had been established in 2012 and not revisited in any depth since. In light of the current work in developing the new Corporate Plan and its priorities, there is an opportunity for the Council to consider how success criteria will be measured from the outset and revisit this periodically to ensure that all activities in support of its priorities are identified and opportunities to demonstrate and expand on achievements are realised.
8. Our review also identified some inaccuracies in the performance data submitted against this priority regarding office space occupancy and carbon emissions, with ownership and responsibility for providing this information unclear. There is also little evidence of validation checks being undertaken, which may have perpetuated the issue. We have identified similar issues regarding accuracy and validation of performance data during some of our other recent reviews, which indicates a need for more robust scrutiny and checks corporately of performance data submitted by services.
9. Nevertheless, the Modernisation programme has successfully delivered 18 projects in total which support the Council's priority in this area. Where some projects have not been delivered as planned, we are satisfied that a clear rationale and justification for project merger, transfer or closure is evident. There has also been significant financial savings as a result of the modernisation agenda, in the region of £2.2m expected by the end of 2017/18, as well as for example more rationalised office building stock, an overall reduction in paper waste and significantly less business miles travelled by staff.
10. To conclude, we have identified two moderate risk issues which require management attention relating to the ways performance against outcomes is measured, and the accuracy of performance data verified; rather than the overall achievement of the modernisation priority. Now is an ideal time to address these issues as part of the new corporate planning process which is

currently underway. Based on the results of our review, we are able to provide a medium assurance rating overall.

High Corporate Risk – August 2017

11. Overall, our review concludes that within the scope of our audit effective controls are in place to manage these corporate risks. Our testing did highlight the need for a review of the Corporate Risk Register in some areas as certain controls and details listed were out of date; however, since the completion of our review this has been addressed. We are therefore able to provide a high assurance rating for this review.

| High Assurance | |
|----------------|-----------------------|
| 0 | Moderate Risks/Issues |
| 0 | Major Risks/Issues |
| 0 | Critical Risks/Issues |

Corporate Priority Assurance: Improving Our Roads – September 2017

12. Our review concludes that in the main the Council can effectively demonstrate delivery of its key outcome in relation to its ‘Improving our Roads’ priority. However, we have identified a small number of areas for improvement regarding the overall transparency of some performance figures reported, which need to be addressed going forward.

13. Despite funding pressures, the Council has successfully achieved and exceeded its commitment to maintain the levels of additional investment for road improvements, in the region of £10.4 million, over the duration of the Corporate Plan.

14. Further, there are robust arrangements in place to develop the annual programme of road maintenance works. A risk based approach is used in order to assess the best use of available resources. Activities forming part of this process include: consultation with member area groups to identify local concerns, use of data from both internal and externally generated road condition surveys, as well as final site visits. This information is collated and risk assessed in order to identify a comprehensive list of priority maintenance schemes for the year.

15. Despite this discernible success, our review has identified some inaccuracies in the performance figures reported for delivery of the annual maintenance programme. The omission of schemes that are carried forward from one period to the next from completion totals has resulted in a better performance position

| Medium Assurance | |
|------------------|-----------------------|
| 2 | Moderate Risks/Issues |
| 0 | Major Risks/Issues |
| 0 | Critical Risks/Issues |

being reported than was actually achieved. We consider this is in part a consequence of insufficient challenge of performance figures submitted within the Service, therefore a more robust checking process of this nature is advisable. It may also be appropriate to review the current performance thresholds in this area to ensure that while ambitious, they are achievable for the Service.

16. There are two independent road condition surveys commissioned annually by the Council which accurately assess both the sub-surface deterioration of the road as well as its risk with regards vehicle slippage and skidding. The Council reports performance based on the data collected from one of the surveys to give an indication of the percentage of roads classed as being in a poor condition. This measure is also one of the national public accountability measures (PAMs) reported to Welsh Government, and forms part of the Local Government Performance Improvement Framework.
17. Over the period of the Corporate Plan, the results of this measure do demonstrate an overall improvement in the condition of the Council's roads, which is undoubtedly a positive achievement with regards to this priority. However, the survey results relate to the Council's main and secondary roads which only equate to approximately half of its overall network. Smaller rural roads and those within town centres and housing estates are not surveyed in this way, so are not included in these performance results.
18. It should be noted that data on the condition of the entire network is collected and utilised by the Service to develop and inform the annual maintenance programme, but it does not form part of the suite of indicators and measures monitoring performance in this area. Nor has this information until recently been used to identify any trends in overall network condition over a period of time, which would be useful in this context.
19. When the Corporate Plan was originally developed, the Service identified several one-off activities that would each contribute to the overall achievement of the 'Improving Our Roads' priority. Our review confirmed that all had been completed within the required timescales and before the end of March this year.
20. Further, the Council has successfully implemented a programme of dropped kerbs in prioritised locations across the county; a key commitment outlined for this priority. Whilst achieving what was set out in this area over the life of the Corporate Plan, it should be noted that there is an ongoing and growing demand on the Service for further dropped kerb schemes. In light of the Well

Being for Future Generations Act (WBFGA) and the legal obligation that is now on public bodies to improve the social, economic, environmental and cultural well-being of Wales, work of this nature should continue to effectively contribute to the Council achieving its well-being objectives.

21. Our review also noted that, despite reference being made in the Corporate Plan to the Council’s winter maintenance arrangements and ensuring plans are in place to respond to unexpected conditions, little has been monitored to ensure performance in this area remains acceptable. We are however advised that the Service is currently reviewing its winter maintenance programme for 2017/18, to ensure that processes are effective and represent the most efficient use of resources. Since the completion of our review, the Service has introduced a new performance measure in this area and will now record the number of times that a gritting run was completed before the road temperature dropped below zero degrees.
22. To conclude, we have raised two moderate risk issues which require management attention, both of which relate to the way in which performance is reported and the transparency of the data submitted, rather than the service delivery itself. While there is a risk that the Council is reporting better performance in some areas than it has achieved in relation to this priority, we consider that the work undertaken and the controls in place are still sufficient to demonstrate delivery of its key outcome; ‘residents and visitors to Denbighshire have access to a well-managed road network’. Therefore, within the scope of our review we are able to provide a medium assurance rating.

Document Retention – September 2017

23. Overall, while there is evidence of good practice, significant weaknesses in the application of document retention schedules puts the Council at risk of breaching Principle 5 of the Data Protection Act 1998.
24. A significant amount of work has been undertaken to produce a comprehensive corporate retention schedule. It is regularly reviewed by an external consultant to ensure that the schedule is up to date and complying with legislative changes and is made available to staff on the intranet. However, we have concerns about how easy it is for employees to find.

| | |
|----------------------|-----------------------|
| Low Assurance | |
| 1 | Moderate Risks/Issues |
| 3 | Major Risks/Issues |
| 0 | Critical Risks/Issues |

25. Our survey of 24 staff, including 8 managers, highlighted an overall lack of awareness of the Council's document retention arrangements, specifically:
- the corporate retention schedule;
 - the relevant retention periods;
 - the treatment of sensitive data; and
 - whom to contact for data retention queries relating to electronic documents.
26. Our survey results indicates that the requirements of the corporate document retention schedule has not been applied across the Council. (See Risk/Issue 1).
27. The corporate document retention schedule is a comprehensive document, which is structured according to Council Services which guides staff to the relevant schedules for their Service. Further work is needed to improve the retention schedule document in terms of navigation and certain omissions (See Risk/Issue 2).
28. Testing of shared network drives revealed examples of documents being held for much longer than necessary, which goes against DPA, Principle 5. It is an individual's responsibility to manage the information they create or handle and to make sure it aligns with the corporate document retention schedule. However, current controls are insufficient to make sure that this is happening routinely. (See Risk/Issue 3). We have raised awareness of the individual instances that we found with the relevant Managers.
29. We recognise that the Business Information Team is currently targeting its efforts by working closely with teams within Community Support Services and Education & Children's Services (referred to as 'Social Services') to promote awareness of the retention periods for documents. Our testing concludes that this has been effective as 'Social Services' no longer use their shared network drive for recording service users' information and use the 'Paris' system instead which has the functionality to apply retention periods (although this has yet to be activated).
30. The Council uses a number of IT software systems that do not have in-built document retention modules. While we accept that legacy systems such as the Payroll IT system does not have the option to purchase in-built retention modules; more recent acquisitions of IT systems have been made without giving due consideration to its ability to apply retention schedules. This goes against the IT Procurement Policy (See Risk/Issue 4)

31. There are good controls in place for the disposal of electronic documents held on tablet devices, e.g. iPads, provided to Members, as data is erased at the end of the Members' term. However, there is no guidance provided to the Members as part of their induction on how to handle paper based documents. This poses a risk that Members could hold commercially sensitive information without the necessary security provisions for storage and destruction.
32. It is worth noting that the Council is proactively preparing for the General Data Protection Regulation (due to come into force in May 2018) and officers are working on implementing the required controls. As part of this work, an Information Asset Register is being collated to collect information on personal data being held by the Council, which on completion may provide a means to manage key documents and identify those which are held longer than necessary.
33. While there is evidence of some good practice, we identified significant weaknesses in the application of document retention schedules as documents are being held for longer than necessary without justification. The Council is managing the risk of financial penalty associated with breaching the DPA by focusing resources on areas such as 'Social Services' which is more likely to handle sensitive personal information. However, other services which handle sensitive personal information have poor controls to ensure compliance, and in the event of an information security breach, this could cause distress to the people concerned and subsequent reputational damage to the Council as a result. Based on this, we give a 'low assurance' overall.

Action Plan

Audit Review of: Corporate Document Retention

Date: September 2017

| Corporate Risk/Issue Severity Key | |
|-----------------------------------|--|
| 0 | Critical – Significant issues to be brought to the attention of SLT, CET, Cabinet Lead Members and Corporate Governance Committee |
| 3 | Major – Corporate, strategic and/or cross-service issues potentially requiring wider discussion at SLT and/or CET |
| 1 | Moderate – Operational issues that are containable at service level |

| | |
|-------------------------------|---|
| Risk Issue 1 | The corporate retention policies and supporting guidance are not promoted or easy for employees to find, leading to general lack of awareness on its requirements. Failure to apply relevant retention periods goes against Principle 5 of the Data Protection Act (DPA). |
| Page 206 Background Detail | <p>Our staff survey involving 24 Council employees, including 8 managers, established that awareness of the Corporate Retention Policy and the associated retention periods for documentation was as follows: –</p> <ul style="list-style-type: none"> • 58% of staff and managers surveyed were aware of the retention periods for electronic documents. • Staff and managers were unaware of who to contact for queries relating to document retention. • 50% of staff and managers surveyed were aware of the corporate document retention policy but had not read the schedule. • Of the staff who had access to sensitive data, only 53% were aware of how to treat the data. <p>The following weaknesses were also identified: –</p> <ul style="list-style-type: none"> • The Corporate Retention Policy and the supporting policies are available to view on the Intranet but they are not easy to find. • Members were not made aware of the retention rules and supporting guidance as part of their induction training. In particular, how to handle the paper documents relating to Council business which may contain sensitive information relating to the Council. • When amendments are applied to the retention schedule, there is no communication with employees to raise their awareness. • Staff who are not aware of the corporate retention schedule may not be applying the relevant retention period and so breaching DPA, Principle 5. |
| Agreed Action | <p>The Corporate Retention Schedule will be moved to a more accessible and prominent location on the Intranet.</p> <p>Awareness raising activities will be undertaken aimed at further promoting its use.</p> |

| | | |
|--------------------------------------|--|---|
| | <p>The importance of retention will be included as part of the new e-learning module for the introduction of the General Data Protection Regulations.</p> <p>The importance of retention and the use of the schedule will be included in new starter employment packs and induction materials.</p> | |
| Responsibility & Deadline | Business Information Team Manager | May 2018 & e-learning module by June 2018 |

| | | |
|--------------------------|--|--|
| Risk Issue 2 | <p>Due to its length, the Corporate Retention Schedule is difficult for staff to use. The supporting policies for the retention schedule are outdated and need to be reviewed. This could lead to staff not applying the correct retention periods.</p> | |
| Background Detail | <p>Although progress has been made to have a corporate retention schedule in place for all services to refer to, the current retention policy is a large document and with over 300 pages it could be made easier to navigate.</p> <p>We recognise that the corporate retention schedule is subject to quarterly reviews by an external consultant, but we note a few instances where the schedule, and associated documents, need updating: –</p> <ul style="list-style-type: none"> • The schedule does not currently cover: unsuccessful blue badge applications, retention periods for framework agreements, webcasts and other video recordings. • The Corporate Retention Schedule is not always clear as to what the retention periods are. Against some document types it states that they are to be ‘archived’ or ‘to be kept up to date’, but there is no specific period recorded in the schedule • The Corporate Retention Schedule does not provide a named contact for document retention queries. • The Networks Drive Policy (April 2014) does not reflect recent changes as the original purpose of the policy to remove access to the network drives after a certain period is no longer relevant. • The Paper Housekeeping Policy (January 2014) is out of date. | |
| Agreed Action | <p>Services will be encouraged to highlight any gaps in the Schedule. The Schedule will then be amended accordingly.</p> <p>The Schedule will be looked at to see if it could be transferred to a more useable format.</p> <p>A review of associated policies will be undertaken.</p> | |

| | | |
|--|---|------------|
| Responsibility & Deadline | All Services Business Information Team Manager | March 2018 |
|--|---|------------|

| | |
|--------------------------|--|
| Risk Issue 3 | Documents are held for longer than necessary, some containing personal information, which breaches principle 5 of the Data Protection Act. |
| Background Detail | <p>Testing of network drives identified the following: –</p> <ul style="list-style-type: none"> • A number of files on network drives had not been accessed for a number of years, with several dating back 10 years ago. • Databases containing personal data such as names, addresses and ages were not secured e.g. with a password to restrict access to the data. • Databases were held on network drives that were no longer relevant for the needs of the service. • Files were held for longer than the specified retention period, for example: <ul style="list-style-type: none"> ○ Mileage forms dating back to 2006 where the current retention period is three years plus current. ○ Credit notes dating back to 2006 where the retention period is the current year plus six years. • Documents are saved in more than one location i.e. duplicated on shared network drives as well as on other DCC IT systems. Examples include: mileage forms held on a service network drive and on the payroll system; purchase orders and supporting invoices held on network drives as well as on ‘Proactis’ (Purchasing system). Associated costs to the Council for backing up data could be reduced if duplicate records were removed. <p>Risk Issue 4 below regarding IT systems without document retention functionality also contributes to the Council holding data for longer than necessary without justification.</p> <p>It is an individual’s responsibility to manage the documents that they create or handle; however, lack of monitoring or enforcement of files held on networks drives means that there are is little control in place to ensure the data is only being held for the required period and for a justified reason. Our staff survey shows that housekeeping of electronic documents is a low priority; therefore, this situation is unlikely to improve unless there is a solution which is easy to apply with the support of senior management.</p> |
| Agreed Action | <p>A trawl of network drives will be undertaken and the results shared with Heads of Service for them to raise awareness of the issue with their teams.</p> <p>A day will be identified and promoted as a “Tidy Denbighshire” day. Officers will be encouraged to allocate some time during this day to undertake housekeeping on their electronic files.</p> <p>Monitoring of network drives will be undertaken on a regular basis and results communicated to services.</p> |

| | | |
|--|-----------------------------------|----------|
| Responsibility & Deadline | Business Information Team Manager | May 2018 |
|--|-----------------------------------|----------|

| | | |
|--------------------------------------|--|-------------------|
| Risk Issue 4 | <p>Several of the Council's IT systems do not have in-built system controls to ensure electronic documents are retained in-line with the Council's retention periods. The ICT Procurement Policy clearly prompts for consideration of document retention requirements; however, we are aware of a recent IT purchase that did not give it due consideration.</p> | |
| Background Detail | <p>The Council uses a number of IT software systems without the functionality of a document retention/disposal module to ensure that documents are held for the required length of time in keeping with the retention schedule. For example:</p> <ul style="list-style-type: none"> • The Payroll system is a legacy system and it keeps payroll data indefinitely as it does not have the functionality to automatically apply retention periods. This includes sensitive personal information (link to Risk Issue 3 above); • The recent purchase of 'Tascomi' system (covers Food Safety, Animal Health Licensing etc.) for the Planning and Public Protection Service did not consider document retention functionality as part of the procurement process and subsequently this feature is not available. • There are instances where existing IT systems have a document retention module but it has not been activated e.g. Paris. <p>Although the ICT Procurement Policy makes it clear that systems must be able to apply relevant document retention schedules, this functionality is not available for recent IT systems purchased i.e. Tascomi.</p> | |
| Agreed Action | <p>ICT will amend contract procurement procedure and tender documents in association with Corporate Procurement to include reference to Document Retention.</p> | |
| Responsibility & Deadline | <p>ICT Transformation Manager</p> | <p>April 2018</p> |

Summary of outstanding issues from Internal Audit reports

| Audit Report | No. of Actions in the Audit Action Plan | | | | | | | | | Next IA F/up | Comments |
|--|---|---|----|------------------|---|----|---------------------|---|---|--------------|--|
| | Actions Due | | | Actions Complete | | | Actions Outstanding | | | | |
| Community Support Services | | | | | | | | | | | |
| Paris Financials | 0 | 2 | 5 | 0 | 0 | 1 | 0 | 2 | 4 | Jul 17 | •3 rd follow up in progress |
| Cefndy Healthcare | 0 | 0 | 7 | 0 | 0 | 7 | 0 | 0 | 0 | n/a | •Now complete |
| Payments to External Providers | 0 | 0 | 2 | 0 | 0 | 2 | 0 | 0 | 0 | n/a | •Now complete |
| POVA | 0 | 0 | 7 | 0 | 0 | 6 | 0 | 0 | 1 | Aug 17 | •2 follow ups carried out |
| Education & Children's Services | | | | | | | | | | | |
| Governance in Schools | 0 | 0 | 19 | 0 | 0 | 15 | 0 | 0 | 4 | Jan 18 | •2 follow ups carried out |
| Ysgol Mair RC | 0 | 2 | 20 | 0 | 2 | 20 | 0 | 0 | 0 | n/a | •Now complete |
| IT & IM Management in Schools | 0 | 0 | 17 | 0 | 0 | 8 | 0 | 0 | 9 | Sep 17 | •2 nd follow up in progress |
| Facilities, Assets & Housing | | | | | | | | | | | |
| Housing Rents | 0 | 0 | 5 | 0 | 0 | 4 | 0 | 0 | 1 | Jul 17 | •2 nd follow up in progress |
| Housing Allocations & Voids | 0 | 0 | 5 | 0 | 0 | 2 | 0 | 0 | 3 | Sep 17 | •2 nd follow up in progress |
| Industrial Estates | 0 | 0 | 2 | 0 | 0 | 1 | 0 | 0 | 1 | Jun 17 | •2 follow ups carried out |
| Review of On-site Income & Security at Leisure Sites | 0 | 0 | 9 | 0 | 0 | 9 | 0 | 0 | 0 | n/a | •Now complete |
| Ruthin Craft Centre | 0 | 0 | 4 | 0 | 0 | 4 | 0 | 0 | 0 | n/a | •Now complete |
| Rhyl Harbour – Review of Operational Management | 0 | 0 | 4 | 0 | 0 | 4 | 0 | 0 | 0 | Jun 17 | •Now complete |
| Finance | | | | | | | | | | | |
| Revenues Services – in Partnership with Civica | 0 | 0 | 16 | 0 | 0 | 12 | 0 | 0 | 4 | n/a | •Follow up being reported as part of 2017/18 audit |

| | | | | | | | | | | | |
|---|---|---|----|---|---|----|---|---|---|---------|--|
| Financial services | 0 | 2 | 8 | 0 | 0 | 5 | 0 | 2 | 3 | n/a | •Follow up being reported as part of 2017/18 audit |
| Highways & Environmental Services | | | | | | | | | | | |
| Street Works | 0 | 0 | 5 | 0 | 0 | 3 | 0 | 0 | 2 | Oct 17 | •3 follow ups carried out |
| Corporate Fleet Management | 0 | 7 | 12 | 0 | 7 | 9 | 0 | 0 | 3 | Jan 18 | •3 follow ups carried out |
| Passenger Transport | 0 | 0 | 5 | 0 | 0 | 2 | 0 | 0 | 3 | Nov 17 | •1 follow up carried out |
| Legal, HR & Democratic Services | | | | | | | | | | | |
| HR Management in Schools | 0 | 1 | 5 | 0 | 0 | 1 | 0 | 1 | 4 | Sep 17 | •2 nd follow up in progress |
| Management & Administration of Legal Services | 0 | 5 | 7 | 0 | 5 | 7 | 0 | 0 | 0 | n/a | •Now complete |
| Planning & Public Protection | | | | | | | | | | | |
| Community Enforcement | 0 | 0 | 9 | 0 | 0 | 9 | 0 | 0 | 0 | Aug 17 | •Now complete |
| Housing Enforcement | 0 | 0 | 2 | 0 | 0 | 0 | 0 | 0 | 2 | Apr 17 | •2 nd follow up in progress |
| Parking Services | 0 | 0 | 13 | 0 | 0 | 13 | 0 | 0 | 0 | Aug 17 | •Now complete |
| Corporate Reviews | | | | | | | | | | | |
| Corporate Procurement | 0 | 0 | 5 | 0 | 0 | 0 | 0 | 0 | 5 | Sep 17 | •Follow up being reported as part of 2017/18 audit |
| Developing the Local Economy | 0 | 1 | 2 | 0 | 0 | 2 | 0 | 1 | 0 | Jan 18 | •1 follow up carried out |
| IT Access Management | 0 | 2 | 8 | 0 | 1 | 3 | 0 | 1 | 5 | Jun 17 | •3 follow ups carried out |
| Physical Security of information | 0 | 3 | 3 | 0 | 1 | 2 | 0 | 2 | 1 | Apr 17 | •2 nd follow up in progress |
| Sickness Absence | 0 | 0 | 9 | 0 | 0 | 7 | 0 | 0 | 2 | Sep 17 | •4 th follow up in progress |
| Corporate Safeguarding | 0 | 0 | 19 | 0 | 0 | 18 | 0 | 0 | 1 | Sept 17 | •4 th follow up in progress |

Progress in delivering the Internal Audit Assurance 2017-18

34. The following table shows a summary of Internal Audit's work to date for this year. As the new Internal Audit Strategy has an 'organic' plan, this table will be added to during the year as more projects commence.
35. Where projects have been completed since 1 April 2017, the table provides assurance ratings and number of issues raised for the completed reviews.
36. The following projects have not yet commenced but are scheduled for the coming months:
- Managing the Risk of Fraud & Corruption Phase 2
 - Registrars Service
 - Joint Corporate Procurement Unit
 - Financial Services 2017-18

| Internal Audit Assurance Plan Areas of Work | 2017-18 Days to Date | Likely Outturn Days | Current Status of Work | Audit Assurance | No. of Critical Issues | No. of Major Issues | No. of Moderate Issues | Comments |
|--|----------------------|---------------------|-----------------------------|-----------------|------------------------|---------------------|------------------------|--|
| 2017-18 Projects | | | | | | | | |
| Corporate document retention | 32 | 32 | Complete | Low | 0 | 3 | 1 | |
| Modernising the Council to deliver efficiencies and improve services for our customers | 48 | 50 | Complete | Medium | 0 | 0 | 2 | |
| Highways asset management – Improving our roads | 13 | 14 | Complete | Medium | 0 | 0 | 2 | |
| AONB Grant | 2 | 2 | Complete | n/a | | | | Certification of grant – no report issued |
| Welsh Government Grants | 12 | 13 | In progress | n/a | | | | Certification of grant – no report issued |
| ALN & Inclusion / Recoupment & Out of County Placement / Special Education | 8 | 40 | On hold until December 2018 | | | | | Head of Service request to delay start review while the service is undergoing a restructure. |
| Citizens Advice Bureau – Governance Arrangements | 13 | 15 | Closing meeting | | | | | |
| Corporate Communications | 4 | 15 | In progress | | | | | |
| Revenues Services | 56 | 60 | In progress | | | | | |
| Settlement Agreements | 3 | 8 | In progress | | | | | |

| Internal Audit Assurance Plan Areas of Work | 2017-18 Days to Date | Likely Outturn Days | Current Status of Work | Audit Assurance | No. of Critical Issues | No. of Major Issues | No. of Moderate Issues | Comments |
|---|----------------------|---------------------|------------------------|-----------------|------------------------|---------------------|------------------------|----------|
| Projects Brought Forward from 2016-17 | | | | | | | | |
| Corporate risk management assurance | 6 | 10 | Complete | High | 0 | 0 | 0 | |
| Financial assurance 2016-17 | 33 | 33 | Complete | Medium | 0 | 0 | 5 | |
| Petty cash review | 27 | 30 | QA review | | | | | |
| Fraud & Corruption Work | | | | | | | | |
| National Fraud Initiative | 15 | 20 | In progress | | | | | |
| Managing the Risk of Fraud & Corruption Phase 1 | 8 | 10 | Closing meeting | | | | | |
| Follow-up Reviews | | | | | | | | |
| IA project follow-ups | 46 | 100 | In progress | | | | | |
| Management of follow-ups | 4 | 8 | | | | | | |
| Other Areas of Work | | | | | | | | |
| School Fund admin & audits | 12 | 20 | In progress | | | | | |
| Corporate Governance Framework 2017-18 | 0 | 10 | Not started | | | | | |
| Corporate working groups | 6 | 10 | In progress | | | | | |
| Consultancy & corporate areas | 18 | 40 | In progress | | | | | |

| Internal Audit Assurance Plan Areas of Work | 2017-18 Days to Date | Likely Outturn Days | Current Status of Work | Audit Assurance | No. of Critical Issues | No. of Major Issues | No. of Moderate Issues | Comments |
|---|----------------------|---------------------|------------------------|-----------------|------------------------|---------------------|------------------------|----------|
| IA Support & Management | | | | | | | | |
| Team Meetings / 1:1s | 17 | 40 | | | | | | |
| Management | 39 | 50 | | | | | | |
| Training & development | 24 | 40 | | | | | | |
| Total Days | 202 | 493 | | | | | | |

Internal Audit performance standards

37. Internal Audit measures its performance in two key areas:

- Follow-up audit work – Two measures to ensure that Internal Audit carries out its follow-up work promptly and that services implement agreed improvement actions.
- Customer Standards – A range of indicators to ensure that Internal Audit delivers a good service to its customers.

38. The table below shows Internal Audit's performance to date for 2017/18.

Internal Audit commences follow-up reviews in the planned month

Targets – Excellent 100% – Good 90% – Acceptable 80%

Current performance 100%

Services have implemented agreed improvement actions from Internal audit reviews

Targets – Excellent 75% – Good 70% – Acceptable 65%

Current performance 69% – Performance will be cumulative during the year and will improve as the year goes on.

Contact customers at least 2 weeks in advance to arrange a date for our visit

Targets – Excellent 99% – Good 95% – Acceptable 90%

Current performance 100 %

Send customers the agreed Project Scoping Document before we commence work

Targets – Excellent 99% – Good 95% – Acceptable 90%

Current performance 100 %

Send the customer a draft report within 10 working days of the closing meeting

Targets – Excellent 99% – Good 95% – Acceptable 90%

Current performance 100%

Send the customer our final audit report within 5 working days of draft agreement

Targets – Excellent 99% – Good 95% – Acceptable 90%

Current performance 100%

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Report To: **Corporate Governance Committee**

Date of Meeting: **27 September 2017**

Lead Member / Officer: **Lisa Lovegrove, Chief Internal Auditor**

Report Author: **Lisa Lovegrove, Chief Internal Auditor**

Title: Internal Audit Charter

1. What is the report about?
This report presents a revised Internal Audit Charter for the Committee's approval.
2. What is the reason for making this report?
The Internal Audit Charter has been updated following a recent changes to the structure of the Internal Audit service and to reflect recent changes to the Public Sector Internal Audit Standards (PSIAS).
3. What are the Recommendations?
The Committee approves the revised Internal Audit Charter.
4. Report details
 - 4.1 The Public Sector Internal Audit Standards (PSIAS) require the Chief Internal Auditor to develop and maintain an up to date Internal Audit Charter.
 - 4.2 The Charter defines the purpose, authority and responsibility of the internal audit activity and includes details of:
 - the definition of internal auditing;
 - the Chief Internal Auditor'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.
 - 4.3 The Corporate Governance Committee is responsible for approving the Internal Audit Charter. As the current Charter is now out of date following changes to the Internal Audit service structure and Public Sector Internal Audit Standards, a revised Charter is included in Appendix 1.
5. How does the decision contribute to the Corporate Priorities?

There is no direct contribution to Corporate Priorities connected to this decision. It is a requirement of the PSIAS that Corporate Governance Committee approves the Charter.

6. What will it cost and how will it affect other services?
Not applicable - there is no decision required with this report.
7. What are the main conclusions of the Well-being Impact Assessment?
Not applicable - there is no decision required with this report.
8. What consultations have been carried out with Scrutiny and others?
Not applicable - there is no decision required with this report.
9. Chief Finance Officer Statement
Not applicable - there is no decision required with this report.
10. What risks are there and is there anything we can do to reduce them?
If the Committee does not approve the Charter, the Internal Audit service may be open to criticism for not complying with the PSIAS.
11. Power to make the Decision
There is no specific power related to this decision but the PSIAS require the Corporate Governance Committee to approve the Charter.



Internal Audit Charter

Lisa Lovegrove CMIIA, CISA

Chief Internal Auditor

Introduction

1. This Charter defines the purpose, authority and responsibility of internal audit. The Internal Audit Charter establishes the internal audit activity's position within the Council; authorises access to records; and defines the scope of internal audit activities.
2. All UK public sector internal audit service providers work to the Public Sector Internal Audit Standards (PSIAS). The latest version is effective from 1 April 2017.
3. The PSIAS use generic terms that, in Denbighshire County Council's case, are translated as:

| PSIAS | DCC |
|-----------------------|--------------------------------|
| Chief Audit Executive | Chief Internal Auditor |
| Senior Management | Chief Executive Officer (CEO) |
| The Board | Corporate Governance Committee |

4. The PSIAS require the Chief Internal Auditor to develop and maintain an up to date Internal Audit Charter to establish:
 - Internal Audit's purpose, mission and position within the Council
 - The Chief Internal Auditor's functional reporting relationship with the CEO and Corporate Governance Committee
 - Authorisation for Internal Audit to access records, personnel and physical properties relevant to the performance of its work

- The scope of Internal Audit’s work, including the nature of its assurance role, consultancy services and its involvement in anti-fraud and corruption work
 - Arrangements for resourcing the Internal Audit service
 - Arrangements for avoiding conflicts of interest within the Internal Audit service
5. The Chief Internal Auditor will review the Charter each year and present it to the Corporate Governance Committee for final approval.

Our Purpose

6. The PSIAS include mandatory elements of the Chartered Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF):
- Definition of Internal Auditing
 - Core Principles
 - Code of Ethics
 - International Standards for the Professional Practice of Internal Auditing

Definition of internal auditing:

“Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations.

It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”. *(PSIAS)*

7. Within the Council, Internal Audit is one of the cornerstones of effective governance. Our annual internal audit opinion and other reports are a key element of the framework of assurance that is used to complete the Annual Governance Statement. We give assurance to elected members and management, highlighting areas for improvement.
8. Our role is a unique one, providing effective challenge and acting as a catalyst for positive change and continual improvement in governance in all its aspects. Our role is particularly important when the Council is facing uncertain and challenging times.

Our Mission

“To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight” (*PSIAS*)

Our Objectives

- Provide independent assurance and advice to management and elected members on risk management, governance and internal control
- Develop and promote our role to make a significant contribution to modernise the Council and deliver efficiencies and improve services for our customers
- Add value in all areas of our work, providing excellent service to our customers

Code of Ethics

9. All members of the Internal Audit service make an annual declaration that they agree to comply with the IIA Code of Ethics as follows:

| Ethic | Principle |
|------------------------|--|
| Integrity | The integrity of internal auditors establishes trust and this provides the basis for relying on their judgement. |
| Objectivity | Internal auditors demonstrate the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interest or by others in forming judgements. |
| Confidentiality | Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so. |

| | |
|-------------------|--|
| Competency | Internal auditors apply the knowledge, skills and experience needed in the performance of internal audit services. |
|-------------------|--|

10. In addition, our annual declaration states that we will declare any interests we may have in any services that we review; and have read the PSIAS, Code of Ethics and Council's Code of Conduct for Officers.

Core Principles for the Professional Practice of Internal Auditing

11. Our internal audit approach is underpinned by the following Core Principles:

- Demonstrate integrity
- Demonstrate competence and due professional care
- Is objective and free from undue influence (independent)
- Aligns with the strategies, objectives, and risks of the organisation
- Is appropriately positioned and adequately resourced
- Demonstrates quality and continuous improvement
- Communicates effectively
- Provides risk-based assurance
- Is insightful, proactive, and future-focused
- Promotes organisational improvement

12. In addition, the Chief Internal Auditor will be appropriately experienced and hold a professional qualification (CCAB or CMIIA) and is responsible for:

- Developing an annual internal audit plan based on an understanding of the significant risks to which the Council is exposed.
- Submitting the plan to the Corporate Governance Committee and Senior Leadership Team for review and agreement.
- Implementing the plan and reporting any amendments that may occur.
- Ensuring compliance with the Standards.
- Developing and maintaining co-operative relationships with management, other internal auditors, external auditors and other review bodies to ensure the most effective audit coverage is achieved.
- Maintaining a professional internal audit team with sufficient knowledge, skills and experience to carry out the plan.

- Providing an annual opinion as to the adequacy and effectiveness of the Council's control environment including any issues which should be considered for inclusion in the Council's Annual Governance Statement.

Internal Audit Positioning & Reporting Lines

13. Internal Auditors have no executive responsibilities in order to maintain our independence and facilitate impartial judgements.
14. The Chief Internal Auditor has a functional reporting line to the Head of Business Improvement & Modernisation, but also has direct access on internal audit issues to the Council's S151 Officer, the CEO, Cabinet, Corporate Governance Committee and Scrutiny Committees.
15. These extended reporting lines provide Internal Audit with sufficient independence of the activities that it reviews to enable our auditors to perform their duties objectively, allowing us to make impartial and effective professional judgements and raise issues for improvement.
16. The Head of Business Improvement & Modernisation annually appraises the Chief Internal Auditor's performance with input and feedback from the CEO and Chair of the Corporate Governance Committee. This ensures that the Chief Internal Auditor's opinion and scope of work cannot be limited or affected by his functional line management position within the Council.
17. Corporate Governance Committee monitor the effectiveness of Internal Audit's activities. It should be involved in the selection process when/if an internal audit service provider changes, the appointment or termination of the Chief Internal Auditor and in ensuring that internal audit is adequately resourced.
18. The Chief Internal Auditor will not undertake roles and/or responsibilities that fall outside of internal auditing. In the exceptional circumstance where this is required, the approval of the Corporate Governance Committee will be obtained and safeguards put in place to protect our independence and objectivity.

Authority

19. The Council's Financial Regulations stipulate Internal Audit's rights of access, providing the service with authority to:

- Access all Council premises at reasonable times
- Access all assets, records, documents, correspondence and systems
- Receive any information and explanation considered necessary concerning any matter made under consideration
- Require any employee of the Council to account for cash or any other Council asset under his or her control
- Access records belonging to third parties, such as contractors, when required

20. The Chief Internal Auditor attends Corporate Governance Committee and will meet independently with the Chair of Corporate Governance Committee periodically and has right of access to all Corporate Governance Committee members.

Scope of the Internal Audit Activity

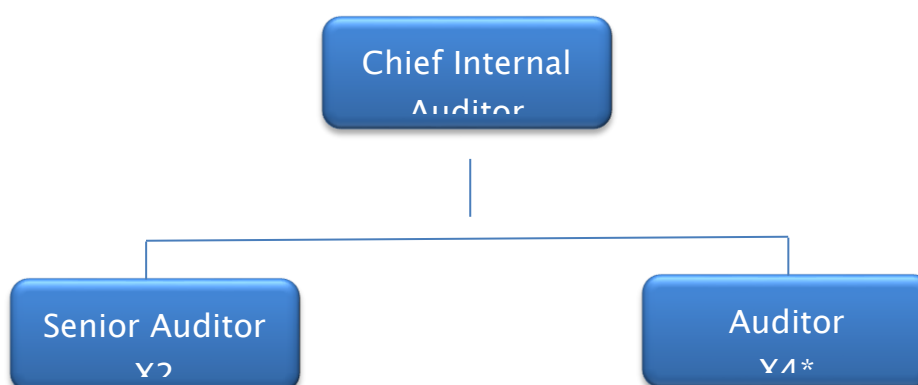
21. The Internal Audit service is very proactive and innovative, constantly aiming to improve. We have a customer-focused approach to audit planning, project scoping and service delivery, involving elected members, senior management and operational staff.
22. Our Internal Audit Assurance Plan links closely to the Council's Governance Assurance Framework, taking account of other assurances that the Council may receive, internal or external, to prevent duplication and co-ordinate regulatory work. It also takes account of discussions with senior management.
23. Our work provides a risk-based approach that allows the Chief Internal Auditor to form and evidence her opinion on the control environment to support the Council's Annual Governance Statement.
24. Internal Audit is not responsible for managing the risk of fraud – this lies with the Council's senior management. Internal Auditors have sufficient knowledge to evaluate the risk of fraud and the manner in which it is managed by the Council, but are not expected to have the expertise of a person whose primary responsibility is detecting and investigating fraud.
25. The Council's Financial Regulations and investigation procedures require managers to inform the Chief Internal Auditor of any suspected financial irregularities. The Chief Internal Auditor retains the right to decide on an appropriate course of action, which may mean a joint investigation or investigation by the service. All investigation reports should be sent to the Chief Internal Auditor for inclusion in a report on fraud investigations within the Internal Audit Annual Report. We will also consider any control issues identified in the fraud investigation in terms of the impact on current and future internal audit activity.
26. Internal Audit has no responsibility for providing any other services within the Council but we occasionally provide guidance and advice e.g. on new systems or may help to develop new processes using our specific skills. Services may also occasionally ask us to carry out specific projects on a consultancy basis for a fee. The Chief Internal Auditor will accommodate such requests only where there is sufficient capacity to

carry out the work to the required standard. We make it clear from the outset that we are working on a consultancy basis and are not giving audit assurance on these occasions.

27. The PSIAS permit assurance services to be provided where internal audit has previously performed consulting services. This will only be the case where the consulting/advisory work completed has not impaired objectivity. Individual objectivity will be managed when assigning resources to the engagement.

Resources

28. The Corporate Governance Committee has the responsibility to ensure the internal audit function is sufficiently resourced and has the required skills and competencies required to meet the Council's audit needs. The service structure below shows the capacity of the Internal Audit Service:



* Once one of the Auditors retires in October 2017, there will be three Auditors instead of the four shown.

29. We have a well-qualified and experienced team, mainly following the Chartered Institute of Internal Auditors qualification route (CMIIA) at Senior Auditor level and Association of Accounting Technicians (AAT) for the Auditor role. The Chief Internal Auditor holds the CMIIA and is a Certified Information Systems Auditor (CISA).

Quality Assurance and Improvement

30. The Chief Internal Auditor maintains the quality assurance and improvement programme which includes internal and external assessments.

Internal Assessments

31. Regular internal assessments of the internal audit activity comprises of:

- Ongoing monitoring of the performance of the internal audit activity
- Periodic self-assessment of the internal audit activity against the PSIAS.

External Assessments

32. PSIAS require an External Assessment to be conducted at least once every five years by a qualified, independent assessor from outside the Council.

33. We are due an external assessment in 2017–18 and this will be carried out on a peer review basis organised through the Welsh Chief Auditors Group. Once this external assessment is complete, we will advise the Corporate Governance Committee of the results.

34. The Chief Internal Auditor will report any instances of non-conformance with the PSIAS to the Corporate Governance Committee. Any significant deviations will be considered for inclusion in the Council's Annual Governance Statement.

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Report To: **Corporate Governance Committee**

Date of Meeting: **27th September 2017**

Lead Officer / Author: **Tony Ward: Head of Highways & Environmental Services**

Title: **Project Management: Loggerheads Car Park Project**

1. What is the report about?

- 1.1 This report is about the Loggerheads Car Park Project, and also about the systems used within the Works Unit for delivering such schemes.

2. What is the reason for making this report?

- 2.1 A Member Proposal Form was submitted to the Scrutiny Chairs & Vice-Chairs Group requesting that this topic be considered as part of the Scrutiny Forward Work Programme. It was subsequently decided that a report should be considered by the Corporate Governance Committee. The Member Proposal Form requested a review of how the council deliver such projects, and specific reference is made to an overspend (c.£65k) on the Loggerheads Car Park Project. This report provides some background information on this issue, and provided specific details about the Loggerheads Car Park Project.

3. What are the Recommendations?

- 3.1 That Members consider this report and decide whether sufficient assurance has been provided regarding the delivery of the Loggerheads Car Park Project, and also about systems used within the Council's Works Unit to manage projects.

4. Report Details

- 4.1 Loggerheads Country Park had one formal car park with a capacity of around 90 cars and 4 coaches. During busy periods, demand significantly exceeded provision, leading to congestion and indiscriminate parking on the A494 Trunk Road. This problem had become more prevalent in recent years and, at busy times, up to 70 cars had been observed parked along the verges to the A494.
- 4.2 DCC Countryside Services (who manage Loggerheads Country Park) looked for ways to increase the on-site parking at Loggerheads, but there was insufficient space on the existing site to create the required additional 50 to 70 additional spaces. Accordingly, the search was widened to see if other land in the general area might be acquired, either by purchase or long lease. This included contacting the owner of Farm Pwll-y-Blawd that includes a field which adjoins a section of the Western boundary of Loggerheads. A request was made by the Council to be permitted to purchase part of this field, and an acre of land was purchased (£50k) for the creation of the Loggerheads overspill car park.
- 4.3 As part of the purchase of this land, Countryside Services employed Major Projects Group (MPG, but now called the Works Unit) in 2010 to undertake a feasibility / options report to determine whether a car park could be constructed on the land to be purchased. The cost of this options report was £2,880 and was funded by Countryside Services. Countryside Services then extended this

commission to include environmental investigation; detailed design; construction cost estimates; and obtaining planning permission. The cost of this commission was £12,800, and was again funded by Countryside Services.

- 4.4 Planning permission for the construction of the car park was granted in March 2013, with access for vehicles to be via an existing C road and via a timber elevated walkway. The permission also included the widening of an existing footway within the existing car park. The planning permission did not include replacement coach parking for the spaces lost due to the new entrance.
- 4.5 In 2015, Countryside Services successfully bid for £80,000 in TAP (Town & Area Plan) funding and instructed the MPG to discharge the planning conditions, assist in obtaining prudential borrowing, tender, award and supervise the contract. By this time, all staff members involved in the scheme had left MPG employment, and the scheme was handed to other staff within the Works Unit to deliver.
- 4.6 Upon the scheme being handed over, the new project manager reviewed the design, business case etc. and realised there was potential for the scheme to be £100,000 more than the projected cost. To bring the scheme within budget, the alignment, configuration and construction of the car park was amended and the costs revisited. The Project Manager also had concerns with the location of the board-walk which, due to the Natural Resources Wales (NRW) constraints, would make it difficult to construct in the proposed location to the required specification. As part of this process, the potential budget was taken into account and the scheme was amended to include only essential elements and remove desirable elements. This enabled a contingency to be built into the budget. The revised design was used to produce the report requesting prudential borrowing. This was presented to SIG, and borrowing to the sum of £217,000 was agreed to.
- 4.7 The Project Manager met with the Planning Department to discuss the extent of the changes, and it was confirmed that the scheme would require a full consultation process before any planning conditions were discharged. As part of this process, NRW were approached to discuss a relaxation to the conditions concerning the construction of the board-walk. NRW granted a relaxation once a new ecological report had been produced and submitted.
- 4.8 In parallel with the discharge of the planning condition, the scheme was tendered through Sell to Wales (before the implementation of e-sourcing) and was undertaken in accordance with the Contract Procedure Rules (CPRs) in place at the time. To ensure the scheme was delivered within budget, certain elements of the scheme were removed from the tender documents with the intention they would be instructed by compensation event if the budget allowed.
- 4.9 Following the tendering process, the contract was awarded for the sum of £212,000 with the tendered amount being within the budget projection. Due to the delay in obtaining the necessary discharge of planning conditions the scheme commenced on site in July 2016, rather than in April.
- 4.10 Upon examination, it was clear that the lane up to the car park would require resurfacing to accommodate the widening and increased traffic flow. The Highway Asset Manager agreed to fund this element and a design was produced / costed.
- 4.11 As construction progressed, it became clear certain desirable items would need adding back into the contract to produce the required outputs. It was not possible to add back all items at once, as costs had to be agreed with the contractor to

enable an accurate cost projection to be produced. The three main elements added in were the car park connecting footway and retaining wall, a coach parking bay at the entrance and a revised gate and wall position to the entrance.

- 4.12 The Project Manager produced a design for the wall and bus parking bay at the entrance to the Country Park based on the initial junction layout. This required planning approval and a relaxation of the visibility splay, which delayed completion. As work progressed on the wall at the junction it became clear there were issues with the layout which was exacerbated by cars parking on the lane adjacent the entrance. The Project Manager reviewed the layout, produced a revised design, and applied for a further planning amendment. Due to the health and safety concerns, it was considered that this work needed to proceed as a matter of urgency.
- 4.13 Prior to this work being instructed, the Project Manager arranged for a road safety audit to be undertaken. This included reviewing the amended junction, and no issues were raised. The site works were completed on 16th December 2016.
- 4.14 The budget available for undertaking the scheme was as follows:

| | |
|----------------------|-----------------|
| TAP | £80,000 |
| Prudential Borrowing | £217,000 |
| Highways Maintenance | £13,508 |
| Countryside Services | - |
| TOTAL | £310,508 |

- 4.15 The original contract value was for £212,000 and, with the introduction of additional items, that increased by £76,000 to £288,000. A report explaining this increase was produced in accordance with the CPR's and submitted for approval. The report identified an overspend above the available budget of approximately £18,000, with agreement this would be funded from Highways revenue. This report was approved by all relevant officers.
- 4.16 Attached at Appendix I is the scheme cost profile, detailing the scheme costs. It can be seen from this profile that the scheme was within budget until the need to amend the Country Park entrance was included. The projected final outturn cost had increased the overspend from the anticipated £18,000, to £23,109, which increased the overspend being funded from the Highways revenue budget. The overspend represents 7% of the overall project spend. The Final funding is:

| | |
|----------------------|-----------------|
| TAP | £80,000 |
| Prudential Borrowing | £214,552.64 |
| Highways Maintenance | £13,508 |
| Countryside Services | £23,110.00 |
| TOTAL | £331,508 |

5 Project Review Findings / Lessons Learnt

- 5.1 There was insufficient discussion as the scheme developed to ensure all client and stakeholder requirements were met, and all limitations understood. Examples include:
- Access and parking for coaches.
 - Field access in corner of overspill car park preventing its closure at night.
 - Potential problems due to the scheme i.e. parking on lane opposite entrance to the Country Park.

- Feature wall and gate to Country Park Entrance.
 - Steel signs rather than timber signs.
 - Clarification of costs and design issues and agreement to final or interim elements i.e. review to connecting footway from broad-walk to car park.
 - Visibility splays at entrance.
- 5.2 The initial designs were undertaken by Technician Engineers / graduates with guidance from Senior Engineers. That is fine, because that is how we train and develop people. However, this was a fairly complex scheme (due to the levels involved and site restraints). All re-design was undertaken by a senior engineer with the relevant experience who was assisted by various members of the MPG as and when available. The main lessons learned are listed below:
- There was insufficient liaison with client/stakeholders.
 - A review of the tender drawings should have been undertaken with the client.
 - The car park entrance should have been reviewed prior to construction by the Senior Engineer.
 - Additional support could have been given to less experienced staff.

6 Conclusion

- 6.1 The Loggerheads Car Par Project has achieved the required output and has also produced a carpark which can be expanded to give more parking spaces, plus has produced a parking bay for two coaches and two mini buses.
- 6.2 With hindsight, there was an unnecessary reputational risk due to the junction / entrance layout not being reviewed in detail prior to construction.
- 6.3 Costs have been controlled, with all efforts being taken to deliver the scheme within the available budget. Cost reporting, and compliance to both procurement and CPR's, was up to a high standard.
- 6.4 The confusion around the level of overspend (perceived to be £65k) stems from the fact the contingency sum built into the scheme allowed work to be added back in whilst the scheme remained in budget. A variation report is required by the CPR's to obtain approval for aggregated variations where the total is above 20% of the contract value. The actual overspend was £23k above the total scheme budget. If the £23k is considered in isolation, this includes design, supervision and obtaining planning permission for coach parking and construction, which represents value for money.
- 6.5 Whilst advice was obtained from procurement on how to fill out the new Exceptions Report it is clear more description is needed in future to ensure the justification for requesting the variation is clear to both Members and officers either involved in the scheme or authorising the variation.
- 6.6 The design and supervision of the scheme which included designing a retaining wall was undertaken in house. Even with all the variations, the full cost of the design and supervision only amount to 9% of the cost of the scheme, which again is below the norm for a scheme of this complexity.

7 How does the decision contribute to the Corporate Priorities?

No decision is sought by submission of this paper.

8 What will it cost and how will it affect other services?

Again, no decision is being sought. However, the costs of the specific project in question are detailed in Appendix I.

9 What are the main conclusions of the Well-being Impact Assessment?

This paper does not require a Well-being Impact Assessment as it is largely for information/discussion.

10 What consultations have been carried out with Scrutiny and others?

No consultation (outside of my services) has been undertaken in relation to the development of this paper. The Works Unit and Countryside Services (the client in respect of the Loggerheads Car Park Project) both sit within Highways & Environmental Services.

11 Chief Finance Officer Statement

The additional cost of the scheme has been funded from service resources. Proper approval processes appear to have been followed, though as the report notes, there are areas where additional detail may have been helpful.

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

There are no specific risks in relation to considering this specific paper. However, there are clearly risk associated with the planning and delivery of engineering projects. The existing structures and processes in place with the Works Unit are in place to monitor and minimise such risks, including those associated with overspending and the failure to deliver expected benefits.

13 Power to make the Decision

No decision is sought by submission of this paper.

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Appendix I: Loggerheads Car Park - Cost Report
P33 002 C2

| | Expenditure 2015-16 | Expenditure 2016-17 | Expenditure 2017-18 | Total Expenditure To Date (31/8/17) | 2017 Sept | 2017 Oct | Projected 2017-18 Costs | Aug-17 Scheme Total | Previous Scheme Total | Variance |
|---|------------------------|------------------------|------------------------|---|-----------------|-------------|-------------------------------|---------------------------|-----------------------------|-------------|
| | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ |
| DCC Detailed Design | 9,481.54 | 21,971.63 | 0.00 | 31,453.17 | 400.00 | 0.00 | 400.00 | 31,853.17 | 31,853.17 | 0.00 |
| 1 Detailed Design - see email from EP 20 March 17 - no further fees | 9,481.54 | 21,971.63 | | 31,453.17 | -17,222.59 | | -17,222.59 | 14,230.58 | 14,230.58 | 0.00 |
| 2 Prepare and manage contract | | | | 0.00 | 3,972.59 | | 3,972.59 | 3,972.59 | 3,972.59 | 0.00 |
| 3 Site Supervision | | | | 0.00 | 10,650.00 | | 10,650.00 | 10,650.00 | 10,650.00 | 0.00 |
| 4 Scheme handover and as built drawings | | | | 0.00 | 2,000.00 | | 2,000.00 | 2,000.00 | 2,000.00 | 0.00 |
| 5 Liason with third parties inc NRW | | | | 0.00 | 1,000.00 | | 1,000.00 | 1,000.00 | 1,000.00 | 0.00 |
| Consultants | 0.00 | 665.00 | 0.00 | 665.00 | 0.00 | 0.00 | 0.00 | 665.00 | 665.00 | 0.00 |
| 6 Churton Ecology | | 665.00 | | 665.00 | | | 0.00 | 665.00 | 665.00 | 0.00 |
| 7 Road Safety Audit | | | | | 0.00 | | 0.00 | 0.00 | 0.00 | 0.00 |
| 8 | | | | | | | 0.00 | 0.00 | 0.00 | 0.00 |
| 9 | | | | | | | 0.00 | 0.00 | 0.00 | 0.00 |
| 10 | | | | | | | 0.00 | 0.00 | 0.00 | 0.00 |
| Construction Costs | 0.00 | 204,444.05 | 0.00 | 204,444.05 | 7,110.71 | 0.00 | 7,110.71 | 211,554.76 | 211,554.76 | 0.00 |
| 11 Site compound, establish, maintain & remove site accommodation | | 26,600.00 | | 26,600.00 | 0.00 | | 0.00 | 26,600.00 | 26,600.00 | 0.00 |
| 12 Temporary works, signage and traffic management | | 2,500.00 | | 2,500.00 | 0.00 | | 0.00 | 2,500.00 | 2,500.00 | 0.00 |
| 13 Temporary works, protection of existing walls, fences | | 500.00 | | 500.00 | 0.00 | | 0.00 | 500.00 | 500.00 | 0.00 |
| 14 Compilation and provision of Health and Safety file | | 500.00 | | 500.00 | 0.00 | | 0.00 | 500.00 | 500.00 | 0.00 |
| 15 Trial holes to locate watermain | | 1,000.00 | | 1,000.00 | 0.00 | | 0.00 | 1,000.00 | 1,000.00 | 0.00 |
| 16 Site clearance - General | | 730.00 | | 730.00 | 0.00 | | 0.00 | 730.00 | 730.00 | 0.00 |
| 17 Site clearance - Boardwalk area | | 950.00 | | 950.00 | 0.00 | | 0.00 | 950.00 | 950.00 | 0.00 |
| 18 Take up existing field gate and store for re-erection | | 75.00 | | 75.00 | 0.00 | | 0.00 | 75.00 | 75.00 | 0.00 |
| 19 Take up existing double gate and posts in car park & store | | 100.00 | | 100.00 | 0.00 | | 0.00 | 100.00 | 100.00 | 0.00 |
| 20 Take up masonry from existing wall to use in re-built wall | | 780.00 | | 780.00 | 0.00 | | 0.00 | 780.00 | 780.00 | 0.00 |
| 21 Take from store and erect timber gate and posts to field access | | 120.00 | | 120.00 | 0.00 | | 0.00 | 120.00 | 120.00 | 0.00 |
| 22 Take from store and erect double timber gate & posts to revised access | | 240.00 | | 240.00 | 0.00 | | 0.00 | 240.00 | 240.00 | 0.00 |
| 23 Provide and erect new 3.60m timber field | | 0.00 | | 0.00 | 0.00 | | 0.00 | 0.00 | 0.00 | 0.00 |
| 24 Post and 5 rail fence to existing car park access | | 1,698.00 | | 1,698.00 | 0.00 | | 0.00 | 1,698.00 | 1,698.00 | 0.00 |
| 25 Strip existing topsoil and stockpile | | 4,705.00 | | 4,705.00 | 0.00 | | 0.00 | 4,705.00 | 4,705.00 | 0.00 |
| 26 Excavation of materials to car park formation level & stockpile | | 2,097.00 | | 2,097.00 | 0.00 | | 0.00 | 2,097.00 | 2,097.00 | 0.00 |
| 27 Excavation of materials to revised car park access & stockpile | | 210.00 | | 210.00 | 0.00 | | 0.00 | 210.00 | 210.00 | 0.00 |
| Remove from stockpile, place & compact site with material in | | | | | | | | | | |
| 28 embankment to formation level in new car park | | 2,250.00 | | 2,250.00 | 0.00 | | 0.00 | 2,250.00 | 2,250.00 | 0.00 |
| Remove from stockpile, place & compact site with material in | | | | | | | | | | |
| 29 embankment to formation level in revised car park access | | 247.50 | | 247.50 | 0.00 | | 0.00 | 247.50 | 247.50 | 0.00 |
| Remove from stockpile, place & compact surplus site with material | | | | | | | | | | |
| 30 and topsoil in landscape areas | | 7,580.00 | | 7,580.00 | 0.00 | | 0.00 | 7,580.00 | 7,580.00 | 0.00 |
| 31 Site - Importation of topsoil, place in blocks to access & parking areas | | 1,411.50 | | 1,411.50 | 0.00 | | 0.00 | 1,411.50 | 1,411.50 | 0.00 |
| Remove from stockpile and place, spread and level excavated topsoil | | | | | | | | | | |
| 32 in verges, embankments & cut slopes | | 1,687.50 | | 1,687.50 | 0.00 | | 0.00 | 1,687.50 | 1,687.50 | 0.00 |
| 33 Prepare and grass seed to surfaces of topsoil | | 2,033.50 | | 2,033.50 | 0.00 | | 0.00 | 2,033.50 | 2,033.50 | 0.00 |
| Take delivery, handle and place concrete paving units to access & | | | | | | | | | | |
| 34 parking areas on sand bed | | 85,819.20 | | 85,819.20 | 0.00 | | 0.00 | 85,819.20 | 85,819.20 | 0.00 |
| 35 Infill concrete paving units with concrete to delineate parking bays | | 680.00 | | 680.00 | 0.00 | | 0.00 | 680.00 | 680.00 | 0.00 |
| Supply and place timber sleepers to delineate surrounds of parking | | | | | | | | | | |
| 36 bays | | 4,536.00 | | 4,536.00 | 0.00 | | 0.00 | 4,536.00 | 4,536.00 | 0.00 |
| 37 Subbase construction to precast paving units | | 7,904.40 | | 7,904.40 | 0.00 | | 0.00 | 7,904.40 | 7,904.40 | 0.00 |
| Subbase construction of realigned existing car park access and | | | | | | | | | | |
| 38 widening, new car park access road and field access | | 2,576.00 | | 2,576.00 | 0.00 | | 0.00 | 2,576.00 | 2,576.00 | 0.00 |
| 39 Concrete construction to road widening | | 1,620.00 | | 1,620.00 | 0.00 | | 0.00 | 1,620.00 | 1,620.00 | 0.00 |
| Bituminous construction of realigned car par access and road | | | | | | | | | | |
| 40 widening | | 7,392.00 | | 7,392.00 | 0.00 | | 0.00 | 7,392.00 | 7,392.00 | 0.00 |

| | | | | | | | |
|--|-----------------|------------------|-------------|------------------|-----------------|-----------------|-------------|
| 41 Bituminous construction of new car park access | 4,620.00 | 4,620.00 | 0.00 | 0.00 | 4,620.00 | 4,620.00 | 0.00 |
| 42 Bituminous construction of field access | 2,640.00 | 2,640.00 | 0.00 | 0.00 | 2,640.00 | 2,640.00 | 0.00 |
| 43 Kerbing to realigned car park access | 1,881.00 | 1,881.00 | 0.00 | 0.00 | 1,881.00 | 1,881.00 | 0.00 |
| 44 Concrete edging kerbs | 658.00 | 658.00 | 0.00 | 0.00 | 658.00 | 658.00 | 0.00 |
| 45 Timber edging kerbs | 1,071.00 | 1,071.00 | 0.00 | 0.00 | 1,071.00 | 1,071.00 | 0.00 |
| 46 Footway construction in new car park | 2,080.00 | 2,080.00 | 0.00 | 0.00 | 2,080.00 | 2,080.00 | 0.00 |
| 47 Footway construction in realigned access | 1,340.00 | 1,340.00 | 0.00 | 0.00 | 1,340.00 | 1,340.00 | 0.00 |
| Traffic signs and road markings (Including take up existing signs, store & re-erect) | 3,175.00 | 3,175.00 | 0.00 | 0.00 | 3,175.00 | 3,175.00 | 0.00 |
| 49 Install free issue parking meter (inc base) | 400.00 | 400.00 | 0.00 | 0.00 | 400.00 | 400.00 | 0.00 |
| 50 Design and build boardwalk | 16,690.00 | 16,690.00 | 0.00 | 0.00 | 16,690.00 | 16,690.00 | 0.00 |
| 51 Design and build masonry retaining wall | 8,000.00 | 8,000.00 | 0.00 | 0.00 | 8,000.00 | 8,000.00 | 0.00 |
| 52 Demobilisation of site | 540.00 | 540.00 | 0.00 | 0.00 | 540.00 | 540.00 | 0.00 |
| Retention | -7,193.55 | -7,193.55 | 7,110.71 | 7,110.71 | -82.84 | -82.84 | 0.00 |
| Compensation Events | 0.00 | 76,104.32 | 0.00 | 76,104.32 | 0.00 | 0.00 | 0.00 |
| 53 Contingency | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 54 CE1. Field access to be in subbase rather than blacktop | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 55 CE2. Boardwalk | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| CEQ02c: Raising the level of the boardwalk | 2,245.10 | 2,245.10 | 0.00 | 0.00 | 2,245.10 | 2,245.10 | 0.00 |
| CEQ02d: Increased length of the boardwalk | 1,137.07 | 1,137.07 | 0.00 | 0.00 | 1,137.07 | 1,137.07 | 0.00 |
| 56 CE3. Moving of two parking bays (drawing issued) | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 56a CEQ03. Timber retaining wall | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| CE4. Clarification of falls 4% on lower parking bays and 3.65 on upper parking bays. Note car park already being trimmed to these | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 57a CEQ04. Chevlock Retaining Wall | 16,536.51 | 16,536.51 | 0.00 | 0.00 | 16,536.51 | 16,536.51 | 0.00 |
| CE5. Load wagon supplied by other with surplus subsoil (presently assessed as 100 tonnes) | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 58a CEQ05: Proposed Car Park Entrance a | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| CEQ05: Proposed Car Park Entrance b | 30,304.98 | 30,304.98 | 0.00 | 0.00 | 30,304.98 | 30,304.98 | 0.00 |
| CE6. There is to be 60mm overlay on the existing lane as per the detail supplied | 13,158.87 | 13,158.87 | 0.00 | 0.00 | 13,158.87 | 13,158.87 | 0.00 |
| 59a CEQ06. Highway drainage at new entrance | 4,287.80 | 4,287.80 | 0.00 | 0.00 | 4,287.80 | 4,287.80 | 0.00 |
| 60 CE7. Sleepers to be laid on a thin concrete bed to improve placing | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 60a CEQ07. Break out gully and additional surfacing | 349.26 | 349.26 | 0.00 | 0.00 | 349.26 | 349.26 | 0.00 |
| 61 CE8. Existing stone kerbs to be set aside for reuse | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 61a CEQ08. Geotextile in Grasscell area | 1,223.30 | 1,223.30 | 0.00 | 0.00 | 1,223.30 | 1,223.30 | 0.00 |
| CE9. Batter to be trimmed to give a 1.25m verge rather than 1.0m to suit ground conditions | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 62a CEQ09. Dispose surplus earthworks material | 4,032.47 | 4,032.47 | 0.00 | 0.00 | 4,032.47 | 4,032.47 | 0.00 |
| CE10. Footway detail for boardwalk to slop up from access to car park to suit falls rather than against fall as detailed on drawing. Final setting out to be agreed once boardwalk design supplied | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 63a CEQ10. Riddle site with topsoil | 1,378.08 | 1,378.08 | 0.00 | 0.00 | 1,378.08 | 1,378.08 | 0.00 |
| 64 CE11. Three trees to be felled at access as agreed with Mike | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 64a CEQ11. Fell and dispose additional tree | 258.72 | 258.72 | 0.00 | 0.00 | 258.72 | 258.72 | 0.00 |
| CE12. Lower part of boardwalk to be constructed in stone with timber edgings | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| CEQ12: Supply & Install additional Timber post & 2-rail fence | 1,192.16 | 1,192.16 | 0.00 | 0.00 | 1,192.16 | 1,192.16 | 0.00 |
| 66 CE13. Drainage amended as on site (site sketch to be produced) | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 67 CE14. Terram to be placed under subbase | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| CE15. Increased top soiling to batter to suit alignment at the step in parking bays | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 69 CE16. Area to be dug out for two parking bays to be re-filled | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 70 CE17. Remove surplus topsoil | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 71 CE18. Treatment of area where compound is presently situated | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| CE19. Levels at entrance to main car park (note one kerb line is already agreed) | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 73 CE20. Treatment to passing bay at bottom of car park | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 74 CE21. Order additional sleepers | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 75 CE22. Amendments to main car park tie-in | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

| | | | | | | | | | | |
|--|--|--|--|------|--|--|------|------|------|------|
| 76 CE23. Revised position and detail for pay and display machine | | | | 0.00 | | | 0.00 | 0.00 | 0.00 | 0.00 |
| 77 CE24. Amendment to form access | | | | 0.00 | | | 0.00 | 0.00 | 0.00 | 0.00 |
| | | | | 0.00 | | | | | | |

| | | | | | | | | | | |
|--|------------------|-------------------|-------------|-------------------|-----------------|-------------|-----------------|-------------------|-------------------|------------------|
| Internal Costs | 1,250.00 | 4,683.77 | 0.00 | 5,933.77 | 0.00 | 0.00 | 0.00 | 5,933.77 | 6,293.77 | -360.00 |
| 78 Road Closure legal fee | 1,250.00 | | | 1,250.00 | | | 0.00 | 1,250.00 | 1,250.00 | 0.00 |
| 79 Pay and Display | | 3,156.00 | | 3,156.00 | 0.00 | | 0.00 | 3,156.00 | 3,156.00 | 0.00 |
| 80 Haulage Cost | | | | 0.00 | 0.00 | | 0.00 | 0.00 | 0.00 | 0.00 |
| 81 Planning fee | | | | 0.00 | 0.00 | | 0.00 | 0.00 | 0.00 | 0.00 |
| 82 Erect Pay and Display | | | | 0.00 | 0.00 | | 0.00 | 0.00 | 0.00 | 0.00 |
| 82a White lining | | 1,527.77 | | 1,527.77 | 0.00 | | 0.00 | 1,527.77 | 1,527.77 | 0.00 |
| 82b Gate to passing bay | | | | 0.00 | 0.00 | | 0.00 | 0.00 | 360.00 | -360.00 |
| External Costs | 0.00 | 2,219.75 | 0.00 | 2,219.75 | 0.00 | 0.00 | 0.00 | 2,219.75 | 2,219.75 | 0.00 |
| 83 KTL Signage | | 2,219.75 | | 2,219.75 | 0.00 | | 0.00 | 2,219.75 | 2,219.75 | 0.00 |
| 84 | | | | | | | | | | |
| 85 | | | | | | | | | | |
| 86 | | | | | | | | | | |
| Accommodation Works | 0.00 | 2,840.00 | 0.00 | 2,840.00 | 0.00 | 0.00 | 0.00 | 2,840.00 | 3,685.00 | -845.00 |
| 87 Construct stone wall and re-instate | | | | | 0.00 | | 0.00 | 0.00 | 0.00 | 0.00 |
| 88 additional fencing | | | | | 0.00 | | 0.00 | 0.00 | 0.00 | 0.00 |
| 89 Main Gate | | 2,840.00 | | 2,840.00 | 0.00 | | 0.00 | 2,840.00 | 2,840.00 | 0.00 |
| 89A Signs - see email EP 21 March 2017 | | | | | 0.00 | | 0.00 | 0.00 | 845.00 | -845.00 |
| 89B Dingle Nurseries | | 0.00 | | 0.00 | | | 0.00 | 0.00 | 0.00 | 0.00 |
| Risk/Contingency | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 90 Balance | | | | | | | 0.00 | 0.00 | 0.00 | 0.00 |
| TOTAL | 10,731.54 | 312,928.52 | 0.00 | 323,660.06 | 7,510.71 | 0.00 | 7,510.71 | 331,170.77 | 332,375.77 | -1,205.00 |

| | |
|------------------------|-----------------------|
| Scheme Budget/Fundii | 214,552.64 |
| TAP | 80,000.00 |
| Highways maintenanc | 13,508.13 |
| CERA | 23,110.00 |
| Total Funding | 331,170.77 |
| Funding Surplus | 0.00 reduce PB |

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Report To: Council

Date of Meeting: 4th July 2017

Lead Member / Officer: Bobby Feeley / Phil Gilroy

Report Author: Phil Gilroy

Title: **CSSIW Inspection of Domiciliary Care Services**

1. What is the report about?

This report provides Members with an update on the response to the Denbighshire County Council report following the CSSIW National review of domiciliary care in Wales

2. What is the reason for making this report?

To ensure that Members are aware of the progress made to address specific concerns.

3. What are the Recommendations?

That Members consider the issues identified in CSSIW's report and support the responses and progress made by Community Support Services.

4. Report details

4.1 CSSIW undertook a national review of domiciliary care provision in November 2015. As part of this review, they undertook inspections in 6 Local Authorities, including Denbighshire.

4.2 The purpose of the inspections was to assess the success of the local authority's social services in achieving outcomes for people by evaluating the efficiency and quality of the domiciliary care commissioned by the local authority. Methods used during the inspection included considering information provided by the local authority, discussion with commissioners, a focus group with care providers and examining six cases of people using domiciliary care, including discussion with individual people where appropriate.

4.3 A draft report was provided to officers for comment on accuracy but, despite meeting with one of the inspectors to discuss our concerns about the lack of evidence provided to support the inspector's findings, very little changed in the final report.

4.3.2 The final report was not provided to the Council by CSSIW, it was published on their website without the comments officers had made on the findings.

4.3.3 Without going over all of the detail provided in the appendices, Members are directed to a number of issues which officers believe to be inaccurate.

| | CSSIW Issue | Local Authority Response |
|---|--|---|
| 1 | Denbighshire does not have a robust, detailed Market Position Statement (MPS) in relation to Domiciliary Care. | Denbighshire, alongside all other Local Authorities in North Wales, was in the process of working with the Institute of Public Care to refine our Market Position Statement. The advice from these 'experts' is to keep the MPS short and to the point, making the detail about |

| | | |
|---|---|---|
| | | <p>population, etc available separately. Which had been the practice in the MPS at the time.</p> <p>The new MPS has now been published on the Denbighshire Website. We believe that it is robust MPS which provides providers with sufficient information to inform their future role and function.</p> |
| 2 | <p>Denbighshire's method of mini-tendering for individual packages of care is not producing sustainable outcomes. Providers are asked to submit a rate 'equal to or lower than' our indicative rates.</p> | <p>The inspector did not provide evidence to support this statement. The statement about submission of rates is factually incorrect – providers are asked to tell us if they can meet the requirements of the package and how much it would cost. In line with Best Value, if there is more than one provider able to meet the requirements, the lowest bid is accepted.</p> <p>All providers have been given a substantial increase to their fees in April 2017 and work has taken place in Denbighshire and regionally to understand the full cost of providing the service. All providers in the region will be asked this year to tender for a place on a framework and that system will allow them to input the fees they require for working in our area.</p> <p>In Denbighshire we have retained the breadth of providers and recruitment in our area does not appear to be any worse than elsewhere in the Country.</p> |
| 3 | <p>Denbighshire funds a retainer while an individual is in hospital but stops after 2 weeks, resulting in the possibility of a new provider picking up the care on discharge.</p> | <p>Denbighshire is one of only a few LAs to fund a retainer of any length while an individual is in hospital and, while the report appears to criticise this practice, we believe it to be a good one. Despite the issue that any longer retainer becomes unsustainable, an individual's needs will have changed during a longer stay in hospital and a new care and support plan will be required.</p> |
| 4 | <p>Denbighshire commissions calls of 15 minutes which are seen to be wrong.</p> | <p>The new Regulation & Inspection Act details in what circumstances 15 minute calls can be commissioned. Officers have reviewed every care & support plan that includes 15 minute calls and all have been found to comply with the Act. Interestingly, the national report states that the length of time of a call is unimportant, it is the outcome that should be considered. In Denbighshire the vast majority of 15 minute calls are provided in addition to other longer calls during the day.</p> <p>In every review of care which is carried out, we specifically consider any 15 minute calls and record the views of the individual and the provider to ensure that they are always appropriate.</p> <p>In future, new packages of care are more likely to be commissioned based on the outcomes expected rather than on the time and length of time of calls. 15 minute calls may still happen under these circumstances, but</p> |

| | | |
|---|---|--|
| | | only if the individual specifically wants short check calls during the day. |
| 5 | The LA should review the organisational arrangements for commissioning and contracting, as this is not widely understood and is having a considerable impact on the effectiveness of the commissioning cycle, particularly in contract monitoring | The inspector did not provide evidence to support this statement. The arrangements are not dissimilar to those in many LAs across Wales and are an accepted method of delivering across commissioning and contracting, which are 2 different parts of the Commissioning Cycle. Commissioning arrangements, although different across the 6 LAs that were inspected, were featured as a concern in 5 of the individual reports. |
| 6 | The LA doesn't meet providers regularly and relationships are strained. | <p>The inspector did not provide evidence to support this statement. The HoS chairs quarterly meetings with Providers (previously chaired by Service Manager), including Care Forum Wales, and these meetings show this statement to be factually inaccurate.</p> <p>We have met with Providers too in workshops to address their concerns about working in Outcome Focused ways to meet the expectations of the new Act. We have also met with them regionally to introduce the intentions of the regional framework tender and offer business support to those who would appreciate this. Our relationship with providers is still strong and was mentioned by a provider in a regional meeting.</p> |
| 7 | Reviews are not always undertaken when they should be | Over 90% of reviews were completed on time last year, placing Denbighshire as one of the highest performing authorities in Wales. |

- 4.4 The findings in Denbighshire's inspection report have fed into the national review which, in the Executive Summary, concluded the following:
- most people, most of the time, are happy and appreciative of the care they receive
 - the competence in the operation of individual domiciliary care agencies is a key determinant in the quality of care people received, regardless of what rates are being paid
 - despite poor pay and conditions, most care workers are motivated by a sense of altruism, naturally concerned to provide the best care for people
 - the arrangements for local authorities and LHBs purchasing of care were extremely varied
 - there is a general workforce shortage which result in calls being 'crammed in' and times being shortened or 'clipped'
 - there can be an over-zealous application of both procurement and finance rules that drive down prices in the short term and punitive contractual terms (a need to account for every penny spent)
 - there is a serious lack of capacity and the market is extremely fragile
- 4.5 Officers recognise that there are real risks to the domiciliary care market and have taken, or will be taking, the following actions, all but the last of which were discussed with the inspector.

- Support with advertising and recruiting staff. *Ongoing.*

- Work with regional colleagues and providers through the Commissioning Board to develop a new model for delivery based on patch-based contracts and focus on user-choice and outcomes rather than 'time & task'. *This is on target to happen during 2017. Providers will be asked to tender for place on a new framework.*
- Continued support with training staff. *Ongoing.*
- Development of in-house short term team to give providers time to recruit for new care and support plans. *Difficulties in recruitment have resulted in some delays to the full development of this project.*
- An average fee increase of 5%, in recognition of the impact of the National Living Wage and other pressures was agreed for 2016/17 and again for 2017/18
- Development of an up to date Market Position Statement, drawing from the work being undertaken in relation to the regional Population Needs Assessment. *This has been published on the Denbighshire website.*
- A re-assessment of all individuals who receive domiciliary care to ensure that there is a focus on outcomes and that the new eligibility criteria laid down in the Social Services & Well-being Act is consistently applied and individuals are supported to use their own resources where possible, releasing capacity in the market. *This work has started and is anticipated to take 18 months in total.*

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

People in receipt of domiciliary care are being safeguarded and supported to live independently.

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

There are no additional costs or implications for other services arising from this report.

7. What are the main conclusions of the Well-being Impact Assessment?

There is no need to produce a well-being impact assessment in relation to this report.

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

None.

9. Chief Finance Officer Statement

The risks in the domiciliary market are recognised corporately and feature in the council's medium term financial plans.

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

Lack of a robust and sustainable domiciliary care market places a risk to the Council in being able to deliver its stated priority to enable people to live independently. The actions detailed in the report are designed to address this risk.

11. Power to make the Decision

Scrutiny's powers with respect to this matter are set out in Section 21 of the Local Government Act 2000 and Section 7 of the Council's Constitution.



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru
Auditor General for Wales

Wales Audit Office Work Programme: Corporate Governance Committee Update, September 2017 – **Denbighshire County Council**

Audit year: 2017-18

Date issued: August 2017

Document reference: 118A2017-18

This document has been prepared as part of work performed in accordance with statutory functions.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000.

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This document was produced by the Wales Audit Office. We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi. This document is also available in Welsh.

This document was produced by Anthony Veale, Gwilym Bury, Michelle Phoenix, and Jeremy Evans.

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Audit work programme

Financial audit work 2016-17 – Denbighshire County Council

Exhibit 1: Financial audit work 2016-17 – Denbighshire County Council

| Activity | Scope | Status |
|--|--|--|
| Audit of Financial Statements 2016-17 | Plan of financial audit work for 2016-17. | Report finalised March 2017. Presented to the Corporate Governance Committee March 2017. |
| Audit of Financial Statements 2016-17 | Audit of Denbighshire County Council's (the Council) 2016-17 Financial Statements. | Report is to be presented to the Corporate Governance Committee September 2017. |
| Opinion on the Financial Statements | Opinion on the Council's 2016-17 Financial Statements. | Report is to be presented to the Corporate Governance Committee September 2017. |
| Annual Audit Letter | Report summarising our 2016-17 financial audit work. | Report is to be presented to the Corporate Governance Committee November 2017. |

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Performance audit work 2016-17 – Denbighshire County Council

Exhibit 2: Performance audit work 2016-17 – Denbighshire County Council

| Activity | Scope | Status |
|--|--|---|
| Audit Plan | Plan of performance audit work for 2016-17. | Complete – Corporate Governance Committee March 2016. |
| Improvement Plan Audit | Audit of the discharge of the Council's duty to publish an improvement plan. | Complete – Review complete. Certificate issued. |
| Assessment of performance | Audit of the discharge of the Council's duty to publish an assessment of performance. | Complete – see above. |
| Annual Improvement Report (AIR) | <p>Report from the Audit General for Wales reviewing the Council's performance and arrangements.</p> <p>The AIR report included the local project work. In this review we concluded that:</p> <ul style="list-style-type: none"> the Council continues to meet its statutory requirements in relation to continuous improvement; having made significant progress in delivering its current vision, the Council is developing an updated plan to describe its vision and key ambitions for the future and how it will operate as an organisation; the Council has a clear framework and sound governance arrangements for significant service changes but evaluating the impact of service change is not always timely; and in general the Council manages its resources well, but a lack of co-ordination between other corporate strategies may limit the contribution individual services can make towards the Council's goals. | Published June 2017. |

| Activity | Scope | Status |
|--|---|---|
| Thematic Study: Financial Resilience | Focus: Savings Plans. | Local report issued February 2017. |
| Thematic Study: Governance | Focus: Governance of significant service changes. | Local report issued June 2017. |
| Thematic Study: Transformation | To gather the views of officers about the key issues they face in dealing with change/transformation. | Projected timescale: June – December 2017. Feedback to Chief Executive. |
| Local Government Improvement Study – Improving wellbeing through housing adaptations | Fieldwork completed. | Publication Autumn 2017. |
| Local Government Improvement Study – Strategic commissioning of learning disability services by local authorities | Fieldwork completed. | Publication Autumn 2017. |
| Local Government Improvement Study – How local government manages demand – Homelessness services | Fieldwork completed. | Publication Autumn 2017. |

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Performance audit work 2017-18 – Denbighshire County Council

Exhibit 3: Performance audit work 2017-18 – Denbighshire County Council

| Activity | Scope | Status |
|---|--|---|
| Audit Plan | Plan of performance audit work for 2017-18. | Report finalised March 2017. |
| Improvement Plan Audit | Audit of the discharge of the Council's duty to publish an improvement plan. | Complete – Certificate issued April 2017. |
| Assessment of performance | Audit of the discharge of the Council's duty to publish an assessment of performance. | To be undertaken once the Council publishes the assessment of performance report. |
| Annual Improvement Report (AIR) | Report from the Auditor General for Wales reviewing the Council's performance and arrangements. | To be published Summer 2018. |
| Thematic Study: Well-Being of Future Generations – Baseline assessment | The Year One Commentary: Wales Audit Office will gather evidence on how the 44 bodies are beginning to respond to the requirements of the WFG Act and identify examples of notable emerging practice. The work will be designed to support improvement and inform future audit work under the Act. | To take place throughout the 2017-18 audit year. Project Brief issued. |
| Thematic Study: Scrutiny – Fit for the Future | This review will examine the impact of the WFG Act on the work of scrutiny committees. | To take place throughout the 2017-18 audit year. Project Brief issued. |
| Thematic Study: Service user review | This project will test the service-user interface at all authorities. The review will evaluate what it feels like (as a member of the public) to deal with council services, involving a selection of services and scenarios. | To take place throughout the 2017-18 audit year. Project Brief issued. |

| Activity | Scope | Status |
|---|---|--|
| Other Local Project work | <ul style="list-style-type: none"> • Welsh Housing Quality Standard (WHQS). The purpose of this local overview is to determine whether the Council has effective arrangements in place to enable it to continue to meet the WHQS | To take place throughout the 2017-18 audit year. Project Brief issued. |
| Local Government Improvement Study – Integrated Care Fund | Intermediate Care Fund has recently been renamed as the Integrated Care Fund (ICF). The review will look at the governance arrangements associated with the ICF at both a national level and at a local level through the regional partnership boards. | Project Brief to be issued. |
| Local Government Improvement Study – Using data effectively | This study will primarily focus on the role of local authorities in how effective they are at managing and using data. It will also consider how effective authorities are at accessing and using data held by partners. It is recognised, however, that councils are at very different stages in terms of how they use data. This audit will therefore assess each local authority on their performance identifying how well authorities are currently performing in collecting data, analysing data and using data to support decision-making and the use of resources. | Project Brief issued – June 2017. |
| Local Government Improvement Study – How well do public bodies provide services to rural communities | This review will focus on assessing how effective public organisations in Wales are in working together to assess needs, identify priorities, deliver and maintain the provision of key operational services to meet the needs of people in rural communities. | Project Brief issued – June 2017. |

| Activity | Scope | Status |
|--|---|--|
| National Wales Audit Office reports | <ul style="list-style-type: none"> • Public procurement landscape review • Waste management (waste prevention) • Supporting People programme • Implementation of the NHS Finances (Wales) Act 2014 (integrated medium term planning) • NHS Wales informatics services • Access to public services with the support of specialist interpretation and translation • Preparations for the implementation of fiscal devolution in Wales (follow-on report) | Reports being drafted. Publication Autumn 2017. |

Other inspection work 2017-18 – Denbighshire County Council

Exhibit 4: Other inspection work 2017-18 – Denbighshire County Council

| Activity | Scope | Status |
|----------------------|--|---------------------------------|
| 2017-18 Estyn | Apart from local school inspection programme no specific work is planned in Denbighshire. | GwE follow-up work Autumn 2017. |
| 2017-18 CSSIW | Nationally CSSIW are doing a joint review of community mental health services. No local follow-up work in Denbighshire has yet been announced. | National report. |

Last updated: 16.08.17

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Corporate Governance Committee Forward Work Programme

| | | | |
|--------------------|---|--|--|
| | | | |
| 29 NOV 2017 | | Standing Items | |
| | 1 | Issues Referred by Scrutiny Committees (if any) | Scrutiny Coordinator – Rhian Evans |
| | 2 | Recent External Regulatory Reports Received (if any) | Head of Business Improvement & Modernisation– Alan Smith, Nicola Kneale |
| | 3 | Internal Audit Update | Chief Internal Auditor– Lisa Lovegrove |
| | 4 | Forward Work Programme | Democratic Services |
| | | | |
| | | Reports | |
| | 5 | School Finance Regulations <i>Progress report requested at meeting held on 25 January 2017</i> | Head of Finance - Richard Weigh |
| | 6 | Annual RIPA (Regulation Of Investigatory Powers Act 2000) | Head of Legal, HR and Democratic Service- Gary Williams |
| | 7 | Information Management and IT Management in Schools <i>Progress report requested at meeting held on 25 January 2017</i> | Head of Education and Children’s Services (Karen Evans) and Principal Education Manager (Geraint Davies) |
| | 8 | Annual Report on Whistle Blowing | Head of Legal, HR and Democratic Services / Gary Williams |
| 24 JAN 2018 | | Standing Items | |
| | 1 | Issues Referred by Scrutiny Committees (if any) | Scrutiny Coordinator – Rhian Evans |
| | 2 | Recent External Regulatory Reports Received (if any) | Head of Business Improvement & Modernisation– Alan Smith, Nicola Kneale |
| | 3 | Internal Audit Update | Chief Internal Auditor– Lisa Lovegrove |
| | 4 | Forward Work Programme | Democratic Services |
| | | | |
| | | Reports | |
| 7 MAR 2018 | | Standing Items | |
| | 1 | Issues Referred by Scrutiny Committees (if any) | Scrutiny Coordinator – Rhian Evans |

Corporate Governance Committee Forward Work Programme

| | | | |
|---------------------|---|--|--|
| | 2 | Recent External Regulatory Reports Received (if any) | Head of Business Improvement & Modernisation– Alan Smith, Nicola Kneale |
| | 3 | Internal Audit Update | Chief Internal Auditor– Lisa Lovegrove |
| | 4 | Forward Work Programme | Democratic Services |
| | | Reports | |
| | | | |
| 25 APR 2018 | | Standing Items | |
| | 1 | Issues Referred by Scrutiny Committees (if any) | Scrutiny Coordinator – Rhian Evans |
| | 2 | Recent External Regulatory Reports Received (if any) | Head of Business Improvement & Modernisation– Alan Smith, Nicola Kneale |
| | 3 | Internal Audit Update | Chief Internal Auditor– Lisa Lovegrove |
| | 4 | Forward Work Programme | Democratic Services |
| | | Reports | |
| | | | |
| 6 JUNE 2018 | | Standing Items | |
| | 1 | Issues Referred by Scrutiny Committees (if any) | Scrutiny Coordinator – Rhian Evans |
| | 2 | Recent External Regulatory Reports Received (if any) | Head of Business Improvement & Modernisation– Alan Smith, Nicola Kneale |
| | 3 | Internal Audit Update | Chief Internal Auditor– Lisa Lovegrove |
| | 4 | Forward Work Programme | Democratic Services |
| | | Reports | |
| | | | |
| 11 JULY 2018 | | Standing Items | |
| | 1 | Issues Referred by Scrutiny Committees (if any) | Scrutiny Coordinator – Rhian Evans |
| | 2 | Recent External Regulatory Reports Received (if any) | Head of Business Improvement & Modernisation– Alan Smith, Nicola Kneale |
| | 3 | Internal Audit Update | Chief Internal Auditor– Lisa Lovegrove |

Corporate Governance Committee Forward Work Programme

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|---------------------|---|--|--|
| | 4 | Forward Work Programme | Democratic Services |
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| | | Reports | |
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| 26 SEPT 2018 | | Standing Items | |
| | 1 | Issues Referred by Scrutiny Committees (if any) | Scrutiny Coordinator – Rhian Evans |
| | 2 | Recent External Regulatory Reports Received (if any) | Head of Business Improvement & Modernisation– Alan Smith, Nicola Kneale |
| | 3 | Internal Audit Update | Chief Internal Auditor– Lisa Lovegrove |
| | 4 | Forward Work Programme | Democratic Services |
| | | | |
| | | Reports | |
| | | | |
| 1 NOV 2018 | | Standing Items | |
| | 1 | Issues Referred by Scrutiny Committees (if any) | Scrutiny Coordinator – Rhian Evans |
| | 2 | Recent External Regulatory Reports Received (if any) | Head of Business Improvement & Modernisation– Alan Smith, Nicola Kneale |
| | 3 | Internal Audit Update | Chief Internal Auditor– Lisa Lovegrove |
| | 4 | Forward Work Programme | Democratic Services |
| | | | |
| | | Reports | |
| | | | |

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.

Corporate Governance Committee Forward Work Programme

Revised 12.09.2017 SJ