

To: Members of the Corporate
Governance Committee

Date: 20 September 2018

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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, 26 SEPTEMBER 2018** in **CONFERENCE ROOM 1A, COUNTY HALL, RUTHIN.**

Yours sincerely

G. Williams
Head of Legal, HR and Democratic Services

AGENDA

PART 1 - THE PRESS AND PUBLIC ARE INVITED TO ATTEND THIS PART OF THE MEETING

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 - 16)

To receive the minutes of the Corporate Governance Committee meeting held on 11 July 2018 (copy enclosed).

5 ANNUAL HEALTH AND SAFETY REPORT (Pages 17 - 52)

To consider a report by the Corporate Health and Safety Manager (copy enclosed) informing members on the Corporate Health and Safety annual work programme and performance.

6 WAO - ANNUAL AUDIT ENQUIRIES 17/18 (Pages 53 - 70)

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

7 APPROVAL OF STATEMENT OF ACCOUNTS (Pages 71 - 220)

To consider a report by the Chief Accountant (copy enclosed) on the Statement of Accounts 2017/18.

8 BUDGET PROCESS UPDATE (Pages 221 - 228)

To consider a report by the Head of Finance (copy enclosed) providing an overview on the process to set the budget for 2019/20.

9 WAO ANNUAL IMPROVEMENT REPORT (Pages 229 - 260)

To consider a report from the Wales Audit Office (copy enclosed) on the Annual Improvement Report 2017/2018.

10 INTERNAL AUDIT UPDATE (Pages 261 - 276)

To consider a report by the Head of Internal Audit (copy enclosed) updating members on Internal Audit progress.

To receive a verbal update on the CIPFA practical guidance.

11 UPDATE REPORT - PUBLIC CONVENIENCES (Pages 277 - 288)

To consider a report by the Chief Internal Auditor (copy enclosed) updating members on the progress made in implementing the action plan that accompanied the Internal Audit report on Public Conveniences in April 2018.

12 CORPORATE GOVERNANCE COMMITTEE WORK PROGRAMME (Pages 289 - 292)

To consider the committee's forward work programme (copy enclosed).

PART 2 - CONFIDENTIAL ITEMS

None

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, (*name*)

a *member/co-opted member of
*(*please delete as appropriate)*

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:-
*(*please delete as appropriate)*

Date of Disclosure:

Committee *(please specify)*:

Agenda Item No.

Subject Matter:

Nature of Interest:

*(See the note below)**

Signed

Date

*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 1B, County Hall, Ruthin on Wednesday, 11 July 2018 at 9.30 am.

PRESENT

Councillors Mabon ap Gwynfor, Tony Flynn, Alan James, Barry Mellor (Chair) and Joe Welch

Lay Member Paul Whitham

Councillor Julian Thompson Hill, Lead Member for Finance, Performance and Strategic Assets was in attendance.

ALSO PRESENT

Head of Legal, HR & Democratic Services (GW), Head of Finance (RW), Chief Accountant (SG), Chief Internal Auditor (LL), Internal Auditor (LH), Head of Business Improvement & Modernisation (AS), Corporate Health and Safety Manager (GL), Planning and Resources Manager (IL) and Committee Administrator (SJ)

Wales Audit Office Representatives –Gwilym Bury and Michelle Phoenix

1 APOLOGIES

Apologies for absence were received from Councillor Martyn Holland

Apologies for absence were received from Wales Audit Office representative Anthony Veale.

2 DECLARATION OF INTERESTS

Councillors Tony Flynn, Mabon ap Gwynfor and Joe Welch declared a personal interest in Agenda item 9 – Internal Audit of Health and Safety in Schools, as they were school Governors.

Councillor Barry Mellor and Lay Member Paul Witham declared a personal interest in Agenda item 9 – Internal Audit of Health and Safety in Schools as they had grandchildren that attended schools in Denbighshire.

3 URGENT MATTERS

No urgent matters were raised.

4 MINUTES

The minutes of the Corporate Governance Committee held on the 6 June 2018 were submitted.

Agenda item 9 – CIPFA Practical Guidance for Audit Committees - Lay Member Paul Witham stated that he had not made the comment 'the Corporate Governance Committee in Denbighshire had one of the fewest numbers'. The Chief Internal Auditor stated she had stated the above comment.

Agenda item 10 – Internal Audit of Joint Corporate Procurement unit – Members raised the importance of monitoring the joint working relationship.

RESOLVED that subject to the above, the minutes of the Corporate Governance Committee be received and approved as a correct record.

5 ANNUAL SIRO REPORT

A report by the Head of Business Improvement and Modernisation (HBIM) had been circulated previously.

The HBIM introduced the report which covered the period April, 2017 to March, 2018 and detailed breaches of the Data Protection Act by the Council which had been subject to investigation by the Senior Information Risk Officer (SIRO). It also 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 the Access to Information/FOI requests made to the Council. The Council's Data Protection Policy required an annual report on progress to the Corporate Governance Committee.

There had been no significant breaches of the Data Protection Act in the Council during 2017/18. There had been two minor breaches of Data protection, these had been investigated by the SIRO. Neither breach had been deemed serious enough to warrant reporting to the ICO, details of the breaches had been provided.

The new General Data Protection Regulations (GDPR), came into force on 25th May 2018. The SIRO explained to members the new regulations and the framework with tougher punishments for failure to comply with the new rules. An Information Governance Group had been established in 2017 consisting of representatives from across all services. The group had provided a forum for discussing the requirements of the framework and overseeing the work undertaken. Work had continued across services to ensure all requirements were met. The HBIM assured members once work was completed, Internal Audit would conduct a review and its findings would be presented to the Corporate Governance Committee.

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 number of completed requests for 2014/15 to 2017/2018. The FOI and EIR requests were concentrated on specific areas and were predominantly business related or from individuals. The most frequent requestors over the last 12 months had been incorporated in a table in the report. In 2017/18 no complaints about the

Council under the FOI Act had been investigated by the Information Commissioner's Office.

In response to questions from members, the HBIM confirmed that the GDPR applied to everyone. The framework was mandatory to adhere to. It was the Council's obligation to monitor companies to which it had an agreement.

With reference to the number of FOI requests received the officers confirmed that requests for information that had been previously received were recorded and information provided. Following one of the minor breaches of data investigations had taken place to reduce the level of risk and controls put in place.

RESOLVED – *that the Corporate Governance Committee receive and note the contents of the report.*

6 DRAFT STATEMENT OF ACCOUNTS

A report by the Chief Accountant (CA), which provided an overview of the draft Statement of Accounts 2017/18 and the process underpinning it, had been circulated previously.

The council had a statutory duty to produce a Statement of Accounts that complied with approved accounting standards. The audited accounts had to be formally approved by elected members on behalf of the council and this role had been delegated to the Corporate Governance Committee. The draft accounts had been finalised and signed by the Head of Finance on 15th June 2018. The draft accounts had been made available for audit as required and open to public inspection from 9th July to 3rd August 2018.

The CA provided a detailed summary of Appendix1, Statement of Accounts 2017/18 the following areas were discussed.

Schools- the CA explained to members, it was still a difficult financial period for schools. Investment in school budgets 2017/18 had resulted in a better financial position for schools reporting an in year underspend of £0.713m.

Reports- it was confirmed that budget reports were presented to Cabinet each month and an annual budget summary had been presented in June.

Underspend – if a service has an end of year underspend the CA and HOF stated, the allocation of the surplus money was a decision Cabinet make. Recommendations would be presented to Cabinet for the allocation and outcome of monies.

Arrears – assurance was provided that constant monitoring of arrears had taken place. Close monitoring work with third parties including CIPFA continued. The finance department were aware of the introduction of the new Universal Credit and were monitoring the impact it may have.

Following in-depth discussions the committee wanted to congratulate and thank the Head of Finance, Chief Accountant and team for the work they had completed to meet 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 draft Statement of Accounts to contact him direct. The final

Statement of Accounts would be presented to the Corporate Governance Committee for approval at the 26th September committee meeting.

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

7 TREASURY MANAGEMENT

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 Lead Member for Finance, Performance and Strategic Assets, guided members through the report.

The term 'treasury Management' includes the management of the council's borrowing, investments and cash flow. Approximately £0.5bn passed through the council's bank accounts every year. Members were informed the council's outstanding borrowing at 31 March 2018 was £206.19m at an average rate of 4.41% and the council held £12.5 in investments at an average rate of 0.28%.

The HOF explained to the committee how risky Treasury Management was but assured members that the council was monitoring and controlling these risks. The council's treasury management strategy and procedures are audited annually and the latest internal audit review had been positive with no significant issues raised.

The following responses were provided by the HOF and CA, to the issue raised by members of the committee –

- The rates of the new loans that have been taken out are locked. Any changes to base rate or Government funding changes could not alter the locked in rates.

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

RESOLVED that the Corporate Governance Committee receives the report and notes,

- The performance of the Council's Treasury Management function during 2017/18. And its compliance with required prudential indicators as reported in the Annual Treasury Management report 2017/18, appendix 1 to the report;*
- The Treasury Management update report for performance to date in 2018/19;*
- The Committee confirmed it had read, understood and taken into account the Well-being Impact Assessment, appendix 3 to the report.*

8 INTERNAL AUDIT UPDATE

The Chief Internal Auditor (CIA), introduced the Internal Audit update 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. The CIA guided members through the reports which provided an update as July 2018 on:

- Internal Audit reports recently issued
- Progress on Internal audit work to date in 2018-19
- Internal Audit performance standards.

The following matters were discussed in more detail –

- Learner Transport – June 2018 – The CIA guided members through the review of Learner Transport, it was explained the School Support and Education Transport teams had worked well to develop the latest Learner Transport Policy. The review highlighted good processes in place for assessing transport applications for pupils who met criteria for free learner transport. Contracts with providers was a rolling risk that was closely monitored. The CIA confirmed that five areas of improvement has been raised, it was felt the overall management of learner transport operated well.
- Health and Safety in Schools – The CIA explained that a detailed report had been included as an agenda item later in the meeting and details would be discussed at that juncture.
- Internal Audit Performance Standards – A summary of the Internal Audit's work to date was presented to the committee. The CIA guided members through the table. The Chair praised the new VERTO system for capturing information, stating it was easily read and clear. The CIA confirmed that reminders to Heads of Service to update the system had continued.

The Chair thanked the officers and Internal Audit for the report.

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

At this junction (11:10 a.m.) there was a 5 minute break.

Meeting reconvened at 11:15 a.m.

9 INTERNAL AUDIT OF HEALTH AND SAFETY IN SCHOOLS

The Chief Internal Auditor (CIA), introduced the report (previously circulated) providing members with details of the Internal Audit report on Health and Safety in Schools that had received a 'Low' assurance rating.

The CIA explained to members that 5 schools had been picked at random to be audited including records held by Corporate Health and Safety and the Councils HR system. It was confirmed that the governance of health and safety in schools lied with the school and Governors of the school. The Corporate Health and safety provided support to the schools. A number of weaknesses were highlighted and policies needed tightening. The corporate recording system of accidents and incidents had been promoted to schools by the Health and Safety team, it was observed that not all schools had incorporated the system. The CIA guided members through the action plan of the risks identified.

Following the debate, the following concerns were discussed in further detail –

- Lockdown procedures in schools - The Corporate Health and Safety Manager (CHSM) explained to members that the Argus Project had provided advice and training to both schools and the health and safety team. Procedures had been introduced at school and all schools requested to create a policy.
- School Governors – Members were reassured that the audit report had been made available to schools including school governors. The report was to be presented at the next school governors conference, it highlight the importance of monitoring health and safety in schools. The CHSM confirmed that training for school governors had taken place and had included the roles and responsibilities of a governor to a school. It was the responsibility of the school to maintain attendance at training. The Health and Safety department had offered training courses and had kept record of attendance.
- School Beat – Members highlighted that police attending schools had reduced. The CHSM confirmed that he would investigate this in further detail.
- Fire Safety – Fire Risk assessments had been completed by the Health and Safety team and was monitored and reviewed. The CHSM confirmed a programme of reviews had taken place which had been regularly audited by the fire service who had been pleased with Denbighshire's process.
- Infection control – It was confirmed that schools had been provided with templates to maintain policies and procedures. It had been included in the online toolkit provided to schools to aid in the implementation of a plan. The importance of schools having an infection control plan had been highlighted. An agreed action raised from the audit report had been to monitor and assess schools further.

RESOLVED that the Corporate Governance Committee;

- I. Receives the report and notes its contents and*
- II. An update on Health and Safety in Schools be included in the committee's Forward Work Programme.*

10 CIPFA PRACTICAL GUIDANCE - PROGRESS UPDATE

The Chief Internal Auditor (CIA), provided members with a verbal update on the CIPFA guidance as requested at the last meeting.

The CIA confirmed that 3 self-assessments had been received from members following the last meeting. A number of components had been discussed with an action plan in progress to address concerns. These included-

- Communication- Communication between members and officers. It was highlighted the importance of good communication to enable officers to produce reports that the committee request.
- Social Media- to promote the work of the Corporate Governance and what the committee is responsible for. It was discussed the importance of educating the public about the work the committee completes.
- Best practice- CIPFA guidance to look at best practice from member to ensure the work of the committee is of a high standard.
- Training- Ongoing training opportunities for members, with refresher courses to enable strong knowledge of the responsibilities of committee members.
- Forward Work Programme – To include detail of reports requested by officers or the committee.

The CIA confirmed that the working group nominated at the last meeting had met to discuss the above points. Further discussions would take place to enhance the work of the committee.

An update was to be included as part of the standing internal audit item on agenda of upcoming meetings.

RESOLVED that the Corporate Governance Committee receive the verbal update, further updates on the CIPFA practical guidance to be included in the Internal Audit update standing agenda item.

11 ANNUAL CORPORATE GOVERNANCE COMMITTEE REPORT

The Head of Legal, HR and Democratic Services (HLHRD) provided a report on the Corporate Governance Committee Annual Report. He explained that the Constitution requires that the Committee prepares and submits a report each year to the Council on the Committee's performance and effectiveness.

The HLHRD guided members to the draft report attached (appendix1) and requested members took time to read and comment on the content. It was explained to members the purpose of the report was to illustrate what the Corporate Governance Committee do and the important role Members had on the Committee.

Members agreed to analyse the appendix and raise any amendments to the HLHRD direct.

Confirmation that an amended written Corporate Governance Committee Annual Report would be presented to County Council at a future meeting.

RESOLVED – that:-

(a) Corporate Governance Committee receive and note the Corporate Governance Committee Annual report with any amendments forwarded to the Head of Legal, HR and Democratic Services, and

(b) an amended report detailing the work undertaken by the Corporate Governance committee be presented to County Council.

12 WAO- OVERVIEW AND SCRUTINY - FIT FOR THE FUTURE?

The Wales Audit Office (WAO) representative Gwilym Bury introduced the report (previously circulated).

Members were guided through the report. The WAO representative stated the council had responded well to changes and challenges, however limited capacity to support scrutiny may hinder future progress. It was also highlighted the potential for Cabinet members to contribute more actively with scrutiny work.

Overall the WAO representative, stated the current workings of scrutiny work well but felt in the future more resources would be needed to maintain high standard of work and monitor the work load.

The Monitoring Officer confirmed monitoring of regional working would need to continue. If extra work was required, further resources would be essential to keep the standard of scrutiny at a high level.

The Chair thanked the WAO representative for the coherent explanation to the report.

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

13 CORPORATE GOVERNANCE COMMITTEE WORK PROGRAMME

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

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

26 Sept 2018 –

- Budget Process Update Report
- WAO Audit of Accounts 17/18

21 Nov 2018 –

- Terms of Reference to be included in the agenda item 'Annual Report on the Constitution'
- An update report on the Project Management of 21st Century Schools (tbc)

06 March 2019 –

- Service Challenge – Service Report

05 June 2019 –

- An update report on Health and Safety in Schools (tbc)

It was agreed that an update on the CIPFA guidance be included with the standing item 'Internal Audit Update' until further notice.

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

The meeting concluded at 12:20 p.m.

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Report To:	Corporate Governance Committee
Date of Meeting:	26 th September 2018
Lead Officer:	Gerry Lapington
Report Author:	Gerry Lapington
Title:	Corporate Health & Safety Annual Report

1. What is the report about?

To brief the committee on the Corporate Health & Safety annual work programme and performance. To provide an assurance rating of DCC safety standards in each service area and to advise of further work planned for 2018-19.

2. What is the reason for making this report?

To provide assurance to the committee that accidents and incidents are reported and monitored; that H&S support is planned in line with intelligence gathered from around the organisation; and that Health and Safety training is delivered as required.

3. What are the Recommendations?

That committee notes the contents of the attached Corporate Health & Safety Annual Report 2017-18 (appendix 1) and Accident Incident Report 2017-18 (appendix 2) and endorses the Corporate Health & Safety Team work plan for 2018-2019.

4. Report details

Please see the attached Corporate Health & Safety Annual Report 2017-18 (appendix 1) and Accident Incident Report 2017-18 (appendix 2).

The overall assessment of DCC's implementation of H&S systems and of employee involvement in H&S are both medium assurance (yellow). This means that H&S management systems are generally developed and recorded. Significant hazards are generally identified and managed to minimise risk. Employees are generally involved in the development and use of H&S management systems.

School H&S management has recently been audited by internal audit who gave a low assurance assessment. This assessment is in part due to the devolved nature of how schools are managed. There is an emphasis on providing clear guidance to schools to help them develop their own safety management systems.

DCC has a relatively good safety record and the management of Health & Safety is a continuous improvement process. During 2017 all services completed a Self-Assessment Gap Analysis which was reviewed by Corporate Health & Safety as part of the annual Service Performance Challenge process. In addition to this, the 'Managing Safely in DCC' course was made mandatory for Managers with 110 delegates (mainly managers) attending to date.

Further improvements are planned for 2018-19. In addition to the programme outlined in the Annual Report, the Corporate Health & Safety team will continue to attend service management team meetings when invited to discuss their individual improvement programs.

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

Good Health & Safety standards are expected in all areas controlled by the local authority and underpin all Corporate Priorities.

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

No additional budget required.

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

Not required (discussed with Steve Price).

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

None.

9. Chief Finance Officer Statement

Please include the statement of the Chief Finance Officer here, if one is required (statements are mandatory for reports to Cabinet, Council and for delegated decisions).

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

Not applicable.

11. Power to make the Decision

Not applicable.

General notes:

- *The report should be written in plain English or Welsh, and with all acronyms explained*
- *Headings should be in Century Gothic (font size 12), Sub-headings should use FSIngrid Bold (12) and the body font should be FSIngrid-Light (12). Please do not reduce the font size in order to reduce the size of the document*
- *Reports and appendices should be sent to Democratic Services in Word, Excel etc., rather than in .pdf form (if an Excel document is likely to present formatting problems or includes information in the spreadsheet that is not to be published please discuss this with the Committee Administrator. A correctly formatted pdf of the Excel document may be required in such cases).*

Corporate Health and Safety Annual Report 2017-18

September 2018

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Introduction

Corporate Health and Safety (CH&S) is a team of professionally qualified Occupational Safety and Health advisors who provide advice, guidance, training and support on occupational safety and health matters throughout the organisation. The team has no powers to regulate or enforce.

The CH&S team consists of

- 1 Team Manager \ Advisor
- 1 Senior Advisor
- 1 Advisor
- 1 Assistant Advisor (professional development role)
- 1 Road Risk Advisor \ driver and plant equipment trainer
- 1 Administration Officer (part time, 3 day week)

Operational H&S support in DCC is provided in service by:-

Facilities Assets and Housing service

- 1 Construction H&S Manager
- 2 Asbestos Specialists
- 1 H&S \ Asbestos Officer

Environment and Highways

- 1 H&S advisor (*vacant at time of writing*)

The CH&S team's role includes:

- The management of DCC's "Health and Safety Management" system.
- The development and review of a CH&S policy.
- Supporting employees at all levels with H&S management.
- Supporting the development of a positive safety culture. Use of behavioural based techniques where appropriate.
- The provision of H&S guidance, worked examples and templates.
- Collection, collation and reporting of accident \ incident data.
- Accident \ incident investigations and follow up reactive work.
- Monitoring \ assessing H&S management in DCC workplaces.
- The provision of H&S training specific to the way DCC operates.
- Administration and maintenance of DCC's Staff Protection Register.
- Fire risk assessment and review for all DCC facilities (other than single domestic dwellings).
- Preparation and delivery of fire safety training.
- Provision of road risk advice.
- Road, driver and plant operator training.
- Responding to reactive work requests.

- Supporting DCC in court (civil claims and potentially criminal defence).
- Preparing reports for and supporting H&S committees. This provides support for elected members and union safety representatives in their role as employer\employee for H&S management.
- Working with the regulators \ acting as an interface between the regulators and DCC.

Assessment of DCC safety standards 2017-2018

The assessments in this document are based on the assurance ratings outlined below

Green	High Assurance	H&S management systems are fully developed and recorded. Significant hazards are identified and managed to minimise risk to an acceptable level. All employees are involved in the development and use of H&S management systems.
Yellow	Medium Assurance	H&S management systems are generally developed and recorded. Significant hazards are generally identified and managed to minimise risk. Employees are generally involved in the development and use of H&S management systems.
Amber	Low Assurance	Some H&S management systems have been developed and recorded. Some significant hazards have been identified and these are sometimes managed to minimise risk. Employees are generally not involved in the development of H&S management.
Red	No Assurance	Few H&S management systems have been developed and recorded. Risk is not properly managed. Employees are not involved in the development and use of H&S management systems.

The assessment is based on first-hand knowledge gained during:

- Monitoring activities
- Face to face meetings
- Accident \ incident investigations
- Reactive work
- Attendance at H&S committees and local meetings
- Training feedback

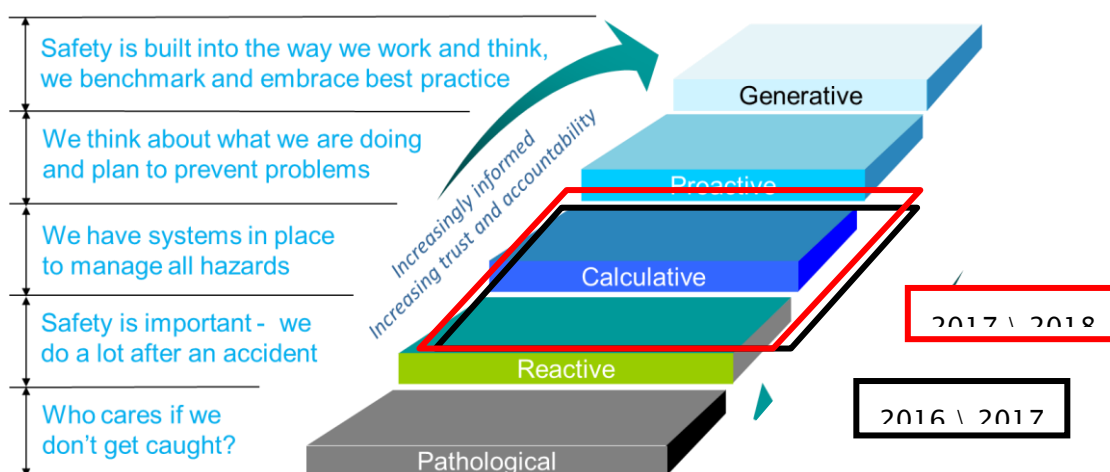
This assessment is informed by a significant level of monitoring, training, investigations, reviews and reactive responses that have taken place during 2017 \ 2018

The overall assessment of DCC’s implementation of H&S systems is **medium** assurance.

The overall assessment of employee involvement in H&S is **medium** assurance

This assessment is qualified in that it is made with information from workplaces that the CH&S team has had any involvement with.

DCC is also assessed by CH&S as being an organisation that sits between the “calculative \ proactive” zones on the model below. Ideally we would aspire to being a “generative” organisation but pragmatism suggests that sitting fully in the “proactive” zone is a realistic target.



Adapted from a Latitude Productions Ltd. presentation

Summary of activity during 2017 – 2018

1. CH&S team performance, quarterly indicators
 2. Accident \ incident statistics 2017 \ 2018
 3. Accident \ incident statistics Q1 2018
 4. HSE investigations
 5. Developing a positive safety culture
 6. CH&S Planned work 2016\2017
 7. Reactive work
 8. Taking it forward into 2017 - 2018
-

- CH&S team performance indicators

	Target	Actual
Number of courses, including short courses delivered (safety)	48	83
Number of courses delivered (driver \ plant)	72	120
Number of monitoring activities (safety & driving)	96	151
Number of monitoring activities and FRAs (see page 25)	48	85
Incidence rate less than target. (HSE measure)*	457	285

Cost of HSE interventions less than	£0	£0
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*Incidence rate = RIDDOR reports (Reporting of Injuries Diseases and Dangerous Occurrences Regulations) divided by the number of employees times 100,000. The resultant number can be inflated by RIDDOR events involving members of the public including school pupils. The target figure of 457 was the average of the six North Wales LA's in 2016

- Accident\incident (A\I) information summary April 2017 to March 2018. Full details provided in appendix 2.
Our reported accident / incident statistics for the year show an increase in “all incident reports” from the previous year, 1186 to 1546.
 - 360 relate to employees (339 last year)
 - 557 relate to service users (366 last year)
 - 230 school pupils (394 last year)
 - 337 relate to members of the public (182 last year)
 - 41 none injury (48 last year)
 - 12 agency staff (11 last year)
 - 1 not specified (2 last year)
 - 1 work experience (1 last year)
 - 2 aggressor (1 last year)
 - 5 Contractor (none recorded last year)

The number of RIDDOR reportable incidents has reduced from 16 last year to 10 this year. None of these incidents received any interest from the regulator.

- 9 of the incidents were “over 7 day” incidents (an employee is not capable of carrying out their normal duties for 7 days or more following a work related accident).
- 1 record resulted from a major injury. An employee was struck in the face by a springing branch whilst using a chain saw. The employee became unconscious and was taken to A&E
- A\I summary Q1 2018.
 - 4 RIDDOR incidents. 3 were over 7 day incidents. 1 was a pupil slip\trip\fall when playing sport

- 81 relate to employees
 - 98 relate to service users
 - 65 school pupils
 - 97 relate to members of the public
 - 9 none injury
 - 5 agency staff
 - 0 not specified
 - 0 work experience
 - 0 aggressor
 - 1 Contractor
- Developing a positive safety culture.
 - The drive to advance a positive safety culture has continued. This is being driven through a combination of training and support for staff.
 - “Managing Safely in DCC” has seen a total of 108 delegates attend the in-house courses.
 - H&S training has been provided to our Direct Labour Organisation (DLO) operatives in housing, built environment officers, numerous social care teams and schools.
 - A significant number of subject specific short courses have also been run e.g. confined spaces awareness, COSHH awareness, manual handling, working at height, ladder safety and fire safety
 - A monitoring and assessment programme is used as a means of measuring how H&S is managed in our workplaces. The 2017-2018 programme saw CH&S carry out assessments in all DCC controlled schools.
 - A self-assessment and gap analysis tool is used to get people thinking about how H&S is managed in their work environment. In 2017-2018 the tool was used at the service level. The overall outcome indicates medium assurance

Assurance rating applied to services and schools 2017 \ 2018 based on self-assessment feedback and CH&S opinion

Page 27	Self- assessment	CH&S assessment
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Business Improvement and Modernisation		
Community Support Services		
Education and Children's Services (not including schools)		
Facilities Assets and Housing		
Finance		
Highways and Environment		
Legal HR and Democratic Services		
Planning and Public protection		
Education (Schools)		*

*Internal audit report of July 2018 gave low assurance based on independence of schools

- CH&S Planned work carried out in 2017\2018. The CH&S team's planned activities are developed using information acquired from the hazard and gap analysis, training feedback, reactive work, HSE initiatives and other sources that highlight any given subject. A sample is indicated below.

Radon monitoring carried out in DCC social housing	*
Secondary schools- D&T, Science, PE, educational visits,	
Primary schools - PE, educational visits, outdoor play, science and technology	
Cefndy Healthcare, general H&S support plus new powder coating and curing, **DSEAR assessment	
Lone worker, assessment of management processes in place	
Hand arm vibration (HAV) monitoring programme	* ***
Ongoing review of fire risk assessments	
Management of fire safety	
Fleet vehicle management and driver competence	
Level of H&S knowledge identified during training and monitoring visits	

* WIP = Work in progress

** DSEAR = Dangerous substances and explosive atmosphere regulations

*** HSE investigation following diagnosis of employee with HAV syndrome

- Training delivery.

A significant level of H&S training was delivered in house by the CH&S throughout 2017 \ 2018. The range is summarised below

- H & S Awareness & Fire Safety in Care Homes
- H & S Awareness & Risk Assessment
- HAV Awareness
- Independent Care Homes - H&S Awareness
- Lock Off / Isolation Training
- Lone Worker Safety Awareness
- Lone Working & Risk Assessment
- Managing safely in DCC
- Manual Handling of objects
- COSHH awareness
- New Head Teachers
- Newly Qualified Teachers
- Preparing for work Placement (schools)
- Risk Assessment Workshop
- CDM
- Confined spaces awareness
- Work at height awareness
- School Governors
- School Site Managers/Caretakers
- School Staff H&S Awareness
- Sensible Risk Management - Case Law
- Student Welcome (CSS)

Road risk

- 4 X 4 & ATV Training
- Driver Awareness - Classroom Based
- Drivers CPC
- Fleet Drivers Assessments
- Mini Bus Assessments Schools/Youth
- Plant & Miscellaneous
- Road risk / Driver Training
- Vocational Driver Training

Fire safety

- Fire Safety awareness
- Safe use of fire extinguishers
- Fire warden

- CH&S Reactive work is generated from Accident \ Incident reports, E.mails, monitoring programs, phone calls and face to face contacts. This work stream provides direct access at the operational team and individual level. The activities emanating from reactive requests often lead onto the

provision of thorough training, advice and guidance relating to a given issue. A sample is indicated on the following page.

Reactive activity	Assessment Pre support	Current Assessment
Rhyl library – incorporation of one stop shop activities		
Rhyl library unsocial customer behaviour		***WIP
Denbigh multi-storey car park – ability to manage fire safety, unauthorised access and vandalism		***WIP
DCC exposure due to fatality at Horseshoe fall Llangollen		
Monitoring of expose to Hand Arm vibration		
Defending a HSE investigation into a HAV injury		
Defending HSE investigation into unreported injury at a school		
Challenge on sun care policies in schools– development of up to date guidance		
Ysgol Glan Clwyd – poor environment in new food technology room		
Russell house office and reception – staff security		
Countryside staff lone worker management		
Ysgol Tir Morfa. Estyn challenge regarding forest school perimeter and safeguarding and lack of plug socket covers		
Prestatyn high – farm animals kept at school		
Planning and Public Protection, Built Environment team – CDM* management		
CSS** falls procedure		
Denbigh library move to Eirianfa centre during refurbishment e.g. paying in Kiosk / cash handling systems		
Plas Cefndy Fire Exit door children using and gaining access into Cefndy Healthcare Manufacturing site (Moving FLT's etc.)		
Rhuddlan Library – Inadequate fire exit route for disabled users and parents with pushchairs		
Awelon Care Home – Regular night time intruder into the grounds causing unease to staff		
Ysgol Mair – New school build effect on fire evacuation strategies – Review and adapt		
Dinas Bran – Loss of school bus service / implications to pupils accessing public transport / increased numbers outside the school and in the town		
St Brigids School – Change of bus service route from main site to main road (Increased number of children having to cross road directly outside the school)		
Street scene – Following chainsaw accident. Lack of maintenance and inventories of work equipment		*** WIP
Public Rights of Way – following insurance claim. Work around H&S systems and Risk Assessments.		

Prestatyn Leisure Centre – Following updated national guidance, investigation into safety systems of indoor climbing wall.		
Russell House indicative light monitoring following complaints regarding bright lighting.		
Street lighting – review of manual handling procedures and techniques		*** WIP
Countryside lone worker management		***WIP
Talking Point project lone worker management		

*CDM = Construction Design and Management Regulations

**CSS = customer Support Services

***WIP = work in progress

Taking it forward into 2018 – 2019

- Work plan for 2018 – 2019
The CH&S team work plan picks up on the significant areas needing support that have been identified during previous activities.

Hand arm vibration (HAV) monitoring programme	Currently in street scene and street lighting. The plan is to hand over control of the process to line managers in these areas
H&S self- assessment at operational team level	Repeat of the process carried out in 2013 as part of the HSE strong leadership program
Schools	School cleaning. Kitchen safety. Traffic management. Follow up reviews of 2017 monitoring. Follow up of RPO visits
Fire risk assessment reviews	Rolling programme 1 full time employee
Professional driver certificate of professional competence (CPC) training. D1 assessments and plant machinery training	Rolling programme 1 full time employee
H&S training programme	Continued focus on managing safely in DCC, lone working, risk assessment and subject specific short awareness sessions. Introduction of 1 day working safely in DCC. Delivery of “Managing HAV in your workplace” for managers and supervisors.

	Delivery of "HAV awareness" for hands on employees
H&S committees and local meetings	An opportunity for management and employee representatives to discuss H&S in a number of forums. Supported by CH&S
Service management team meetings (Each service at least one team meeting)	Provides an opportunity to discuss service H&S standards
Face fit testing.	Face fit testing training and procurement of test equipment Identify users of respiratory protective equipment, test equipment fit and provide awareness training
Development of action tracking process	Working with ICT
Continuing development of targeted guidance	Bilingual targeted information as opposed to a general sweep
Continuing professional development and succession planning	All advisors required to maintain professional currency. Assistant advisor following professional development program Develop staff to fill management role

Due to the nature and unpredictability of reactive work a significant proportion of available person hours are left open to accommodate this work stream.

CH&S approximate time allocation to work streams excluding dedicated admin officer role

- H&S training (development and delivery) 15%
- Driver and plant training 15%
- Fire assessments 15%
- Monitoring 20%
- Reactive work 25%
- Back office and admin 10%

Safety management is a continuous improvement process, it is not something we do once and move onto the next thing. Although DCC has a relatively good safety record we must remain vigilant and focussed on keeping people safe in our workplaces.

Gerry Lapington.

Chartered Safety and Health Practitioner

Rheolwr Iechyd a Diogelwch Corfforaethol / Corporate Health and Safety Manager

September 2018

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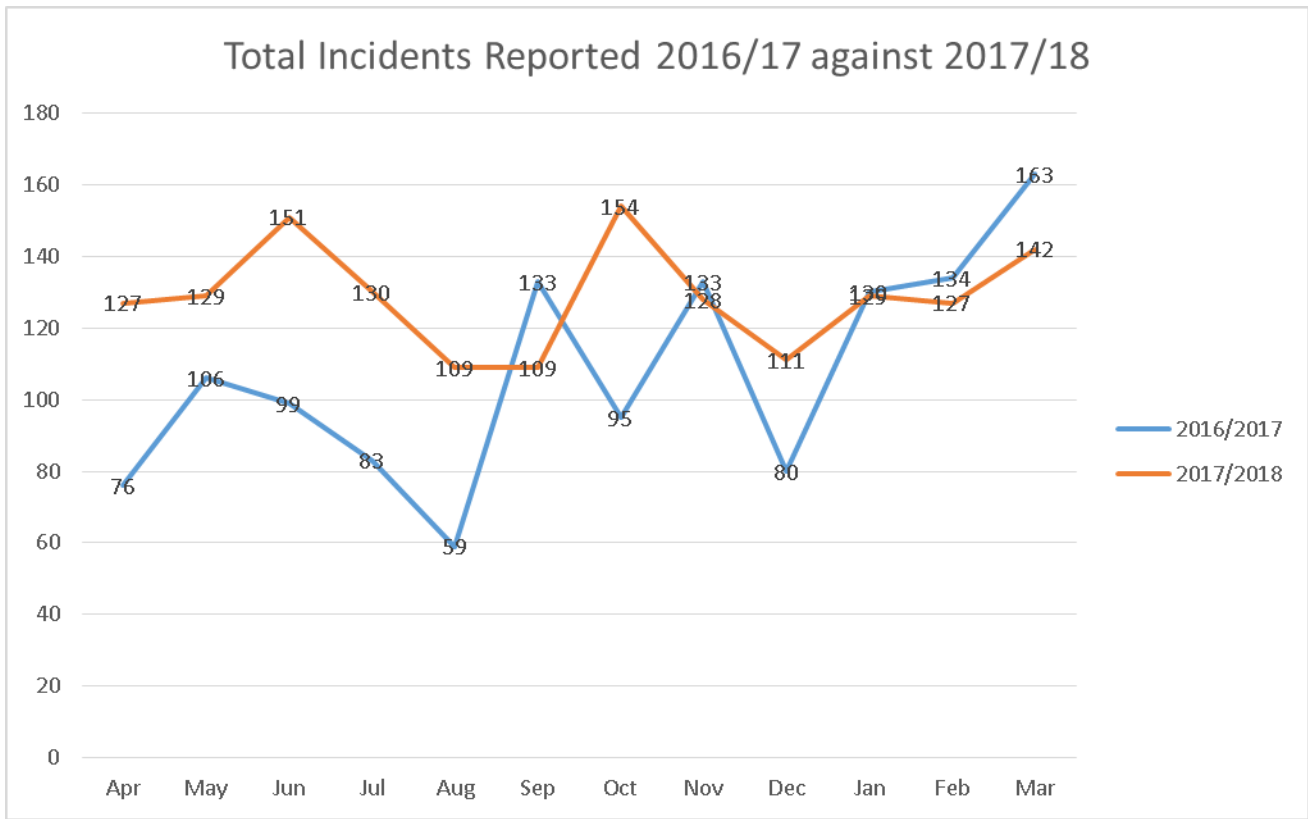
Accident Incident Report

April 2017 - March 2018

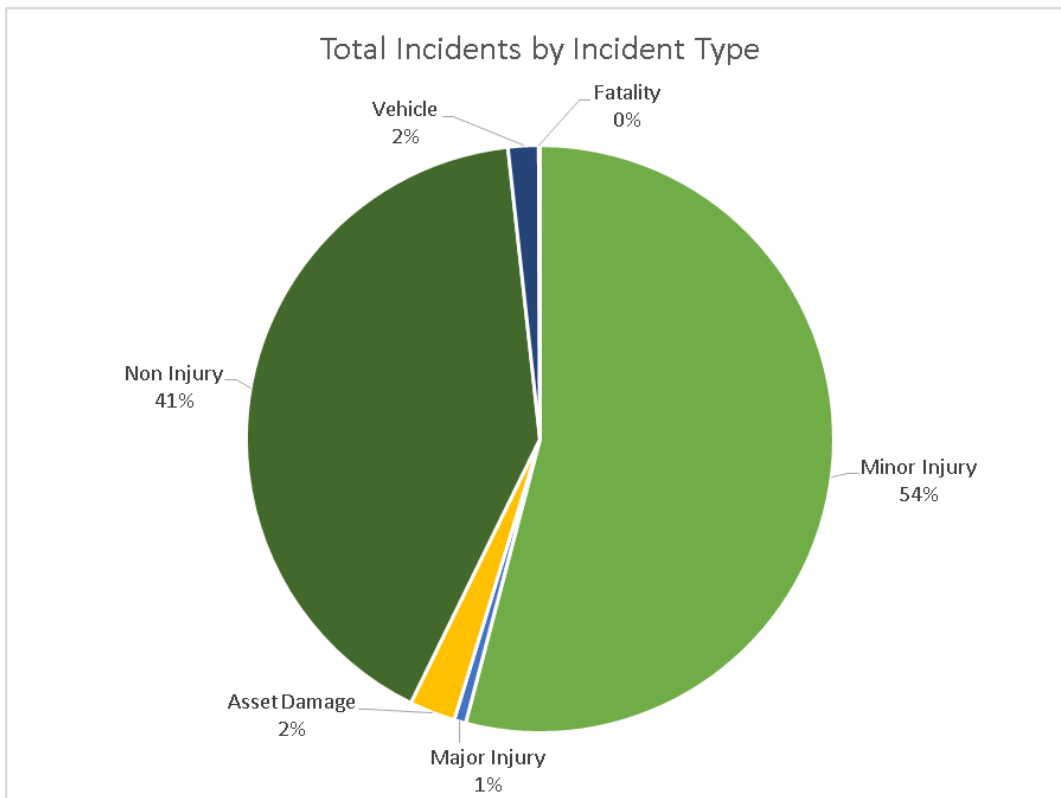
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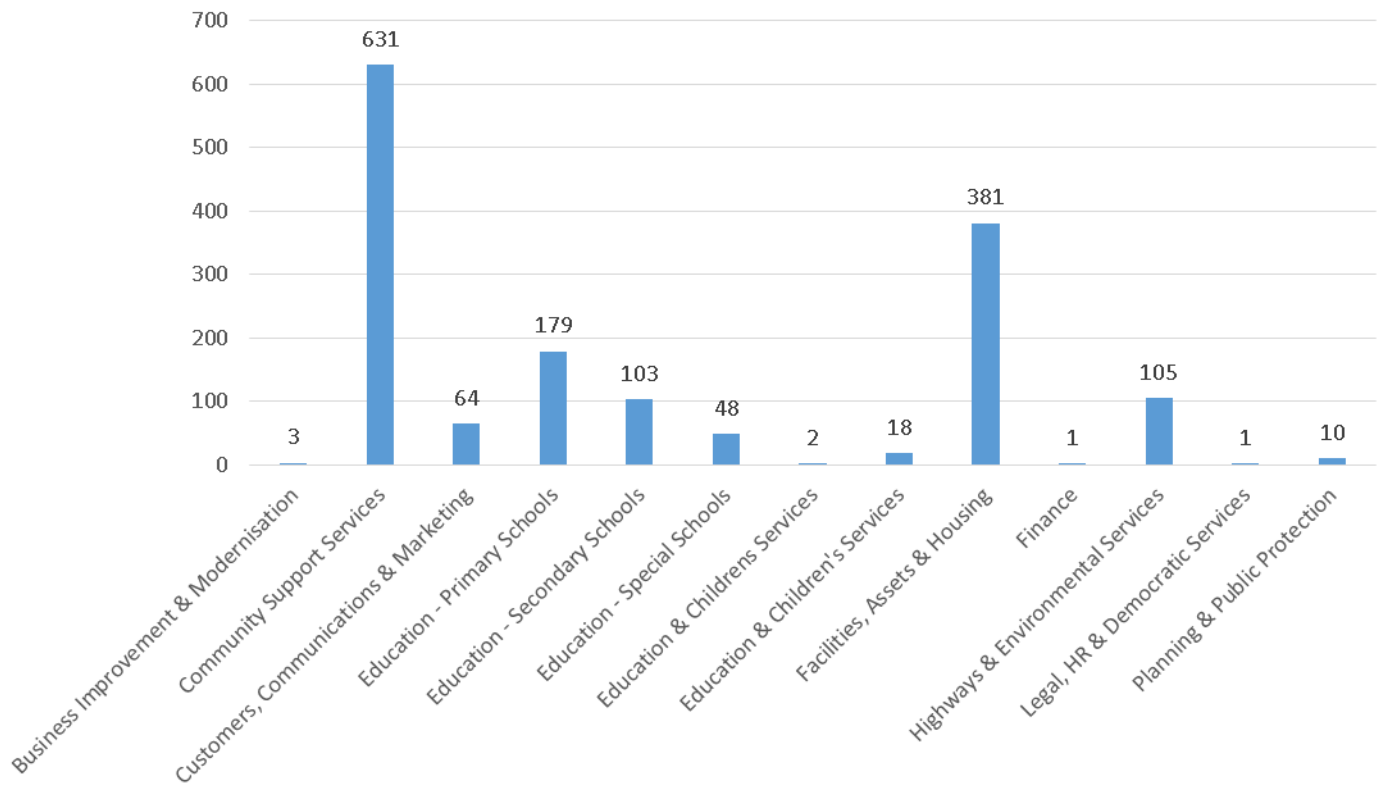
1. Total Reported Incidents for the financial year



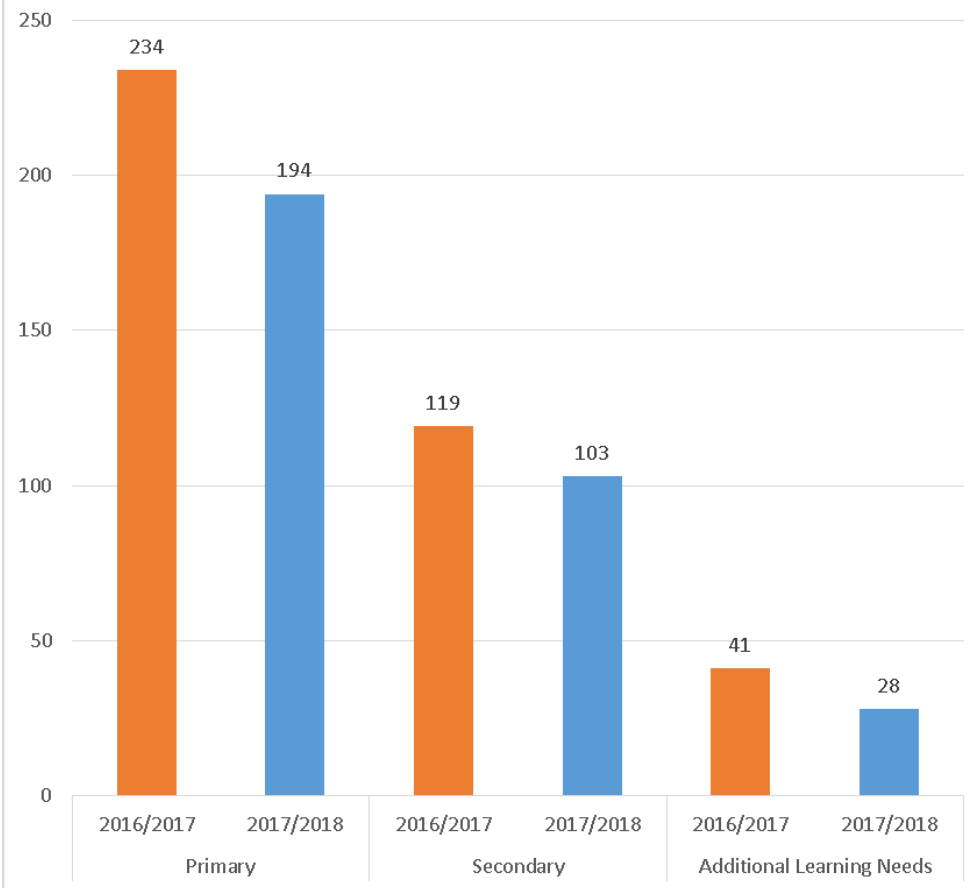
	2016/2017	2017/2018
TOTAL	1291	1546



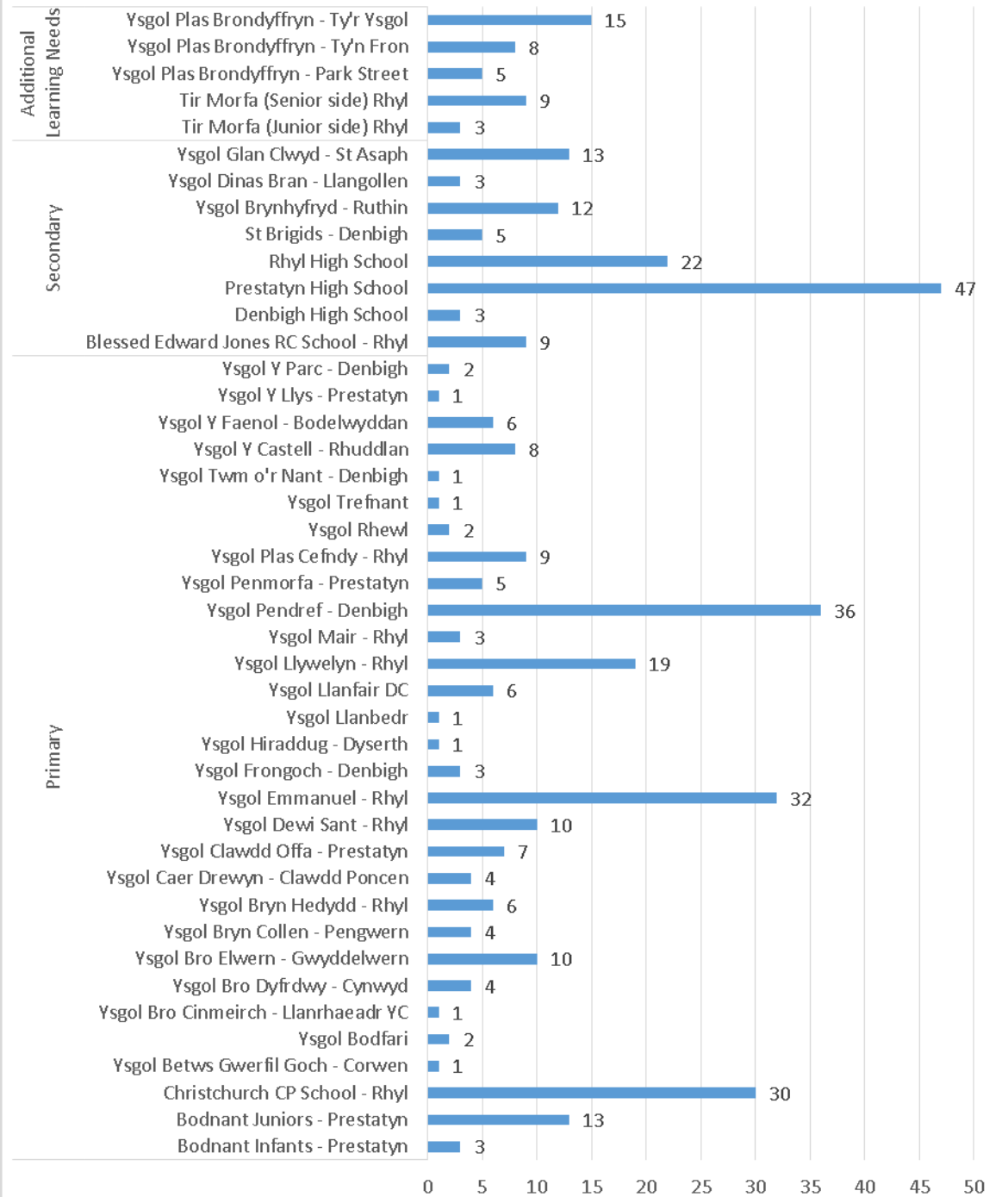
Total Incidents by Service Apr 2017 - Mar 2018



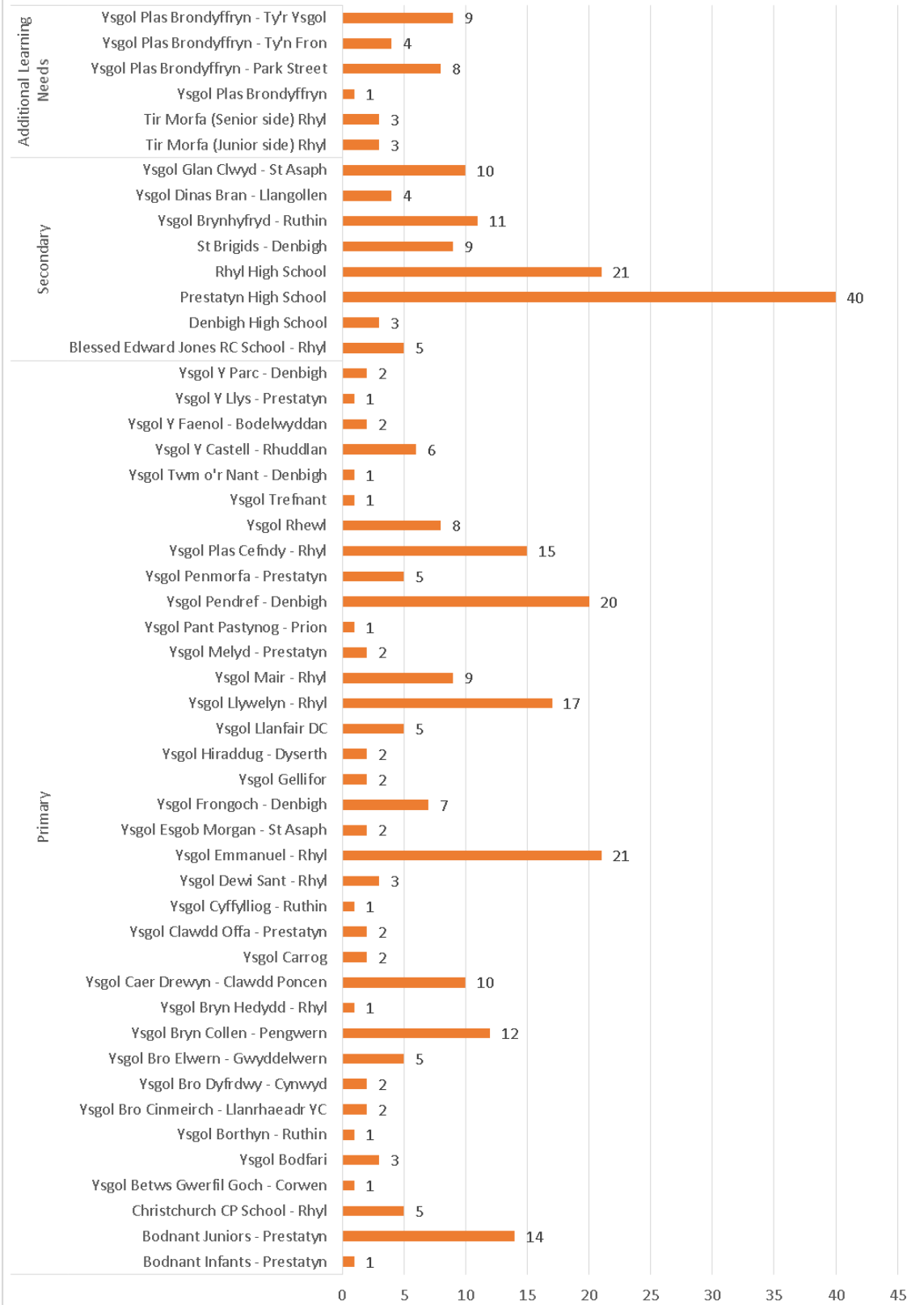
Total Incidents By School 2016-17 against 2017-18



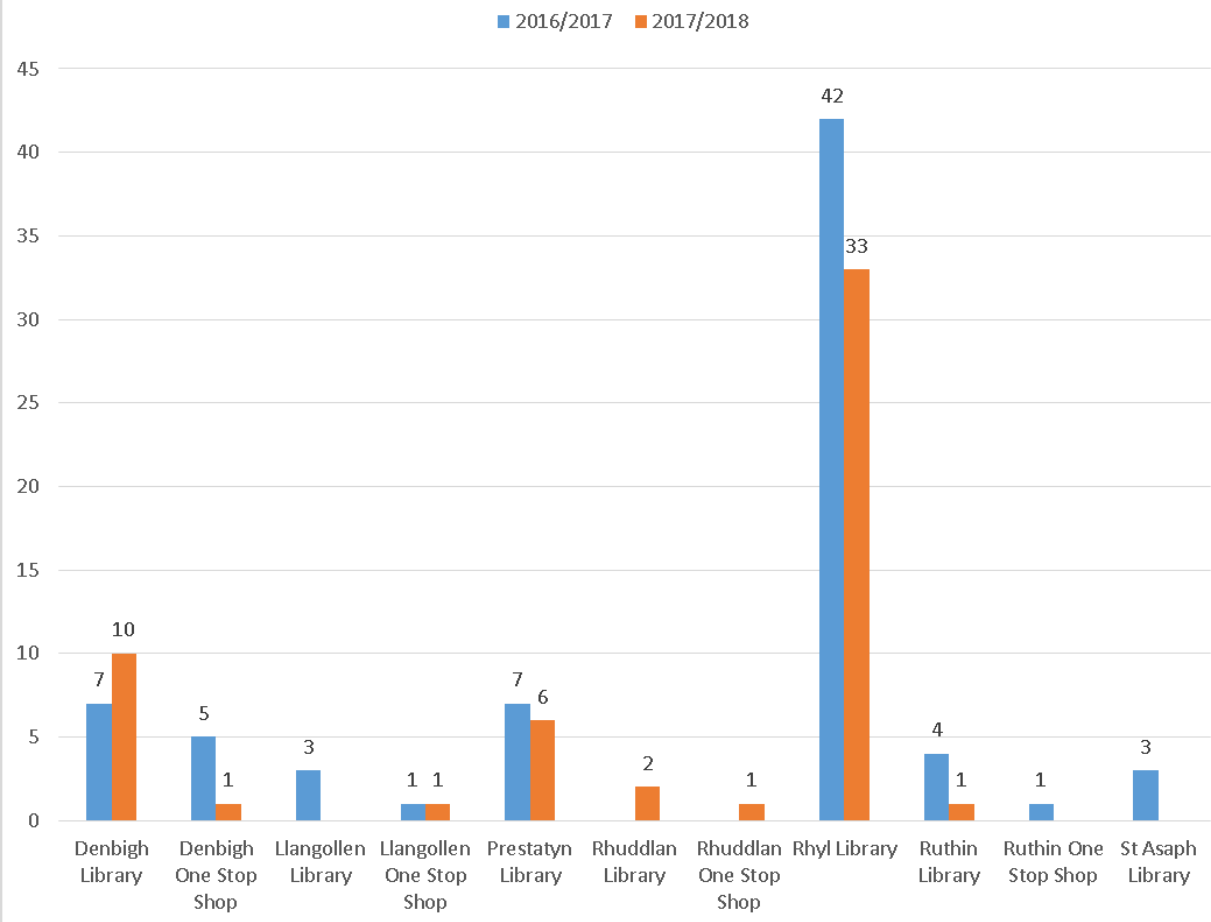
Total Incidents By School Apr 2016 - Mar 2017



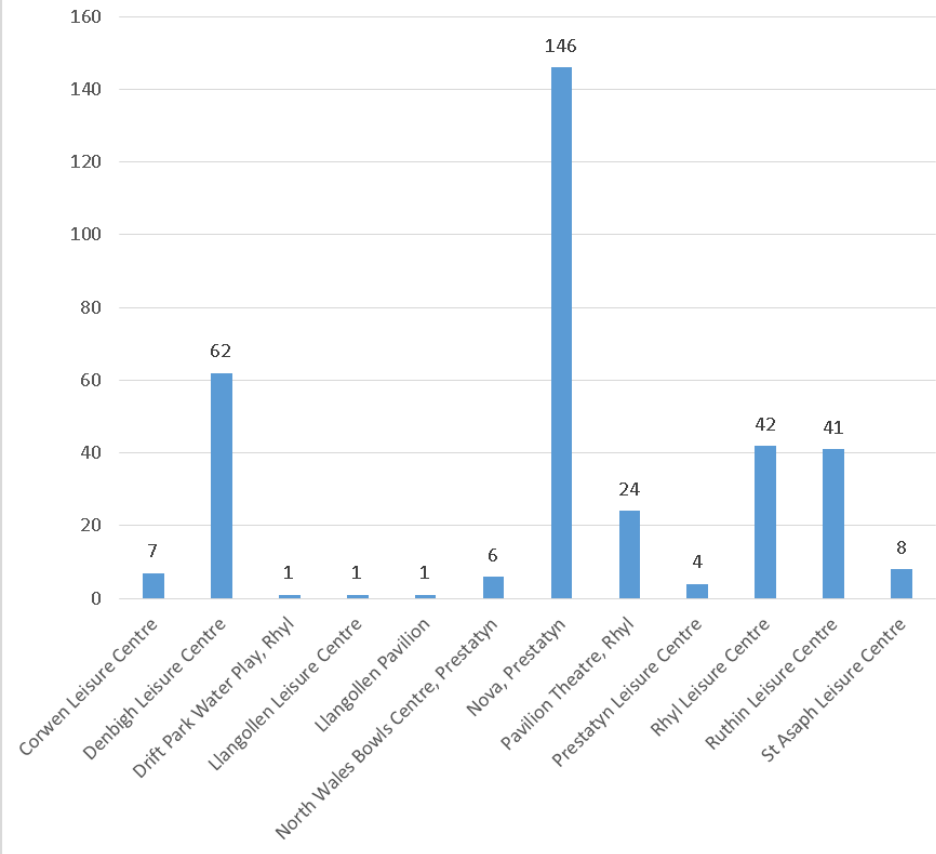
Total Incidents By School Apr 2017 - Mar 2018



Total Incidents in Libraries 2016-17 against 2017-18

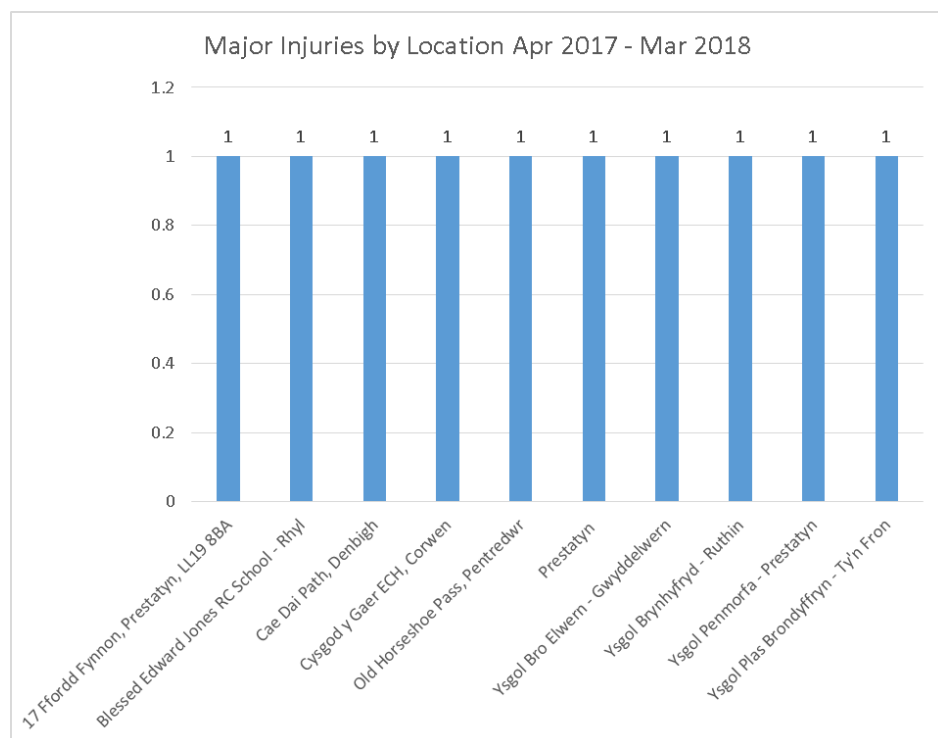
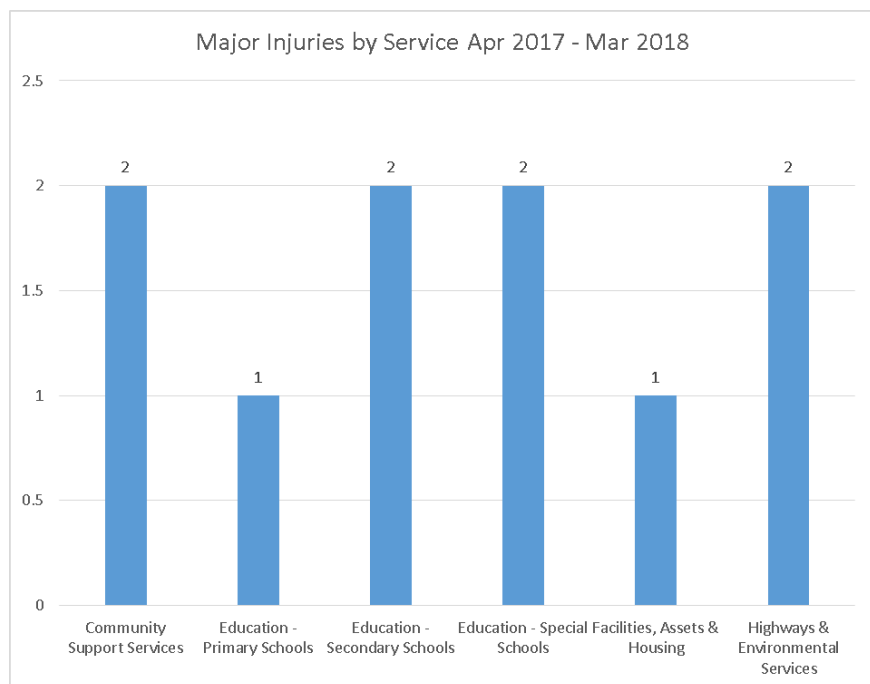


Total Incidents in Leisure 2017-18

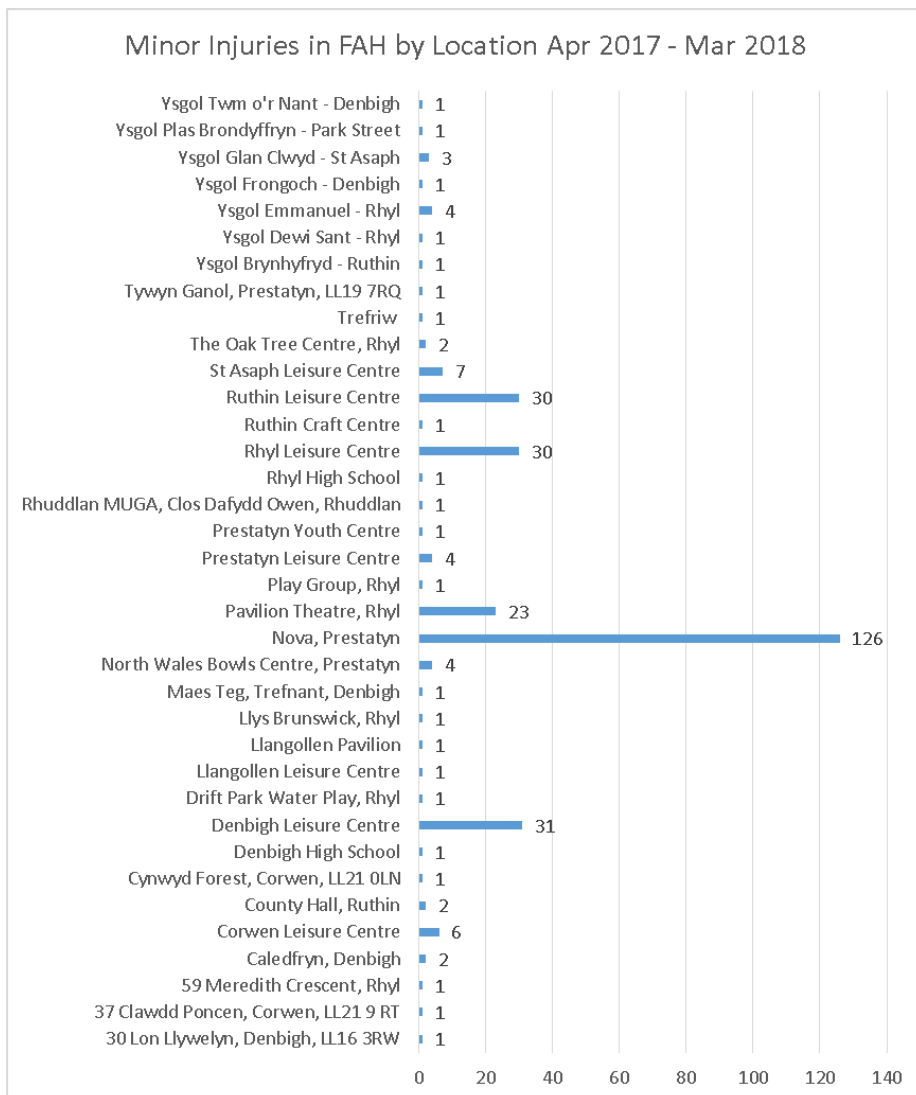
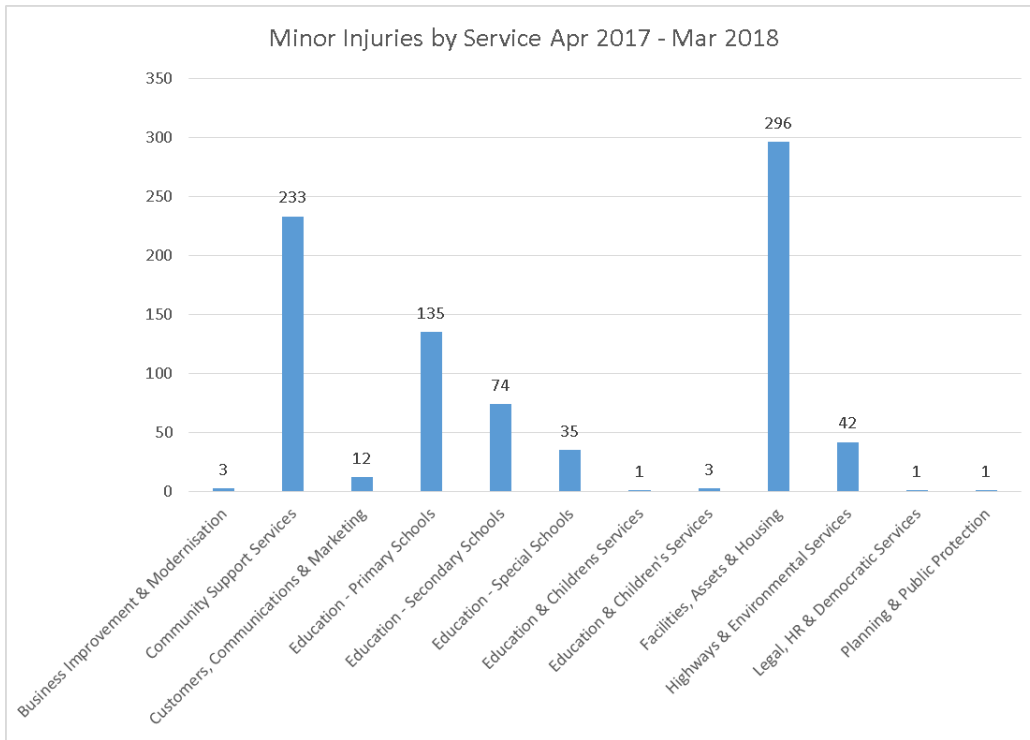


Location of Incidents	Denbighshire Property	Public Place	Road Traffic Incident	School	School Offsite Incident	Third Party Private Property	Grand Total
Asset Damage	15	19	2	2		1	39
Fatality						1	1
Major Injury	1	2		5	1	1	10
Minor Injury	449	53	3	244	7	80	836
Non Injury	326	36	5	74	3	190	634
Vehicle	6	13	6			1	26
Grand Total	797	123	16	325	11	274	1546

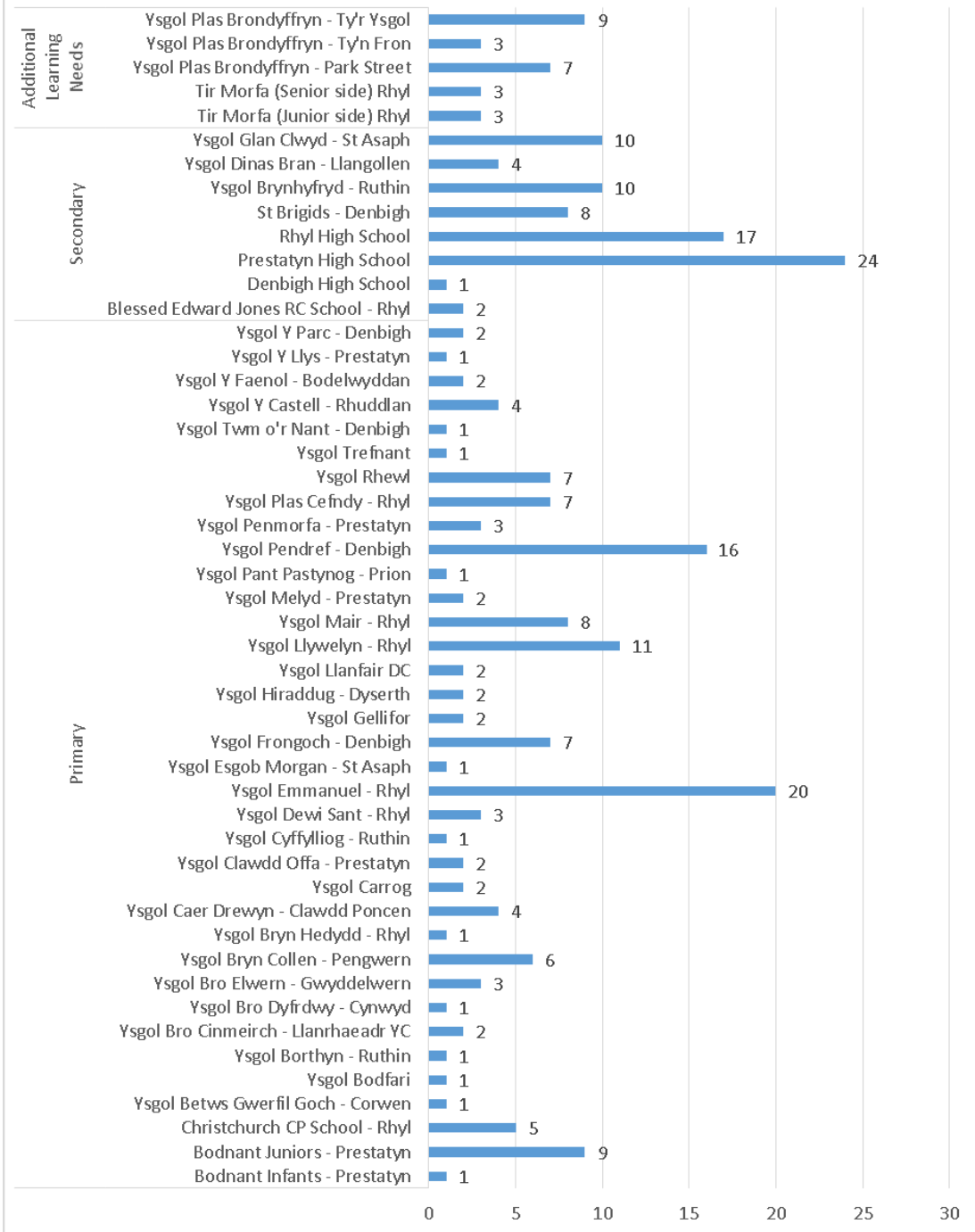
2. Major Injuries Reported for the financial year



3. Minor Injuries Reported for the financial year



Minor Injuries By School 2017-18



4. Incidents Involving Vehicle & Asset Damage

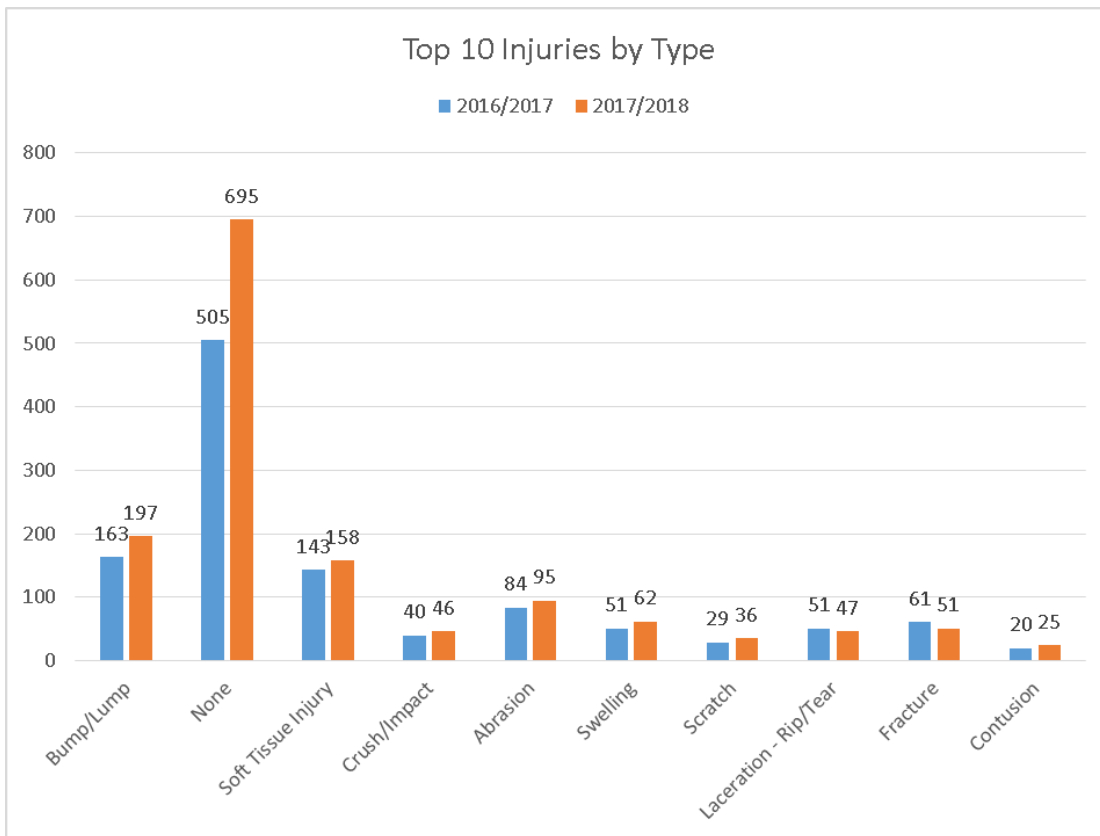
Total Number of Vehicle Incidents by Service	2016/2017
Count of Incident Date	
Children & Family Services	1
Communications, Marketing & Leisure	2
Community Support Services	1
Customers, Communications & Marketing	2
Highways & Environmental Services	23
Grand Total	29

Total Number of Vehicle Incidents by Service	2017/2018
Count of Incident Date	
Community Support Services	2
Customers, Communications & Marketing	1
Facilities, Assets & Housing	3
Highways & Environmental Services	20
Grand Total	26

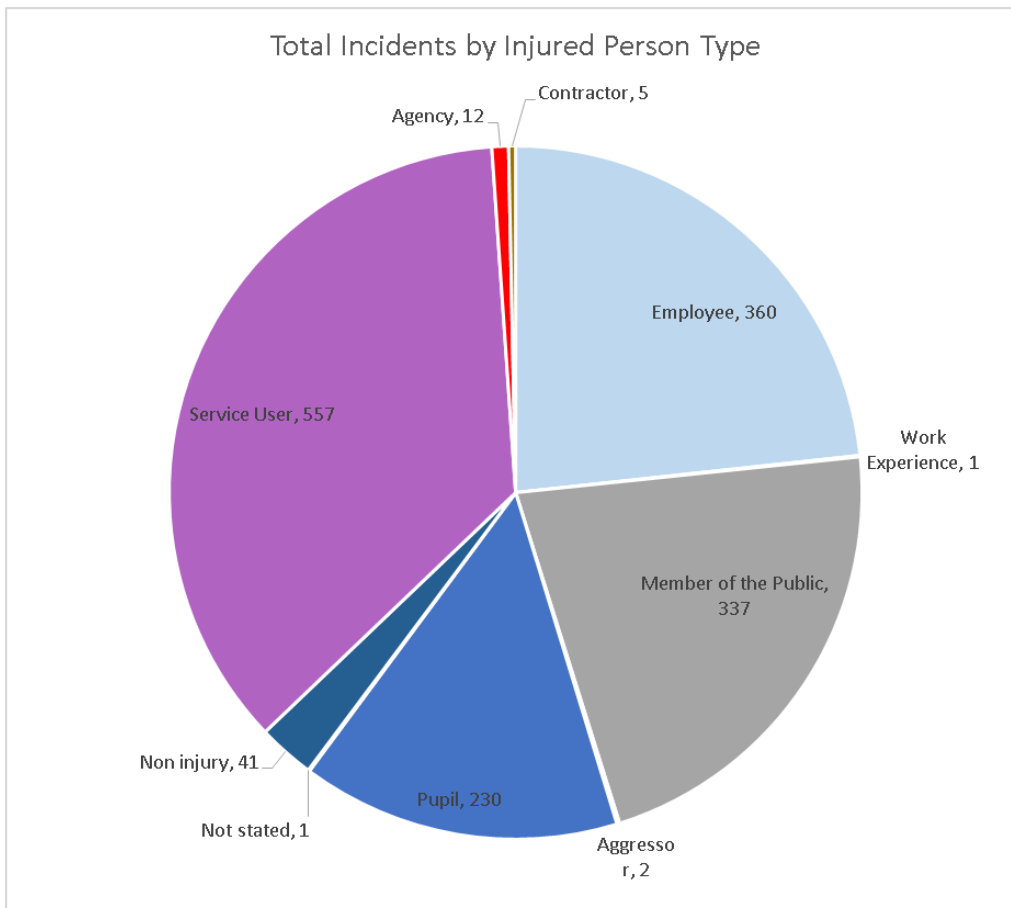
Total Number of Asset Damage by Service	2016/2017
Count of Incident Date	
Adult & Business Services	1
Communications, Marketing & Leisure	4
Community Support Services	3
Customers, Communications & Marketing	2
Education - Secondary Schools	2
Highways & Environmental Services	4
Grand Total	16

Total Number of Asset Damage by Service	2017/2018
Count of Incident Date	
Community Support Services	2
Customers, Communications & Marketing	4
Education - Primary Schools	1
Education - Secondary Schools	1
Education & Children's Services	1
Facilities, Assets & Housing	7
Highways & Environmental Services	22
Planning & Public Protection	1
Grand Total	39

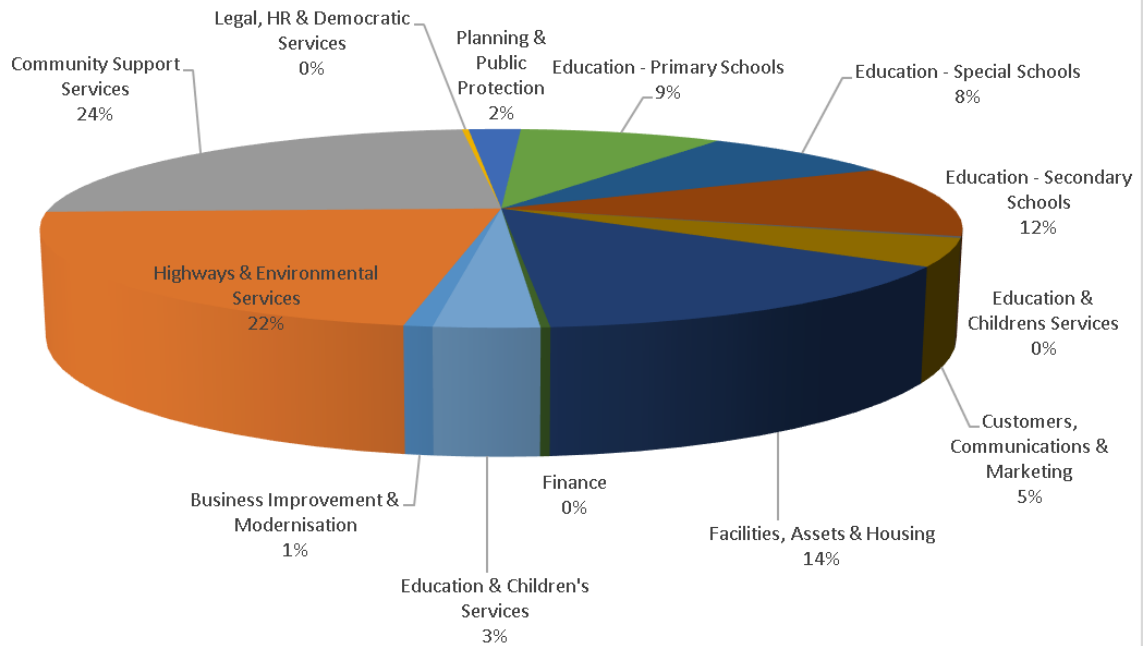
5. Injuries By Type



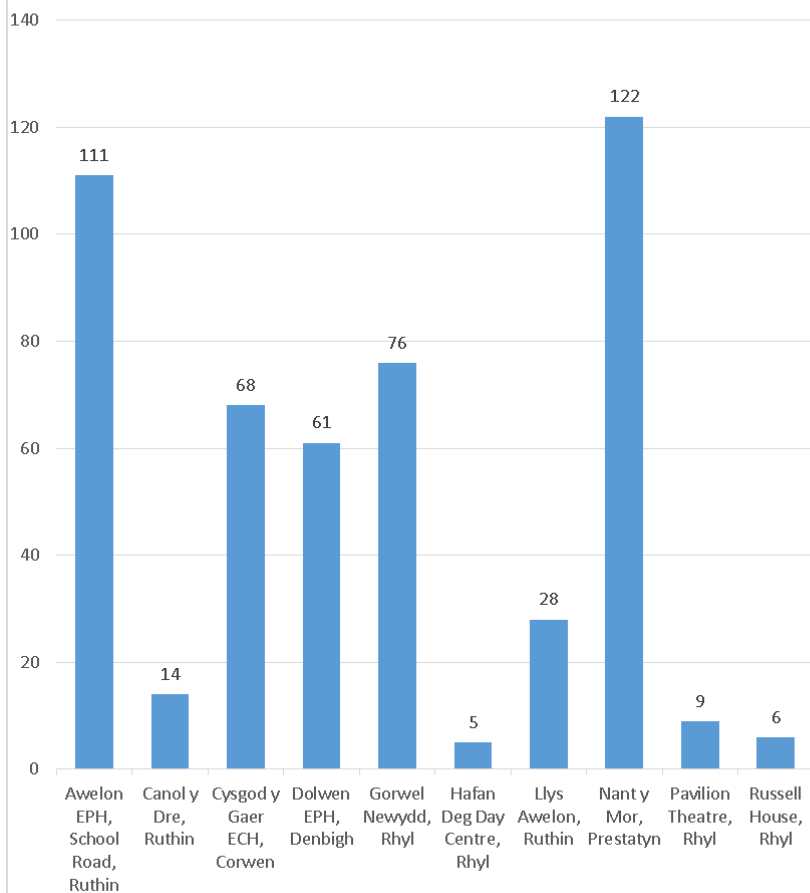
6. Employee Injuries



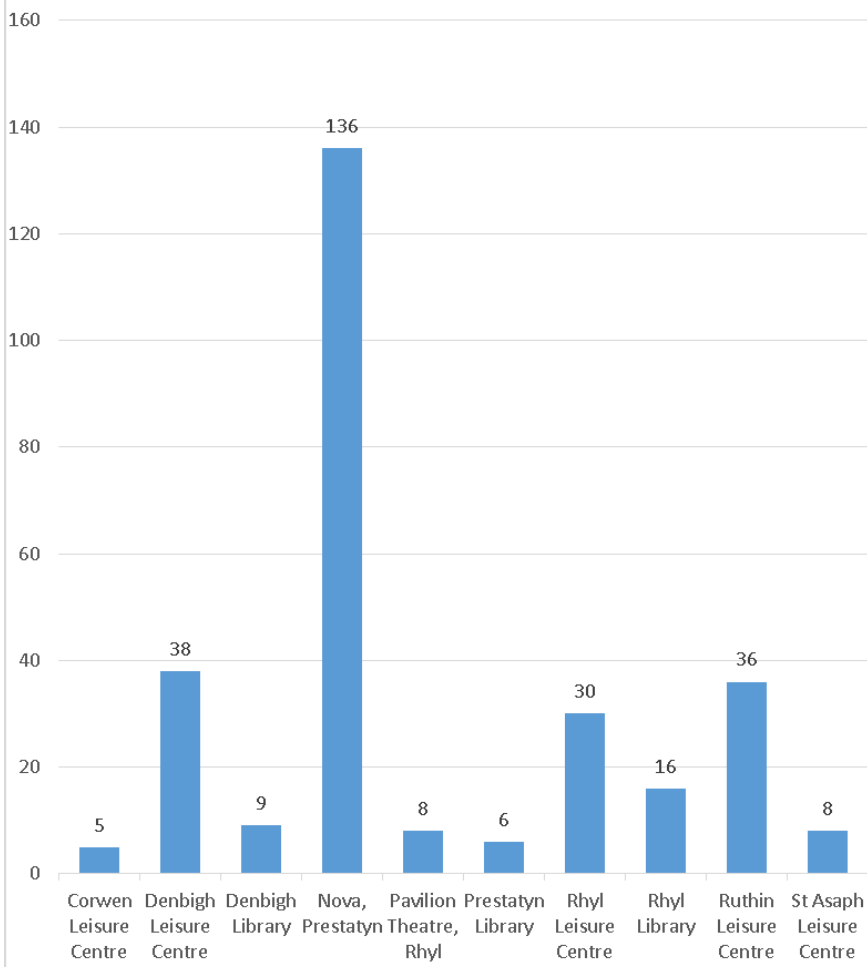
Breakdown of Employee Injuries by Service



Top 10 Locations of Injuries to Service Users



Top 10 Locations of Injuries to Members of the Public



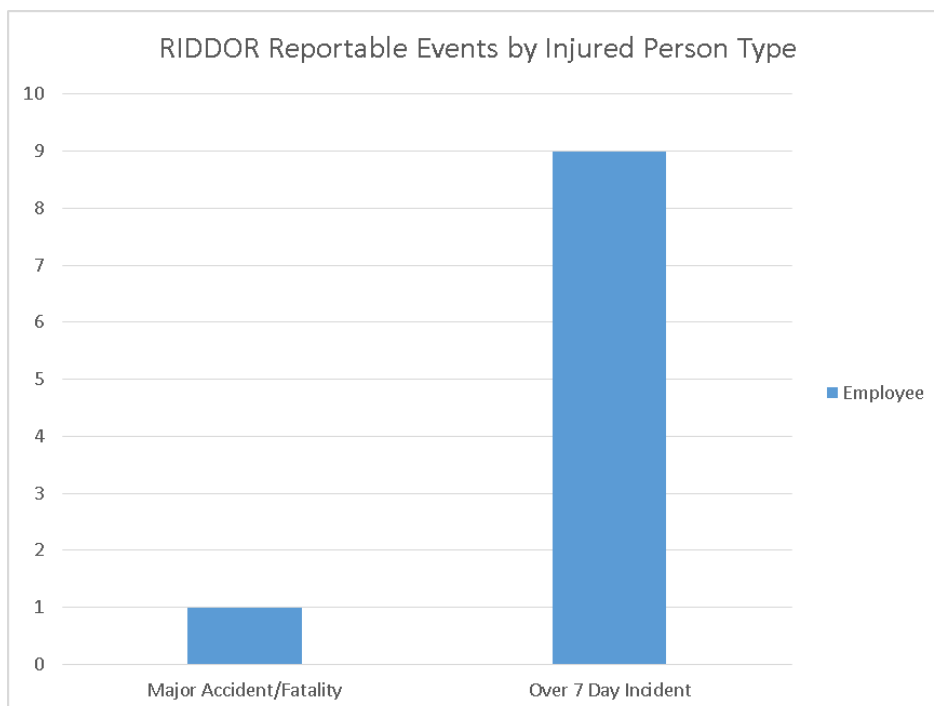
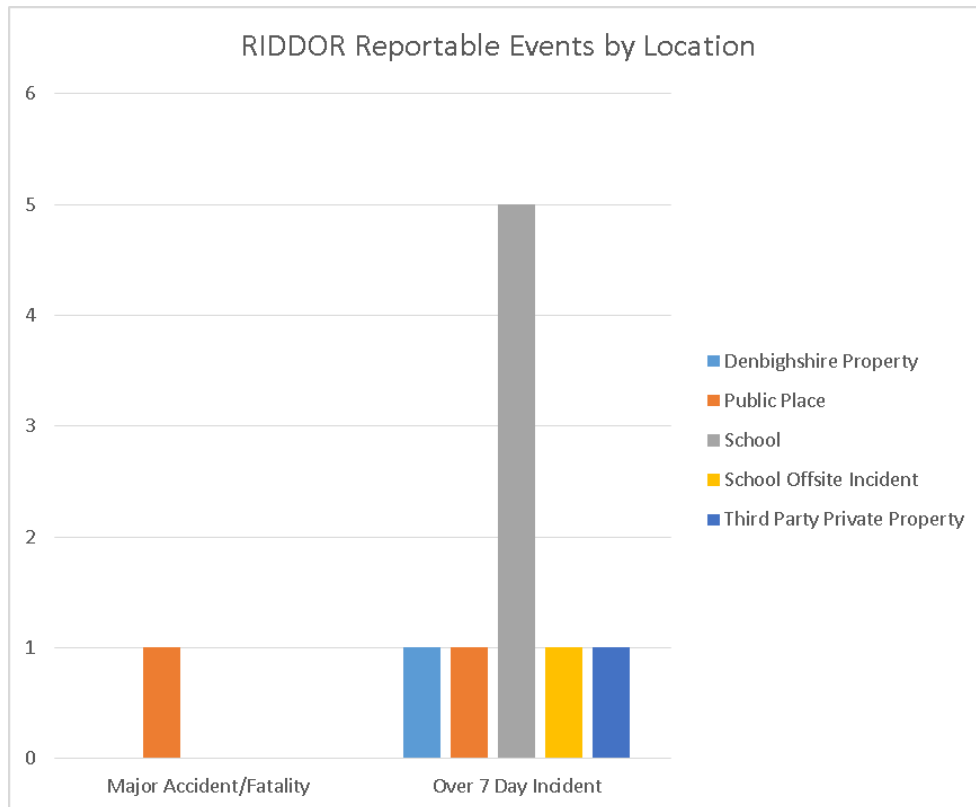
7. Cause of Incident by Location

Causes of Recorded Injury/Accidents	Denbighshire Property	Public Place	Road Traffic Incident	School	School Offsite Incident	Third Party Private Property	Grand Total
Animal	1	2				4	7
Challenging Behaviour	75	8		99	4	8	194
Client/Service User Observation	4	1		2			7
Contact with Moving Machinery	2			1			3
Electricity	2			3			5
Fall From Height	35	3		9		2	49
Falling Object	7	2		12		1	22
Inappropriate Behaviour	43	3		3		4	53
Manual Handling	25	8		4		3	40
Slip, Trip or Fall	273	27		72	1	185	558
Dangerous Occurrence	15	4	3	2		3	27
Sports Injury	51	2		11	2		66
Playground Incident	30			43	1		74
Trap, Pinch or Entanglement	24	1		9	1	4	39
Strike Against	67	2		7		1	77
Minor Medical	29	2		2		37	70
Transport/Vehicle	8	26	12	1	1	1	49
Thrown/Ejected Object	5	4		2	1	1	13
Property Damage	5	4		1			10
Faint/Seizure	13	2		5		9	29
Physical Assault	1	1		14		1	17
Loss / Theft of Property	3	2				1	6
Psychological	3			1			4
Work Equipment/Machine	18			4			22
Hot Material	10			5			15
Verbal Assault	13	7		3			23
Environment - Dust/Fumes/Heat/Noise	1	2		2			5
Witness	3		1			1	5
Missing Client/Service User	1	1		1		3	6
Chemical/Substance	8	2		1		1	12
Sharp/Abrasive Material	11	5		6		3	25
Vandalism	4	1					5
Hand Tools	3	1					4
Lifting equipment	1						1
Fire/Explosion	3					1	4
Grand Total	797	123	16	325	11	274	1546

8. RIDDOR Reportable Events

RIDDOR reportable events by Service

	Highways & Environmental Services	Community Support Services	Education - Primary Schools	Education - Special Schools	Education - Secondary Schools	Facilities, Assets & Housing	Grand Total
Major Accident/Fatality	1						1
Over 7 Day Incident	1	2	1	2	2	1	9
Grand Total	2	2	1	2	2	1	10



Details of RIDDOR Reported Events

28/09/2017	Blessed Edward Jones RC School - Rhyl	Employee	Slip, Trip or Fall	Education - Secondary Schools	Over 7 Day Incident	Fell into a pothole in school car park injuring nose & back
04/10/2017	Ysgol Brynhfryd - Ruthin	Employee	Falling Object	Education - Secondary Schools	Over 7 Day Incident	Part of photocopier inner workings fell onto foot
16/10/2017	Old Horseshoe Pass, Pentredwr	Employee	Falling Object	Streetscene	Major Accident/Fatality	Struck in the face/chin & knocked unconscious by a branch whilst clearing a branch that had fallen into the road
19/10/2017	Cae Dai Path, Denbigh	Employee	Challenging Behaviour	Education - Special Schools	Over 7 Day Incident	Hit by a pupil causing a hairline fracture to a previous injury of her thumb
07/11/2017	Ysgol Plas Brondyffryn - Ty'n Fron	Employee	Challenging Behaviour	Education - Special Schools	Over 7 Day Incident	Head butted twice by pupil when helping to restrain him on the sofa
08/01/2018	Prestatyn	Employee	Manual Handling	Waste and Fleet	Over 7 Day Incident	On the back of pick-up pulling 2 bins apart & felt a sharp jolt in his back
14/02/2018	Cysgod y Gaer ECH, Corwen	Employee	Slip, Trip or Fall	Community Support Services	Over 7 Day Incident	Slipped on spilled liquid on floor
12/03/2018	17 Ffordd Fynnon, Prestatyn, LL19 8BA	Employee	Falling Object	Community Support Services	Over 7 Day Incident	Wheelchair tipped backwards, knocked IP over & trapped her on the floor.
27/02/2018	Ysgol Bro Elwern - Gwyddelwern	Employee	Slip, Trip or Fall	Education - Primary Schools	Over 7 Day Incident	Slipped down the steps by the office.
15/03/2018	Ysgol Penmorfa - Prestatyn	Employee	Slip, Trip or Fall	Catering & Cleaning Administration	Over 7 Day Incident	Tripped coming out of the canteen.

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Report To:	Corporate Governance Committee
Date of Meeting:	26 September 2018
Lead Member / Officer:	Councillor Julian Thompson-Hill / Richard Weigh, Head of Finance
Report Author:	Steve Gadd, Chief Accountant
Title:	Audit Enquiries 2017/18

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 Finance Officer (S151)
Mr Barry Mellor – Chair of the Corporate Governance Committee
Via email

Reference AV/MJP/DCC
Date 16 March 2018
Pages 1 of 13

Dear Richard and Councillor Mellor

Denbighshire County Council 2017/18

Audit enquiries to those charged with governance and management

In my 2018 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 2017-18 financial statements.

I would be grateful if you could complete the attached tables in **Appendices 1-3**. For information purposes, where applicable, this table also includes the responses provided in 2016-17.

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 - in relation to fraud

Question	2016-17 Response	2017-18 Response
<p>1. What is management’s assessment of the risk that the financial statements may be materially misstated due to fraud and what are the principal reasons?</p>	<p>Low Risk – reasons set out below:</p> <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 	<p>Low Risk – reasons set out below:</p> <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 linked to the above – thresholds set within delegation schemes

Enquiries of management - in relation to fraud

Question	2016-17 Response	2017-18 Response
	<ul style="list-style-type: none"> • Expenditure approval processes linked to the above – thresholds set within delegation schemes • 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 	<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 • Internal Audit provides an objective review of financial systems and procedures.
<p>2. 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>	<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 	<p>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

Enquiries of management - in relation to fraud

Question	2016-17 Response	2017-18 Response
	<ul style="list-style-type: none"> • IA programme of work based on risk assessment • IA projects consider potential for fraud and carry out appropriate tests • 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 	<ul style="list-style-type: none"> • IA projects consider potential for fraud and carry out appropriate tests • 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 • Internal Audit perform objective review of financial systems and procedures.
3. What arrangements are in place to report fraud issues and risks to the Corporate Governance Committee?	<ul style="list-style-type: none"> • Requirement to report to Head of Internal Audit and Section 151 Officer in Financial Regulations and Disciplinary procedures 	<ul style="list-style-type: none"> • Requirement to report to Head of Internal Audit and Section 151 Officer in Financial Regulations and Disciplinary procedures

Enquiries of management - in relation to fraud

Question	2016-17 Response	2017-18 Response
	<ul style="list-style-type: none"> • 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 Annual Governance Statements if they identified a particular governance weakness 	<ul style="list-style-type: none"> • 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 Annual Governance Statements if they identified a particular governance weakness • Quarterly counter fraud updates to Corporate Governance Committee summarising progress with investigations and outcomes as part of Internal Audit update reports. • Internal Audit reviewed the Council's fraud management arrangements against CIPFA Code of Practice on Managing the Risk of Fraud and Corruption. Summary of the two reports highlighting fraud risks and issues were presented to Corporate Governance Committee as part of the Internal Audit update reports. Members also received a copy of the full reports separately.

Enquiries of management - in relation to fraud

Question	2016-17 Response	2017-18 Response
		<ul style="list-style-type: none"> • Fraud risk is highlighted on the Corporate Risk Register and the Corporate Governance Committee is briefed on these periodically.
4. How has management communicated expectations of ethical governance and standards of conduct and behaviour to all relevant parties, and when?	<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) • Declaration of interests/related party declaration • Policies and procedures, financial procedures • Some services have specific codes of confidentiality / declarations of interest 	<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) • Declaration of interests/related party declaration • Policies and procedures, financial procedures • Some services have specific codes of confidentiality / declarations of interest • E-learning modules are being rolled out to enhance staff awareness
5. Are you aware of any instances of actual, suspected or alleged fraud within the audited body since 1 April 2017?	N/A	All known or suspected fraud that Internal Audit have been made aware of have been investigated, records maintained and Corporate Governance Committee are

Enquiries of management - in relation to fraud

Question	2016-17 Response	2017-18 Response
		<p>updated quarterly as part of the Internal Audit progress update.</p> <p>Although there have been individual investigations carried out by Internal Audit, there have been no material level fraud identified.</p> <p>The National Fraud Initiative Exercise for 2016-17 has identified instances of fraud in relation to Council Tax (i.e. single persons discount and rising 18s) and relevant recovery action undertaken.</p>

Enquiries of those charged with governance – in relation to fraud

Question	2016-17 Response	2017-18 Response
<p>1. How does the Corporate Governance Committee exercise oversight of management's processes for identifying and responding to the risks of fraud within the audited body and the internal control that management has established to mitigate those risks?</p>	<p>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.</p>	<p>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.</p>
<p>2. Are you aware of any instances of actual, suspected or alleged fraud with the audited body since 1 April 2017?</p>	<p>No issues of any actual or suspected fraud have been reported to the Corporate Governance Committee during the 2016-17 financial year.</p>	<p>Update – Internal Audit update reports give quarterly updates of the actual, suspected or alleged fraud that Internal Audit is made aware of.</p>

Appendix 2

Matters in relation to laws and regulations

International Standard for Auditing (UK and Ireland) 250 covers auditors' responsibilities to consider the impact of laws and regulations in an audit of financial statements.

Management, with the oversight of those charged with governance (the Corporate Governance Committee), is responsible for ensuring that the Council's operations are conducted in accordance with laws and regulations, including compliance with those that determine the reported amounts and disclosures in the financial statements.

As external auditors, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. The ISA distinguishes two different categories of laws and regulations:

- laws and regulations that have a direct effect on determining material amounts and disclosures in the financial statements;
- other laws and regulations where compliance may be fundamental to the continuance of operations, or to avoid material penalties.

What are we required to do?

As part of our risk assessment procedures we are required to make inquiries of management and the (the Corporate Governance Committee), as to whether the Council is in compliance with relevant laws and regulations. Where we become aware of information of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Enquiries of management – in relation to laws and regulations

Question	2016-17 Response	2017-18 Response
<p>1. How have you gained assurance that all relevant laws and regulations have been complied with?</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>	<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>2. Have there been any instances of non-compliance or suspected non-compliance with relevant laws and regulations since 1 April 2017, or earlier with an ongoing impact on the 2017-18 financial statements?</p>	<p>N/A</p>	<p>No</p>
<p>3. Are there any potential litigations or claims that would affect the financial statements?</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>	<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>4. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?</p>	<p>N/A</p>	<p>No</p>

Enquiries of those charged with governance – in relation to laws and regulations

Question	2016-17 Response	2017-18 Response
1. How does the Corporate Governance Committee in its role as those charged with governance, obtain assurance that all relevant laws and regulations have been complied with?	N/A	Through numerous reports throughout the year from both internal and external regulators and assurance provided through the governance framework underpinned by council standing orders, financial regulations and other key policies. The Annual Governance Statement also gives assurance in this regard.
2. Are you aware of any instances of 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.

Appendix 3

Matters in relation to related parties

International Standard for Auditing (UK and Ireland) 550 covers auditors' responsibilities relating to related party relationships and transactions.

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.

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?

As part of our risk assessment procedures, we are required 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.

Enquiries of management – in relation to related parties

Question	2016-17 Response	2017-18 Response
<p>1. Confirm that you have disclosed to the auditor:</p> <ul style="list-style-type: none"> • the identity of any related parties, including changes from the prior period; • the nature of the relationships with these related parties; • details of any transactions with these related parties entered into during the period, including the type and purpose of the transactions. 	<p>The Statement of Accounts discloses the identity of related parties and is compliant with the requirements of the CIPFA code of accounting practice</p>	<p>The Statement of Accounts discloses the identity of related parties and is compliant with the requirements of the CIPFA code of accounting practice.</p>
<p>2. What controls are in place to identify, authorise, approve, account for and disclose related party transactions and relationships?</p>	<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 <p>Policies and procedures previously outlined in respect of authorisation of any expenditure</p>	<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 • Policies, procedures and controls around the authorisation of any expenditure are well controlled, as evidenced in regulatory reports.

Enquiries of the those charged with governance – in relation to related parties

Question	2016-17 Response	2017-18 Response
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 transactions and relationships?	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.	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. Independent assurance is provided by regulators supporting the robustness of internal control systems with respect to individual transactions.

Report To:	Corporate Governance Committee
Date of Meeting:	26 September 2018
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 2017/18

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 2017/18 were approved, subject to audit, by the Head of Finance on 15 June 2018 which is two weeks earlier than the agreed deadline of 30 June 2018. The draft accounts were presented to Corporate Governance Committee on 11 July 2018 and were open to public inspection from 9 July to 3 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 2017/18 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 2017/18 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.

For the first time in a number of years there are a number of misstatements that remain uncorrected. All items that have an ongoing impact will be corrected in 18/19. The items were identified after our internal deadline for the production of a revised Final Statement of Accounts and therefore, as the items were not classed as material, they have not been corrected within the 17/18 accounts. The extract below is from our report to this committee in February 2018, when this approach was recommended and agreed in order to help facilitate the achievement of early closedown:

“This year it is proposed to change the approach to non-material misstatements identified by WAO during their audit of accounts. In previous years all misstatements have been corrected in the Statement of Accounts which have allowed WAO to include the following statement in their Audit of Financial Statements Report to CGC in September each year: “There are no misstatements identified in the financial statements, which remain uncorrected”. A great deal of work was required by the Technical Team to achieve this – however more importantly it also meant that WAO could not complete their audit until all corrections, however small, had been reworked and input into the revised Statement of Accounts and subsequently re-audited by WAO. The revised deadlines for WAO to deliver their audit judgement will make this very difficult to deliver in future years. DCC and WAO have therefore agreed that the draft Statement of Accounts will not normally be amended to correct non-material misstatements. This is a key change that will enable the Council and WAO achieve the revised closedown dates. It is important to note the following:

- This change in process will not affect the overall audit opinion.*
- Although WAO have agreed this approach, they are bound by statute to report to CGC any misstatements that remain uncorrected. CGC should expect to see this list in future WAO reports, however this will not indicate a reduction in the quality of the work undertaken by Finance.”*

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 within 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 2017/18

Denbighshire County Council
Statement of Accounts
2017/18

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This document is available in Welsh

Introduction

Denbighshire County Council is a Welsh unitary authority with a population of around 96,000. The County of Denbighshire covers an area that runs from the North Wales coastal resorts of Rhyl and Prestatyn down through the Vale of Clwyd, south as far as Corwen and the popular tourist town of Llangollen. Along the way, it takes in the historic towns of Rhuddlan, Denbigh and Ruthin, each with its own castle, and the tiny cathedral city of St. Asaph. There are 47 councillors elected to represent the various wards of the county. The Council employs around 4,500 staff.

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

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

Should you have any queries on the accounts please contact the Chief Financial Officer, Denbighshire County Council, 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 on Denbighshire County Council's website and in Reception at County Hall, Ruthin.

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) 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 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 2017 Code requires that local authority accounts comply with International Financial Reporting Standards (IFRS). The main financial statements comprise:

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.

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.

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.

Balance Sheet

The Balance Sheet shows a snapshot of the Council's financial position as at 31 March 2018. It sets out the value of the items it owns (assets) and the value of what it owes to others (liabilities). It incorporates all the Council's funds, both capital and revenue.

Cash Flow Statement

This summarises the Council's cash and cash equivalent transactions over the year, showing actual cash received and cash spent and the changes in the Council's cash position. The statement is presented using the indirect method.

Notes to the Accounts

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

Section 4 - Supplementary Financial Statements and Notes

Housing Revenue Account (HRA)

Councils are required to account separately for the cost of the council housing service by way of a HRA Income and Expenditure Account and a Statement of Movement on the HRA balance. This account shows where money is spent in maintaining and managing council houses 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 2017/18, this gross expenditure budget was £296.5m. After budgeted use of Reserves, savings of £2.3m were required and successfully identified to achieve a balanced budget. All savings identified were achieved during 2017/18. The Council has identified budget savings of £24.8m in the last five 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 £1.1m less than it budgeted for on services and corporate budgets. Although it remains a difficult financial period for schools, investment in school budgets in 2017/18 which more than funded inflationary pressures and the close working relationship between the Council and schools in producing robust 3 year financial plans, has resulted in an improved financial position for schools (schools reported an in year underspend of £0.713m).

Service requests to carry forward underspends amounting to £0.406m 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 to earmarked reserves within the accounts is £0.2m (see Note 20 for details). The movement includes the net reduction of schools' deficit balances and the budgeted and planned use of reserves for purposes such as funding the Capital Plan, the new Corporate Plan and 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 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 26th June 2018 (Agenda Item 9 - [Denbighshire County Council -](#)

[Agenda for Cabinet on Tuesday, 26 June 2018, 10.00 am](#)). However the table below shows the final revenue position as reported and approved by Cabinet in June 2018.

	Final Revenue Outturn Report £000
Service and Corporate Budgets	
Business Improvement & Modernisation	4,556
Legal, HR & Democratic Services	2,590
Facilities, Assets & Housing	6,668
Highways & Environmental Services	17,765
Planning & Public Protection	3,001
Community Support Services	32,356
Finance	2,914
Education & Children's Service	13,415
Customers, Communication & Marketing	3,004
Schools	66,229
Corporate	18,021
Total Service and Corporate Budgets	170,519
Other	
Capital Finance / Investment Interest	12,965
Levies	4,525
Total Expenditure (excludes HRA)	188,009
Less Funding	(187,006)
Budgeted Contribution from Earmarked Reserve	(2,122)
Final Outturn	(1,119)
Allocated as follows:	
Earmarked Balances – Services	(406)
School Balances	(713)
Total	(1,119)

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 following table shows how much the Council spent on its assets per service block in 2017/18 and how the expenditure was funded:

Expenditure	£000
Legal, HR & Democratic Services	329
Facilities, Assets & Housing	11,150
Highways & Environmental Services	6,913
Planning & Public Protection	2,399
Community Support Services	364
Customers, Communication and Marketing	36
Business Improvement & Modernisation	736
Education and Children's Services	16,677
Housing Revenue Account	9,000
Total	47,604
Funding	
Grants	18,681
Supported Borrowing	2,679
Prudential Borrowing	17,439
Capital Receipts	1,446
Capital Expenditure charged against the Council Fund	7,359
Total	47,604

Expenditure on major Projects undertaken during the year includes:

Project	Description	2017/18 £000
Rhyl	East Rhyl Coastal Defence Works	462
A5104 – Between Rhydtalog and Clawdd Poncen	Average Speed Camera Installation	262
Rhyl	Waterfront Development	1,966
Rhyl	Construction of Waterpark (SC2)	6,591
Rhyl	Acquisition of former Post Office	456
Rhyl Leisure Centre	New Fitness Facilities	306
Rhyl Leisure Centre	Improvements to Swimming Pool Changing Rooms	281
St Asaph Leisure Centre	All Weather Pitch Surface Renewal	286
Llanfair Dyffryn Clwyd	21 st Century Schools – New School Building	364
Ysgol Carreg Emlyn, Clocaenog	21 st Century Schools – New School Building	421
Ysgol Glan Clwyd, St Asaph	21 st Century Schools – Extension, Remodel and Refurbishment Works	3,194
Rhyl	21 st Century Schools – New School Building	376
Rhyl	21 st Century Schools – New 3-16 Catholic School Building	1,394
Rhos Street and Ysgol Penbarras, Ruthin	21 st Century Schools – New Schools	7,870
Rhyl, Town Hall	Works to accommodate Rhyl Register Office	284
St Asaph	Library Refurbishment Works	200
Council Housing	Major Improvements/Acquisitions	6,917
Council Housing	Disabled Adaptations	456

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 3,380 council dwellings – known as the housing stock. Since 2005, the council has invested significantly 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 £26m in new stock over the coming five years.

Borrowing & Investments

The Council's strategy in 2017/18 has continued to be one of keeping borrowing and investment balances as low as possible through use of temporary cash surpluses while ensuring a sufficient level of cash is maintained. 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 2018 was £206.2m, investment balances were £7.4m and a further £5.2m was held in an instantly accessible bank account.

Accounting Policies & International Financial Reporting Standards (IFRS)

The Accounting Policies are detailed fully in Note 1 to the accounts. This is the eighth 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 2017/18.

The Corporate Plan

During 2017/18 the Council continued its commitment to delivering the 2012-2017 Corporate Plan which aimed to deliver significant investment in schools, social care facilities and roads. Expenditure on Corporate Plan projects was £16.8m in 2017/18 which included £7.9m on the two Ruthin schools at the Glasdir site, £3.2m on Ysgol Glan Clwyd, £1.4m on the Faith School in Rhyl and £3.0m on highways maintenance and bridges. While the current five-year Plan ended in 2017/18, it was always envisaged that some of the major investment projects within it would be delivered over a longer timeframe – therefore planned investment of £41m will roll forward into the next two years. These projects include two further schools in the Ruthin area and a completion of the new faith school in Rhyl.

Following Council elections last year, the council approved the new Corporate Plan 2017-2022: 'Working Together for the Future of Denbighshire' which builds on this track record of delivery. The overall ambition of this Plan is to ensure that Denbighshire is a place where residents and businesses are well connected and resilient; where young people have opportunities for affordable housing and acquire skills and jobs to lead successful and fulfilling lives and where we can all enjoy an attractive and protected environment. Like the last plan, this Corporate Plan contains specific actions that will be delivered over five years but, perhaps even more importantly, these actions are designed to have an impact beyond the next five years with future generations in mind.

This Corporate Plan sets out our ambitious but deliverable priorities for the next five years. Some of these priorities will require significant capital investment, others revenue funding, and some may be delivered at no additional cost. We think we need to invest somewhere in the region of an additional £135m in our corporate priorities over the next five years, if we are to achieve all that we'd like.

To pay for the capital investment identified, we will need to commit revenue budget and cash to the priorities. During 2017/18 we identified £0.5m of our revenue budget for 2018/19 and £1m cash to support the new corporate priorities. Future annual budget allocations will be required, but it is recognised that this will be difficult to achieve as the Council's total budget reduces.

Although £135m is a large sum, the Council would not have to provide all of this money itself. We expect that grants from the Welsh Government will be available to help fund the planned work to improve our schools and flood defences. We also plan to use income from housing rent to help fund the new council housing. In reality, we think that the Council may have to contribute around £71m of the £135m.

With these levels of additional investment, we must deliver drastic improvements. If we are successful – and we believe we will be – Denbighshire will be fit for the future, and continue to be one of the best places in the UK to live, learn, work and visit.

Looking Ahead

It is likely that local government funding settlements will reduce further in the coming three to five years at the same time as demand for services and costs are rising so the amount the Council spends each year will have to reduce accordingly. Whilst there is uncertainty about the precise levels of reduction each year, it is inevitable that some 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 2018/19 and is likely to develop further in future years.

Full details of the Council's budget for 2018/19 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 2018 as part of the Finance Report – Appendix 1 (link: Agenda for Cabinet on Tuesday, 22 May 2018, 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 2018.

SignedDate

Richard Weigh
Chief Financial Officer (Section 151 Officer)

Section 3: Financial **Statements and Notes to** **the Accounts 2017/18**

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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.

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.

	Final Outturn Report (Management Accounts)	Technical adjustments to Management Accounts	Net Expenditure Chargeable to the Council Fund and HRA Balances	Adjustments between Funding & Accounting Basis			Total Adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement
				Adjustments for Capital Purposes (Note 1)	Net change for the Pension Adjustments (Note 2)	Other Differences (Note 3)		
2017/18	£000	£000	£000	£000	£000	£000	£000	£000
Customers, Communication & Marketing	3,004	(218)	2,786	287	113	(10)	390	3,176
Education & Children's Services	13,415	749	14,164	79	444	54	577	14,741
Schools	66,229	(254)	65,975	9,965	61	(763)	9,263	75,238
Business Improvement & Modernisation	4,556	715	5,271	538	159	2	699	5,970
Legal, HR & Democratic Services	2,590	(16)	2,574	12	162	(5)	169	2,743
Corporate & Miscellaneous	18,021	(4,819)	13,202	2,409	(986)	(6)	1,417	14,619
Facilities, Assets & Housing	6,668	(474)	6,194	4,325	537	(75)	4,787	10,981
Finance	2,914	217	3,131	0	106	(3)	103	3,234
Highways & Environment	17,765	(856)	16,909	7,047	453	(57)	7,443	24,352
Planning & Public Protection	3,001	111	3,112	3,194	216	(14)	3,396	6,508
Community Support Services	32,356	(242)	32,114	364	736	26	1,126	33,240
Local Authority Housing (HRA)	0	(5,666)	(5,666)	7,063	139	15	7,217	1,551
Net Cost of Services	170,519	(10,753)	159,766	35,283	2,140	(836)	36,587	196,353
Other Income and Expenditure	0	(159,663)	(159,663)	(31,265)	7,209	(6)	(24,062)	(183,725)
(Surplus) or Deficit	170,519	(170,416)	103	4,018	9,349	(842)	12,525	12,628
Opening Council Fund & HRA Balance			(39,306)					
Less/Plus (Surplus) or Deficit on Council Fund & HRA Balance in Year			103					
Closing Council Fund and HRA Balance at 31 March*			(39,203)					

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

	Final Outturn Report (Management Accounts)	Technical adjustments to Management Accounts	Net Expenditure Chargeable to the Council Fund and HRA Balances	Adjustments between Funding & Accounting Basis			Total Adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement
				Adjustments for Capital Purposes (Note 1)	Net change for the Pension Adjustments (Note 2)	Other Differences (Note 3)		
2016/17	£000	£000	£000	£000	£000	£000	£000	£000
Customers, Communication & Marketing	2,928	(213)	2,715	331	(47)	9	293	3,008
Education & Children's Services	14,131	(791)	13,340	199	(201)	29	27	13,367
Schools	67,608	(335)	67,273	12,693	(1,204)	578	12,067	79,340
Business Improvement & Modernisation	4,436	578	5,014	230	(79)	(1)	150	5,164
Legal, HR & Democratic Services	2,396	3	2,399	4	(60)	0	(56)	2,343
Corporate & Miscellaneous	18,019	(3,723)	14,296	522	(878)	1	(355)	13,941
Facilities, Assets & Housing	6,302	(102)	6,200	2,727	(238)	88	2,577	8,777
Finance	2,864	(2)	2,862	0	(46)	11	(35)	2,827
Highways & Environment	17,352	(628)	16,724	6,789	(206)	(7)	6,576	23,300
Planning & Public Protection	2,795	350	3,145	1,768	(100)	10	1,678	4,823
Community Support Services	31,279	425	31,704	434	(350)	39	123	31,827
Local Authority Housing (HRA)	0	(5,813)	(5,813)	2,609	(56)	(6)	2,547	(3,266)
Net Cost of Services	170,110	(10,251)	159,859	28,306	(3,465)	751	25,592	185,451
Other Income and Expenditure	0	(155,990)	(155,990)	(31,451)	7,685	(2)	(23,768)	(179,758)
(Surplus) or Deficit	170,110	(166,241)	3,869	(3,145)	4,220	749	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

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.

2016/17				2017/18		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
3,197	(189)	3,008	Customers, Communication & Marketing	3,353	(177)	3,176
24,913	(11,546)	13,367	Education & Childrens' Services	27,395	(12,654)	14,741
87,780	(8,440)	79,340	Schools	84,652	(9,414)	75,238
5,398	(234)	5,164	Business Improvement & Modernisation	6,179	(209)	5,970
2,737	(394)	2,343	Legal, HR & Democratic Services	3,513	(770)	2,743
49,655	(35,714)	13,941	Corporate & Miscellaneous	49,172	(34,553)	14,619
18,963	(10,186)	8,777	Facilities, Assets & Housing	21,784	(10,803)	10,981
4,304	(1,477)	2,827	Finance	4,903	(1,669)	3,234
34,589	(11,289)	23,300	Highways & Environment	35,768	(11,416)	24,352
9,651	(4,828)	4,823	Planning & Public Protection	9,987	(3,479)	6,508
52,145	(20,318)	31,827	Community Support Services	55,914	(22,674)	33,240
10,505	(13,771)	(3,266)	Local Authority Housing (HRA)	15,881	(14,330)	1,551
303,837	(118,386)	185,451	Cost of Services	318,501	(122,148)	196,353

2016/17				2017/18		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
16,565	(40)	16,525	Other Operating Expenditure (Note 9)	19,080	(1,397)	17,683
16,987	(577)	16,410	Financing and Investment Income and Expenditure (Note 10)	16,087	(963)	15,124
0	(212,693)	(212,693)	Taxation and non-specific grant income (Note 11)		(216,532)	(216,532)
337,389	(331,696)	5,693	(Surplus) or Deficit on Provision of Services	353,668	(341,040)	12,628
		(11,289)	(Surplus) or Deficit on revaluation of property, plant and equipment assets			(17,559)
		7,510	Impairment losses on non-current assets charged to the Revaluation Reserve			4,730
		62,251	Remeasurement of the net defined benefit liability/(asset)			(33,746)
		58,472	Other Comprehensive Income & Expenditure			(46,575)
		64,165	Total Comprehensive Income and Expenditure			(33,947)

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 2017		(7,549)	(29,210)	(2,547)	(4,846)	(3,807)	(47,959)	28,442	(19,517)
Movement in reserves during 2017/18									
(Surplus) or deficit on the provision of services	CI & ES	9,994		2,634			12,628		12,628
Other Comprehensive Income & Expenditure	CI & ES							(46,575)	(46,575)
Total Comprehensive Income & Expenditure		9,994	0	2,634			12,628	(46,575)	(33,947)
Adjustments between accounting basis & funding basis under regulations	8	(10,172)		(2,353)	(528)	657	(12,396)	12,396	
Net Increase/Decrease before Transfers to Earmarked Reserves		(178)	0	281	(528)	657	232	(34,179)	(33,947)
Transfers to/from Earmarked Reserves	20	186	(249)	63					
Increase/Decrease in 2017/18		8	(249)	344	(528)	657	232	(34,179)	(33,947)
Balance at 31 March 2018		(7,541)	(29,459)	(2,203)	(5,374)	(3,150)	(47,727)	(5,737)	(53,464)

	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	8	(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	20	(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)

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 2017 £000		Note	31 March 2018 £000	31 March 2018 £000
103,619	<i>Council Dwellings</i>		100,841	
226,748	<i>Other Land & Buildings</i>		232,385	
7,809	<i>Vehicles, Plant, Furniture & Equipment</i>		8,546	
118,352	<i>Infrastructure</i>		120,165	
2,489	<i>Community Assets</i>		2,466	
5,621	<i>Assets Under Construction</i>		18,779	
5,549	<i>Surplus Assets not Held for Sale</i>		4,258	
470,187	Property, Plant & Equipment	14	487,440	
8,912	Heritage Assets	36	8,495	
7,360	Investment Property	15	8,623	
1	Long Term Investments	16	1	
721	Long Term Debtors	16	661	
487,181	Long Term Assets			505,220
0	Short Term Investments	16	7,400	
3,305	Assets Held for Sale (<1yr)	18	4,946	
1,136	Inventories		1,127	
21,245	Short Term Debtors	17	23,204	
839	Cash and Cash Equivalents	CFS	4,027	
26,525	Current Assets			40,704
(6,058)	Short Term Borrowing	16	(31,935)	
(24,606)	Short Term Creditors	19	(25,950)	
(342)	Provisions		(641)	
(3,134)	Provision for Accumulated Absences		(2,298)	
(1,976)	Revenue Grants Receipts in Advance	29	(1,042)	
(2,008)	Capital Grants Received in Advance	29	(2,082)	
(38,124)	Current Liabilities			(63,948)

31 March 2017 £000		Note	31 March 2018 £000	31 March 2018 £000
(2,340)	Long Term Creditors	16	(3,340)	
(248)	Provisions		(347)	
(179,618)	Long Term Borrowing	16	(175,364)	
(273,859)	Other Long Term Liabilities	22	(249,461)	
(456,065)	Long Term Liabilities			(428,512)
19,517	Net Assets			53,464
(7,549)	Council Fund	21	(7,541)	
(29,210)	Earmarked Reserves	20	(29,459)	
(2,547)	Housing Revenue Account	21	(2,203)	
(4,846)	Capital Receipts Reserve	21	(5,374)	
(3,807)	Capital Grants Unapplied	21	(3,150)	
(47,959)	Usable Reserves			(47,727)
(92,672)	Revaluation Reserve		(100,153)	
273,859	Pensions Reserve		249,461	
0	Deferred Capital Receipts Reserve		(205)	
(156,236)	Capital Adjustment Account		(157,489)	
357	Financial Instruments Adjustment Account		351	
3,134	Short Term Accumulating Compensated Absences Account		2,298	
28,442	Unusable Reserves	22		(5,737)
(19,517)	Total Reserves			(53,464)

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.

2016/17 £000		Note	2017/18 £000
5,693	Net (surplus) or deficit on the provision of services		12,628
(24,171)	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements		(27,053)
3,897	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities		2,220
(14,581)	Net cash flows from Operating Activities	23	(12,205)
17,350	Investing Activities	24	29,087
2,984	Financing Activities	25	(20,070)
5,753	Net (increase) or decrease in cash and cash equivalents		(3,188)
6,592	Cash and cash equivalents at the beginning of the reporting period		839
(5,753)	Increase/(Decrease) in Cash		3,188
839	Cash and cash equivalents at the end of the reporting period		4,027

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

281	Cash held by the Council		326
(642)	Bank current accounts		(1,499)
1,200	Cash held in instant call account		5,200
839	Cash and cash equivalents at the end of the reporting period		4,027

Notes to the Accounts**1. Accounting Policies****i. General Principles**

The Statement of Accounts summarises the Council's transactions for the 2017/18 financial year and its position at the year-end of 31 March 2018. The Council is required to prepare an Annual Statement of Accounts by the Accounts and Audit (Wales) Regulations 2014. Those Regulations require the Statement of Accounts 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 2017/18' (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 Schools and Education & Children's Services lines in the Comprehensive Income and Expenditure Statement are 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 2.6%.
- The assets of Clwyd Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unitised securities – current bid price
 - property – market value.
- The change in the net pensions liability is analysed into the following components:

Service cost comprising:

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

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. 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.

xiv. 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.

xv. 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.

xvi. 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 – depreciated historic cost
- community assets and assets under construction – 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.

Depreciation is not charged in the year of acquisition or disposal.

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.

xvii. 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.

xviii. 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.

xix. 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.

xx. 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 2017/18 (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.

IFRS 9 Financial Instruments

The Council will adopt IFRS 9 Financial Instruments with effect from 1 April 2018. The main changes include the reclassification of financial assets and the earlier recognition of the impairment of financial assets.

The council does not expect the reclassification changes to have a material impact upon the financial statements because it is expected that the majority of the financial assets will retain the same measurement basis. The Council does not expect the impairment changes to have a material impact upon the financial statements because the impairment charge will be immaterial for treasury management assets e.g. bank deposits.

IFRS 15 Revenue from Contracts with Customers

This presents new requirements for the recognition of revenue, based on a control-based revenue recognition model. It is not expected that the council will have any material revenue streams within the scope of the new standard.

IAS 7 Statement of Cash Flows (Disclosure Initiative)

This standard will potentially require some additional analysis of Cash Flows from Financing Activities in future years.

IAS 12 Income Taxes (Recognition of Deferred Tax Assets for Unrealised Losses)

This applies to deferred tax assets related to debt instruments measured at fair value. It is not expected that the Council will have any debt instruments within the scope of the new standard.

IFRS 16 Leases

This will require a local authority which is a lessee to recognise most leases on the balance sheet as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases).

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 2018 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 £487,440k and further information is contained within Note 14.

Minimum Revenue Provision (MRP)

The Council amended its MRP policy for 2017/18 in relation to supported borrowing. For supported borrowing, the policy was changed to calculate MRP based on 50 years for Council Fund debt on capital expenditure incurred prior to 1 April 2017, and based on expected useful life for capital expenditure incurred after 1 April 2017. The total MRP paid in 2017/18 was £8,866k as per Note 8.

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 £249,461k. Detailed information is contained within Notes 22, 33 and 34.

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 2018 was £2,298k and is detailed in Note 22.

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 2018 the Council had a sundry debtor balance of £7,550k. A review of this balance suggested a specific bad debts provision of £943k and a general bad debts provision of £979k was appropriate. The Council Tax arrears were £2,542k with a bad debts provision of £1,558k. National Non-Domestic Rates arrears were £588k with a bad debts provision of £277k. Housing Benefit Overpayments had arrears of £1,822k with a bad debts provision of £911k. 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 2017/18.

6. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Chief Finance Officer in June 2018. 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 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

7. Expenditure and Income Analysed by Nature

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

2016/17 £000		2017/18 £000
	Expenditure	
125,707	Employee benefits expenses	132,806
4,907	Employee expenses of V A schools	4,944
145,540	Other services expenses	147,668
0	Support services recharges	0
29,082	Depreciation, amortisation and impairment	33,768
16,579	Interest payments	16,087
15,463	Precepts and levies	16,147
111	Loss on the disposal of assets	2,248
337,389	Total expenditure	353,668
	Income	
(54,361)	Fees, charges and other service income	(56,471)
(60)	Interest and investment income	(963)
(85,365)	Income from council tax and non-domestic rates	(89,376)
(191,799)	Government grants and contributions	(193,575)
(71)	Non-government grants and contributions	(335)
(40)	Gain on the disposal of assets	(320)
(331,696)	Total income	(341,040)
5,693	(Surplus) or Deficit on the Provision of Services	12,628

8. 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.

Adjustments between Accounting Basis and Funding Basis under Regulation	Usable Reserves			
	Council Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000
2017/18				
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	(8,960)	(388)		
• Financial Instruments	6	0		
• Holiday pay	850	(14)		
• Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure	(16,041)	(6,629)		(1,499)
Total Adjustments to Revenue Resources	(24,145)	(7,031)	0	(1,499)
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	2,097	328	(2,220)	
Statutory provision for the repayment of debt	6,163	2,703		
Capital expenditure financed from revenue balances	5,713	1,647		
Total Adjustments between Revenue and Capital Resources	13,973	4,678	(2,220)	0
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure			1,692	
Application of capital grants to finance capital expenditure				2,156
Total Adjustments to Capital Resources	0	0	1,692	2,156
Total Adjustments	(10,172)	(2,353)	(528)	657

Adjustments between Accounting Basis and Funding Basis under Regulation	Usable Reserves			
	Council Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000
2016/17				
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)	
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
Total Adjustments to Capital Resources	0	0	1,279	171
Total Adjustments	(3,961)	2,137	(2,618)	(2,231)

9. Other Operating Expenditure

2016/17 £000		2017/18 £000
9,338	Police Precept	9,788
4,364	Fire Authority Precept	4,525
1,761	Community Council Precepts	1,834
401	(Gains)/losses on Held for Sale Assets and the disposal of non-current assets	851
661	Pension Administration Costs	685
16,525	Total	17,683

10. Financing and Investment Income and Expenditure

2016/17 £000		2017/18 £000
9,385	Interest payable & similar charges	9,147
7,024	Net interest on the net defined benefit liability (asset)	6,524
(59)	Interest receivable & similar income	(44)
60	Income & expenditure in relation to investment properties & changes in their fair value	(503)
16,410	Total	15,124

11. Taxation and Non Specific Grant Income

2016/17 £000		2017/18 £000
(56,969)	Council tax income	(58,762)
(28,396)	Non domestic rates	(30,614)
(111,212)	Non-ringfenced government grants	(109,860)
(16,116)	Capital grants & contributions	(17,296)
(212,693)	Total	(216,532)

12. 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 39,275 in 2017/18 (38,888 in 2016/17).

This basic amount (including Community Council precept and Office of the Police and Crime Commissioner, North Wales precept) for a Band D property was £1,487.18 (£1,444.75 in 2016/17) 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 2018	3,975	7,202	14,378	7,738	5,378	3,659	1,990	311	167

Analysis of the net proceeds from Council Tax:

2016/17 £000		2017/18 £000
56,969	Council Tax collectable	58,762
(9,338)	Amount payable to Office of the Police & Crime Commissioner North Wales	(9,788)
(368)	Provision for non-payment of Council Tax	(240)
47,263	Net proceeds from Council Tax	48,734
45,465	Denbighshire County Council Split:	46,872
1,761	Denbighshire County Council	1,834
37	Community Councils	28
	Discretionary Non-domestic Rate Relief	
47,263		48,734

13. National Non-Domestic Rates (NNDR)

NNDR is organised on a national basis. The Welsh Government specified the rate of 49.9p in 2017/18 (48.6p in 2016/17) 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 £24,102k for 2017/18 (£22,962k for 2016/17) was based on an aggregate rateable value of £66,510k at year end.

Analysis of the net proceeds from non-domestic rates:

2016/17 £000		2017/18 £000
22,962	Non Domestic Rates collectable	24,102
(22,719)	Less Payment into National Pool	(23,690)
(214)	Less Cost of Collection allowance	(219)
(29)	Less Provision for Bad Debts	(193)
0	Payment into National Pool	0
28,396	Redistribution from National Pool	30,614
28,396	Net proceeds from NNDR	30,614

14. Property, Plant and Equipment

2017/18	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 2017	112,070	265,192	17,935	156,748	2,564	6,015	5,621	566,145
Additions	4,996	9,805	3,281	7,044	5	2,580	15,701	43,412
Revaluation increases / (decreases) recognised in the Revaluation Reserve	166	11,712	0	0	0	75	0	11,953
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	(80)	(5,527)	0	0	0	(945)	0	(6,552)
Derecognition – disposals	(328)	(4,629)	(149)	0	0	0	0	(5,106)
Derecognition – other	0	(4,294)	(1,926)	(446)	0	0	0	(6,666)
Assets reclassified (to)/from Held for Sale	0	(1,189)	0	0	0	(300)	0	(1,489)
Other Movements	0	(867)	0	0	0	0	0	(867)
Transfers in/(out)	(880)	2,610	23	0	(23)	31	(2,543)	(782)
At 31 March 2018	115,944	272,813	19,164	163,346	2,546	7,456	18,779	600,048

2017/18	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 2017	(8,451)	(38,444)	(10,126)	(38,396)	(75)	(466)	0	(95,958)
Depreciation charge	(2,089)	(6,590)	(2,510)	(3,898)	0	(22)	0	(15,109)
Depreciation written out to Revaluation Reserve	4	5,798	0	0	0	0	0	5,802
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	1,838	0	0	0	273	0	2,111
Impairment losses/(reversals) recognised in the Revaluation Reserve	(2,000)	(2,694)	0	0	0	(36)	0	(4,730)
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(2,581)	(7,111)	(35)	(1,333)	(5)	(2,933)	0	(13,998)
Derecognition - disposals	0	1,588	128	0	0	0	0	1,716
Derecognition – other	0	4,294	1,925	446	0	0	0	6,665
Derecognition – Held for Sale	0	25	0	0	0	0	0	25
Other Movements	14	868	0	0	0	(14)	0	868
At 31 March 2018	(15,103)	(40,428)	(10,618)	(43,181)	(80)	(3,198)	0	(112,608)

Net Book Value								
At 31 March 2018	100,841	232,385	8,546	120,165	2,466	4,258	18,779	487,440
At 31 March 2017	103,619	226,748	7,809	118,352	2,489	5,549	5,621	470,187

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

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 2018, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2018/19 and future years. The budgeted cost of major commitments is £12,878k as below. Similar commitments at 31 March 2017 were £15,079k.

Project	Contract Estimate £000	Expenditure incurred up to 31 March 2018 £000	Total Future Contract Payments £000
Rhyl, New 3-16 Catholic School – Pre Construction Services	1,465	1,065	400
Ysgol Glan Clwyd - Extension, Remodelling and Refurbishment	14,510	15,240	299
Rhos Street and Ysgol Penbarras - New Schools	9,537	9,306	539
Housing - External Repairs	1,631	507	1,124
Warm Homes Heating Installation, West Rhyl	571	0	571
Rhyl Waterpark	15,311	7,188	8,123
Rhyl Waterfront – Travelodge Enabling Works	708	379	329
East Rhyl Flood Defence	1,400	521	879
Rhyl Library – Re-roofing	242	0	242
Rhyl Leisure Centre – New Fitness Facilities	617	245	372
Total	45,992	34,451	12,878

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 as at 1 April 2017 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 September 2017 and May 2018.

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 held at historic cost. Council dwellings are valued at current value in use as social housing.

During the revaluation exercise the land and buildings acquired as part of the West Rhyl Housing Improvement Project were reviewed and it was identified that some of these assets were disposed of or demolished in prior years. The accounts were adjusted by de-recognising the disposals and writing off the revaluation losses to the Surplus or Deficit on Provision of Services. In total a net adjustment of £3.9m is included within Note 14.

Impairment Losses

During the revaluations exercise the Valuer found no other fundamental trends that would affect the remaining assets not revalued during 2017/18. 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.

15. Investment Properties

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:

2016/17 £000		2017/18 £000
7,599	Balance at start of the year	7,360
0	Additions	0
(68)	Disposals	0
(171)	Net gains/(losses) from fair value adjustments	481
	Transfers:	
0	• (to)/from Inventories	0
0	• (to)/from Property, Plant and Equipment	782
7,360	Balance at end of the year	8,623

16. Financial Instruments

Categories of Financial Instruments

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

31 March 2017			31 March 2018	
Long Term £000	Current £000		Long Term £000	Current £000
1	0	Investments		
		Loans and receivables	1	7,400
721	10,318	Debtors		
		Loans and receivables	661	14,631
(179,618)	(6,058)	Borrowings		
		Financial liabilities at amortised cost	(175,364)	(31,935)
(2,340)	(21,433)	Creditors		
		Financial liabilities at amortised cost	(3,340)	(23,178)

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 loans to the value of £643k during previous years and £217k during 2017/18. The balance on this loan at 31 March 2018 is £594k.

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:

2016/17			2017/18		
Financial Liabilities £000	Financial Assets £000		Financial Liabilities £000	Financial Assets £000	Total £000
9,385		Interest Expense Losses on de-recognition	9,147		9,147
9,385		Total expense in Surplus or Deficit on the Provision of Services	9,147		9,147
	(59)	Interest Income Gains on de-recognition		(44)	(44)
	(59)	Total income in Surplus or Deficit on the Provision of Services		(44)	(44)

Fair Values of Assets and Liabilities

The Council's financial assets and financial liabilities are carried in the Balance Sheet at amortised cost. IFRS 7 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 2017 and 31 March 2018 consisted entirely of loans from the Public Works Loan Board (PWLB), other local authorities and public bodies 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 estimated the fair values by calculating the net present value of the remaining contractual cash flows at 31 March 2018.

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 2017			31 March 2018	
Carrying Amount £000	Fair Values £000		Carrying Amount £000	Fair Values £000
(185,676)	(283,544)	Financial Liabilities	(207,299)	(293,640)
(2,340)	(2,340)	Long Term Creditors	(3,340)	(3,340)
(188,016)	(285,884)	Total Financial Liabilities	(210,639)	(296,980)
1	1	Loans and Receivables	7,401	7,401
721	721	Long Term Debtors	661	661
722	722	Total Financial Assets	8,062	8,062

17. Debtors

31 March 2017 £000		31 March 2018 £000
10,243	Central government bodies	9,099
2,017	Other local authorities	3,695
1,969	NHS bodies	2,683
7,016	Other entities and individuals	7,727
21,245	Total	23,204

18. Assets Held for Sale

	Current	
	2016/17 £000	2017/18 £000
Balance Outstanding at start of year	2,740	3,305
Assets newly classified as Held for Sale:		
from Property, Plant and Equipment	1,331	1,864
Revaluation losses	(490)	(401)
Revaluation gains	160	1,478
Assets declassified as Held for Sale:		
to Property, Plant and Equipment	0	(400)
Assets sold	(436)	(900)
Balance outstanding at year end	3,305	4,946

19. Creditors

31 March 2017 £000		31 March 2018 £000
(3,318)	Central government bodies	(5,499)
(1,808)	Other local authorities	(2,459)
(412)	NHS bodies	(587)
(141)	Public corporations & trading funds	(2)
(18,927)	Other entities & individuals	(17,403)
(24,606)	Total	(25,950)

20. 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 2017/18.

	Balance at 31 March 2016 £000	Transfers Out 2016/17 £000	Transfers In 2016/17 £000	Balance at 31 March 2017 £000	Transfers Out 2017/18 £000	Transfers In 2017/18 £000	Balance at 31 March 2018 £000
Council Fund:							
Balances held by schools under a scheme of delegation (i)	(1,562)	2,904	(286)	1,056	730	(1,442)	344
<u>Reserves held as part of the Council Corporate Plan (v)</u>							
Strategic Investment 21 st Century Schools	(146)	0	(2,229)	(2,375)	3,478	(1,864)	(761)
Strategic Investment Extra Care Housing	(1,904)	163	(400)	(2,141)	0	(400)	(2,541)
Town Plans/Economic Development	(623)	432	0	(191)	193	(2)	0
<u>Specific Grants Reserves</u>							
Revenue Grants Unapplied	(593)	343	(210)	(460)	173	(173)	(460)
Sustainable Waste Management (iv)	(3,347)	0	0	(3,347)	0	0	(3,347)
<u>Reserves held for Legal Cases</u>							
Town & Country Planning Act (s.106) Requirements	(1,228)	63	(9)	(1,174)	13	(4)	(1,165)
Single Status	(294)	0	0	(294)	0	0	(294)
<u>Other Major Reserves</u>							
Budget Mitigation (ii)	(1,511)	0	(1,000)	(2,511)	2,122	(3,182)	(3,571)
2017 Corporate Priorities	0	0	0	0	0	(1,000)	(1,000)
Adult Social Care (iii)	(2,606)	1,866	(1,378)	(2,118)	546	0	(1,572)
Capital Schemes (v)	(9,038)	5,930	(2,355)	(5,463)	5,503	(4,789)	(4,749)
Specialist Placements	(591)	569	(500)	(522)	522	0	0
Superannuation Recovery	(1,062)	5	(875)	(1,932)	1	(699)	(2,630)
Insurance Fund	(743)	0	(91)	(834)	18	(123)	(939)
Risk Management Fund	(272)	0	(59)	(331)	0	(57)	(388)
Delivering Change	(502)	382	(505)	(625)	679	(305)	(251)

	Balance at 31 March 2016 £000	Transfers Out 2016/17 £000	Transfers In 2016/17 £000	Balance at 31 March 2017 £000	Transfers Out 2017/18 £000	Transfers In 2017/18 £000	Balance at 31 March 2018 £000
<u>Preparing for Major Events</u>							
Urdd	(69)	23	(21)	(67)	0	(21)	(88)
Elections	(113)	0	(10)	(123)	65	0	(58)
LDP	(87)	0	(20)	(107)	0	(20)	(127)
Severe Weather (incorporating Winter Maintenance)	(922)	357	0	(565)	127	0	(438)
<u>Service Reserves</u>							
Leisure Strategy	(382)	9	0	(373)	0	0	(373)
Major Highways Projects	(159)	0	0	(159)	0	0	(159)
IT Networks Development	(162)	0	(405)	(567)	330	(42)	(279)
Cefndy Enterprises	(140)	0	(1)	(141)	0	(35)	(176)
Environmental Services	(186)	8	(11)	(189)	6	0	(183)
Design & Development	(120)	0	0	(120)	0	0	(120)
External Funding Administration	(117)	1	0	(116)	0	0	(116)
Finance & Legal	(100)	16	0	(84)	0	(19)	(103)
Revenues & Benefits	(402)	0	0	(402)	214	(248)	(436)
Out of County/Recoupment	(359)	133	0	(226)	226	0	0
Coroner	(170)	0	(69)	(239)	0	(43)	(282)
ALN Reforms	(111)	27	(28)	(112)	27	(179)	(264)
Schools IT Network Development	(120)	60	0	(60)	34	0	(26)
N. Wales Schools Framework	0	0	(12)	(12)	12	(54)	(54)
<u>Other</u>							
Schools Financial Resilience	(46)	0	(154)	(200)	109	(174)	(265)
Modernising Education	(93)	0	(88)	(181)	88	0	(93)
IT Systems Development (EDRMS)	(80)	26	0	(54)	0	(35)	(89)
Regeneration Project (VAT refund)	(120)	0	(36)	(156)	33	(14)	(137)
S.117 Mental Health Act	(52)	0	0	(52)	0	0	(52)
Area Member Reserve	(41)	26	0	(15)	0	0	(15)
CESI Pooled Budget	(44)	6	0	(38)	18	0	(20)
Planning Delivery for Wales	(181)	17	0	(164)	8	(39)	(195)
Training Collaboration	(30)	0	0	(30)	0	0	(30)
Signing Schemes	(62)	20	(44)	(86)	0	(13)	(99)
Care Home fees	(358)	0	0	(358)	0	0	(358)
Social Care Amenity fund	(14)	0	0	(14)	0	0	(14)
Resident Survey	(15)	0	(22)	(37)	0	0	(37)

	Balance at 31 March 2016 £000	Transfers Out 2016/17 £000	Transfers In 2016/17 £000	Balance at 31 March 2017 £000	Transfers Out 2017/18 £000	Transfers In 2017/18 £000	Balance at 31 March 2018 £000
Channel Shift	(125)	53	(5)	(77)	36	0	(41)
Local Safeguarding Children's Board	(97)	97	0	0	0	0	0
Modernising Social Care	(212)	0	0	(212)	0	0	(212)
Children with Disabilities	(104)	34	(9)	(79)	57	(9)	(31)
Health & Social Care Support Workers	(45)	0	(2)	(47)	0	0	(47)
Digitisation Project	(23)	23	0	0	0	0	0
Facilities	(184)	0	0	(184)	0	0	(184)
Picturesque Project	(152)	0	0	(152)	0	0	(152)
Rhyl Waterfront	0	0	(150)	(150)	150	0	0
Social Care in Partnership	0	0	0	0	0	(17)	(17)
Social Services Improvement Agency	0	0	0	0	0	(116)	(116)
Safeguarding Business Unit	0	0	0	0	0	(340)	(340)
Delivering Transformation	0	0	0	0	0	(234)	(234)
Regional Commissioning Team	0	0	0	0	0	(41)	(41)
Family Information Service Training	0	0	0	0	0	(34)	(34)
TOTAL	(31,819)	13,593	(10,984)	(29,210)	15,518	(15,767)	(29,459)

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 2018/19.
- (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 2012 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.

21. Usable Reserves

31 March 2017 £000		31 March 2018 £000
(7,549)	Council Fund	(7,541)
(29,210)	Earmarked Reserves (Note 20)	(29,459)
(2,547)	Housing Revenue Account	(2,203)
(4,846)	Capital Receipts Reserve	(5,374)
(3,807)	Capital Grants Unapplied	(3,150)
(47,959)	Total Usable Reserves	(47,727)

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 2017 £000		Transfers (In)/Out £000	31 March 2018 £000
	<u>Council Fund Revenue Balances</u>		
(7,135)	General Balances	0	(7,135)
(414)	Earmarked Balances	8	(406)
(7,549)	Total Council Fund Balances	8	(7,541)
(2,547)	Housing Revenue Account Balances	344	(2,203)

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.

2016/17 Total £000			2017/18		
			Council Fund £000	Housing Revenue Account £000	Total £000
(2,228)		Balance at 1 April	(4,689)	(157)	(4,846)
(3,769)	Plus	Receipts – Asset Sales	(1,830)	(328)	(2,158)
(128)		Receipts – Grants Repaid	(62)	0	(62)
(6,125)			(6,581)	(485)	(7,066)
551	Less	Applied During year:			
728		Finance Capital Expenditure - Other	1,363	83	1,446
		Debt Redemption	0	246	246
(4,846)		Balance at 31 March	(5,218)	(156)	(5,374)

Capital Grants Unapplied

2016/17 £000		2017/18	
		£000	£000
(1,576)	Balance at 1 April		(3,807)
	Plus Grants and Contributions received in year		
(13,696)	- Council Fund	(14,887)	
(2,420)	- HRA	(2,409)	
(1,567)	- Revenue Expenditure funded by Capital Under Statute	(728)	(18,024)
	Less Grant and Contributions applied in the year		
15,281	- Grants received in year	16,525	
171	- Grants received previous years	2,156	18,681
(3,807)	Balance at 31 March		(3,150)

22. Unusable Reserves

31 March 2017 £000		31 March 2018 £000
(92,672)	Revaluation Reserve	(100,153)
(156,236)	Capital Adjustment Account	(157,489)
357	Financial Instruments Adjustment Account	351
273,859	Pensions Reserve	249,461
0	Deferred Capital Receipts Reserve	(205)
3,134	Accumulated Absences Account	2,298
28,442	Total Unusable Reserves	(5,737)

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.

2016/17 £000		2017/18	
		£000	£000
(94,101)	Balance at 1 April		(92,672)
(16,705)	Upward revaluation of assets	(19,445)	
5,416	Downward revaluation of assets not charged to the Surplus/Deficit on the Provision of Services	1,886	
(11,289)	Total Revaluation	(17,559)	
7,510	Impairment losses not charged to the Surplus/Deficit on the Provision of Services	4,730	
(3,779)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services		(12,829)
3,334	Difference between fair value depreciation & historical cost depreciation	3,623	
1,874	Accumulated gains on assets sold or scrapped	1,725	
0	Write off of balances following reclassification to Investment Properties	0	
5,208	Amount written off to the Capital Adjustment Account		5,348
(92,672)	Balance at 31 March		(100,153)

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 8 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2016/17 £000		2017/18 £000	2017/18 £000
(152,732)	Balance at 1 April		(156,236)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement:		
22,530	• Charges for depreciation & impairment of non-current assets	29,163	
6,552	• Revaluation losses on Property, Plant & Equipment	4,245	
330	• Revaluation losses/gains on Held for Sale	(1,077)	
0	• Revaluation losses on Heritage Assets	361	
3,304	• Revenue expenditure funded from capital under statute	4,192	
3,840	• 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	4,290	
36,556			41,174
(5,208)	Adjusting amounts written out of the Revaluation Reserve		(5,348)
31,348	Net written out amount of the cost of non-current assets consumed in the year		35,826
	Capital Financing applied in the year:		
(1,279)	• Use of the Capital Receipts Reserve to finance new capital expenditure	(1,692)	
(15,281)	• Capital grants & contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	(16,525)	
(171)	• Application of grants to capital financing from the Capital Grants Unapplied Account	(2,156)	
(10,025)	• Statutory provision for the financing of capital investment charged against the Council Fund & HRA balances	(8,866)	
(8,266)	• Capital expenditure charged against the Council Fund & HRA balances	(7,359)	
(35,022)			(36,598)
170	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement		(481)
(156,236)	Balance at 31 March		(157,489)

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.

2016/17 £000		2017/18 £000
207,388	Balance at 1 April	273,859
62,251	Remeasurements of the net defined benefit liability/(asset)	(33,746)
20,916	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	27,661
(16,696)	Employer's pension contributions payable in the year	(18,313)
273,859	Balance at 31 March	249,461

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.

2016/17 £000		2017/18 £000	2017/18 £000
2,384	Balance at 1 April		3,134
(2,384)	Settlement or cancellation of accrual made at the end of the preceding year	(3,134)	
3,134	Amounts accrued at the end of the current year	2,298	
750	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		(836)
3,134	Balance at 31 March		2,298

23. Cash Flow Statement – Operating Activities

2016/17 £000		2017/18 £000
5,693	Net (surplus) or deficit on the provision of services	12,628
	Adjustments to net surplus or deficit on the provision of services for non-cash movements	
(32)	Increase/(Decrease) in Inventories	(9)
(49)	Increase/(Decrease) in Long Term Debtors	(60)
(1,057)	Increase/(Decrease) in Debtors/Payments in Advance	5,719
(13)	Increase/(Decrease) in Investment interest accrual	0
211	(Increase)/Decrease in Creditors/Receipts in Advance	(466)
26	(Increase)/Decrease in Loan Interest accrual	(3)
(347)	Transfers (to)/from Provisions	438
366	Bad Debt Provision	(645)
(24,774)	Depreciation & Impairment	(29,163)
(4,639)	Revaluations Losses on Property, Plant and Equipment	(3,529)
(170)	Movements in Market Value of Investment Properties	481
(4,220)	Pension Fund Adjustments	(9,348)
10,527	Other	9,532
	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities.	
3,897	Sale of Property, Plant and Equipment	2,220
(14,581)	Net cash flows from Operating Activities	(12,205)

The cash flows for operating activities include the following items:

2016/17 £000		2017/18 £000
(72)	Interest received	(44)
9,367	Interest paid	9,134

24. Cash Flow Statement – Investing Activities

2016/17 £000		2017/18 £000
40,456	Purchase of property, plant and equipment, investment property and intangible assets	45,120
172,800	Purchase of short-term and long-term investments	109,100
126	Other payments for investing activities	150
(3,897)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2,220)
(177,800)	Proceeds from short-term and long-term investments	(101,700)
(14,335)	Other receipts from investing activities	(21,363)
17,350	Net cash flows from investing activities	29,087

25. Cash Flow Statement – Financing Activities

2016/17 £000		2017/18 £000
(13,220)	Cash receipts of short-term and long-term borrowing	(83,217)
(2,287)	Other receipts from financing activities	1,540
18,491	Repayments of short-term and long-term borrowing	61,607
2,984	Net cash flows from financing activities	(20,070)

26. 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:

2016/17 £000		2017/18 £000
804	Salaries	802
23	Expenses	14
827	Total	816

27. Officers' Remuneration

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

2016/17		2017/18			
Total Employees	Remuneration Band	School Based Staff	Non-School Staff	Total Employees	Left During Year
11	£60,000 - £64,999	12	4	16	2
5	£65,000 - £69,999	3	3	6	1
2	£70,000 - £74,999	4	0	4	1
0	£75,000 - £79,999	0	0	0	0
7	£80,000 - £84,999	0	6	6	0
1	£85,000 - £89,999	0	0	0	0
1	£90,000 - £94,999	2	1	3	0
3	£95,000 - £99,999	1	0	1	0
0	£100,000 - £104,999	0	1	1	0
0	£105,000 - £109,999	1	0	1	0
0	£110,000 - £114,999	0	0	0	0
0	£115,000 - £119,999	0	0	0	0
0	£120,000 - £124,999	0	0	0	0
0	£125,000 - £129,999	0	0	0	0
0	£130,000 - £134,999	0	0	0	0
1	£135,000 - £139,999	0	0	0	0
0	£140,000 - £144,999	0	0	0	0
0	£145,000 - £149,999	0	1	1	0
31	Total	23	16	39	4

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

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

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

The “Expense allowances” column contains any relocation paid.

2017/18	Salary, fees, allowances & performance related pay	Compensation for Loss of office	Total excluding pension contributions	Current service rate pension conts at 15.2%	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	149,092		149,092	23,402	172,494	20,786	193,280
Corporate Director: Economy and Public Realm to 30/09/2017	51,183		51,183	7,750	58,933	6,883	65,816
Corporate Director: Economy and Public Realm from 23/10/2017	91,034		91,034	13,837	104,871	12,290	117,161
Corporate Director: Communities	101,973		101,973	15,500	117,473	13,766	131,239
Head of Community Support Services	83,617		83,617	12,710	96,327	11,288	107,615
Head of Facilities, Assets and Housing	83,617		83,617	12,710	96,327	11,288	107,615
Head of Education & Children’s Services	83,617		83,617	12,710	96,327	11,288	107,615
Head of Legal, HR & Democratic Services	83,617		83,617	12,710	96,327	11,288	107,615
Head of Business Improvement & Modernisation	83,617		83,617	12,710	96,327	11,288	107,615
Head of Planning & Public Protection from 18/12/2017	59,861		59,861	9,099	68,960	8,081	77,041
Head of Finance	68,566		68,566	10,422	78,988	9,257	88,245
Head of Customers, Communication & Marketing	61,396		61,396	9,332	70,728	8,289	79,017
Head of Highways & Environmental Services	67,932		67,932	10,344	78,276	9,187	87,463
	1,069,122		1,069,122	163,236	1,232,358	144,979	1,377,337

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Note 1 The Chief Executive was entitled to Performance Related Pay (PRP). This was considered by a remuneration panel consisting of councillors and an external advisor. The PRP awarded was paid in arrears and has been accounted for in the year following consideration by the remuneration panel, usually because of the timing of the process being after the closure of the accounts. In 2017/18 the Chief Executive was awarded £9,848 which related to performance in 2016/17. However, the remuneration panel considered performance for 2017/18 in March 2018 and therefore accounting convention requires that two years’ PRP are disclosed in the note above. The amount awarded for 2017/18 was £12,708. 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 and Head of Legal, HR & Democratic Services receive remuneration for their roles as Returning Officer and Deputy Returning Officer respectively for local and national elections (with costs reimbursed for all with exception of County Council elections). In 2017/18, for the Chief Executive, this amounted to £12,982, plus superannuation costs of £3,726: reimbursement received was (£10,736). The figures for 2016/17 were £12,069 plus £1,523, with reimbursement of (£12,943). In 2017/18 the Head of Legal, HR & Democratic Services received £4,060 with reimbursement of (£2,300): the figures for 2016/17 were £2,473.50 with reimbursement of (£2,338.50). These payments are not included in the analysis presented.

2016/17 Post Title	Salary, fees, allowances & performance related pay Note 1 £	Compensation for Loss of office £	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 Note 3 £	Total Remuneration inc. total pension conts £
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	1,050,081	143,898	1,193,979	140,770	1,334,749

- c) The number of exit packages with total cost per band and total cost of the compulsory and 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	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
£0 - £20,000	22	13	42	32	64	45	£368,005	£343,768
£20,001 - £60,000	2	2	9	11	11	13	£316,701	£371,893
Total	24	15	51	43	75	58	£684,706	£715,661

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 2017/18 was £149,092. The median remuneration of the workforce was £21,962. The ratio was therefore 6.79:1 (6.25:1 in 2016/17). In 2017/18, remuneration for staff ranged from £6,753 to £101,973. The remuneration includes salary and performance related pay and does not include severance payments or employer pension contributions.

28. 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:

2016/17 £000		2017/18 £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
62	Fees payable to the Auditor General for Wales for the certification of grant claims and returns	72
0	Fees payable in respect of any other services provided by the appointed auditor over and above the duties described above	0
334	Total External Audit Costs	344

29. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2017/18

2016/17 £000		2017/18 £000
	Credited to Taxation & Non Specific Grant Income	
(164)	Other Grants and Contributions	(461)
0	Rhyl Town Council – Contribution to the Waterpark	(150)
(113)	Welsh Government - Flood Alleviation	(593)
(1,843)	Welsh Government - General Capital Grant	(1,840)
(91)	Welsh Government - Local Road Safety	(293)
(2,420)	Welsh Government - Major Repairs Allowance	(2,409)
(5,863)	Welsh Government - 21 st Century Schools	(9,460)
(251)	Welsh Government - Safer Routes in Communities	(121)
(243)	Welsh Government - Local Transport Fund	(78)
(229)	Welsh Government - West Rhyl Coastal Defence	0
(690)	Welsh Government - East Rhyl Coastal Defence	(426)
(4,203)	Welsh Government – Vibrant and Viable Places	0
0	Welsh Government – Local Authority Roads Refurbishment 2017-18	(1,204)
0	Welsh Government – Museums, Archives and Libraries Transformation Capital Grant	(120)
0	Welsh Government – Regeneration Capital Pipeline Projects 2017/18	(117)
(6)	Other Welsh Government Grants	(24)
(16,116)	Total	(17,296)
	Credited to Services	
(3,732)	Welsh Government Sixth Forms Grant	(3,958)
(1,975)	Welsh Government Flying Start Grant	(1,887)
(1,113)	Welsh Government Families First Grant	(1,151)
(99)	Other Education Grants from Welsh Government	(801)
(5,490)	Welsh Government Supporting People Grant	(5,490)
0	Welsh Government Sustainable Social Services Grant	(1,313)
(1,698)	Other Social Services Grants from Welsh Government	(1,092)
(2,067)	Welsh Government Sustainable Waste Management Grant	0
0	Welsh Government Environment and Sustainable Development Grants	(2,153)
(1,806)	Welsh Government Concessionary Fares Grant	(1,626)
(1,485)	Other Welsh Government Grants	(2,048)
(19,465)	Total Welsh Government Grants	(21,519)
(2,913)	Pupil Development Grant	(3,116)
(3,982)	Education Improvement Grant	(3,975)
(25,547)	DWP Rent Allowances Subsidy	(24,562)
(8,342)	DWP Rent Rebates Subsidy	(8,418)
(423)	DWP Housing Benefit/Council Tax Benefit Admin Grant	(384)
(1,538)	Various Grants received from Betsi Cadwaladr University Health Board	(1,701)
(2,261)	Other Government Grants	(2,744)
(64,471)	Total Government Grants	(66,419)
(71)	Other Non-government Grants	(335)
(64,542)	Total Grants Credited to Services	(66,754)

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 were (£2,082k) Capital Grants and (£1,042k) Revenue Grants. The corresponding balances at the end of the previous year were (£2,008k) and (£1,976k).

30. 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 29.

Elected Members

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

The following material declarations have been made for 2017/18:

- An elected member whose relative works within the Education Service declared an interest in a group involved in raising funds for the proposed new Faith School in Rhyl.
- An elected member declared a relationship to a contractor to whom the Council paid £43k in 2017/18.
- An elected member was involved in an agreement to share costs with the Council relating to a boundary fence.
- An elected member entered into an agreement to rent a property to the Council for housing purposes.
- One elected member was involved in a personal planning application process during 2017/18, while another was the Treasurer of a local sporting club which was involved in a planning application process.
- An elected member declared a relationship to a company who rented an Industrial Unit from the Council. This relationship ceased during 2017/18.
- An elected member declared a relationship to an individual who provided professional services to the Council and to whom the Council paid £14k in 2017/18.

A list of elected members' interests is maintained by the Head of Legal, HR and Democratic Services and is open for 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. The following material declarations have been made for 2017/18:

- A senior officer declared a relationship to an individual who was involved in a business planning application during 2017/18.
- A senior officer was a Board Member of a Community Interest Company of a neighbouring authority which entered into projects using a Denbighshire procurement framework.

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 33.

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 34.

Community, Town & City Councils

Total precepts paid to the 37 community, town & city councils are included in Note 9 and amounted to £1,834k (£1,761k in 2016/17).

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 £14,313k (£13,702k in 2016/17). A breakdown is provided in Note 9.

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 (£219k in 2016/17) and the Authority contributed £50k to the Health and Social Care Support Workers Service (£50k in 2016/17).

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

The Council is a member of the LGA/WLGA, to which payments of £78k were made in 2017/18 (£106k in 2016/17). The Council received no income from LGA/WLGA in 2017/18 and no income 2016/17.

Welsh Joint Education Committee (WJEC)

The WJEC is an examination board, providing qualifications and exam assessment to Denbighshire schools. One of the Executive Directors of its Board is an Elected Member of Denbighshire County Council. In 2017/18 Denbighshire County Council made payments of £747k and owed £5k at year end to the WJEC (£652k was paid in 2016/17).

Local Government Data Unit – Wales

An elected member is a current Director at the Local Government Data Unit – Wales. Within 2017/18 expenditure of £29k was undertaken with Denbighshire County Council.

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 2017/18 the Trust received £145k. The Council provides its payroll services. The Board of Directors consists of eight members in total, none of whom was a Denbighshire County Councillor.

The audited financial statements for the financial year 2017/18 are not yet available. However, the net assets of the Group as at 31 March 2017 were £716k and the net incoming resources for the year totalled £28k.

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.

31. 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.

2016/17 £000		2017/18 £000
233,672	Opening Capital Financing Requirement	241,564
	Capital Investment	
39,660	Property, Plant & Equipment	43,412
0	Investment Properties	0
3,304	Revenue Expenditure Funded from Capital Under Statute	4,192
	Sources of Finance	
(1,279)	Capital receipts	(1,692)
(15,452)	*Government grants & other contributions	(18,681)
	Sums set aside from revenue:	
(8,266)	*Direct revenue contributions	(7,359)
(10,075)	MRP & Long Term Debtors	(8,916)
241,564	Closing Capital Financing Requirement	252,520

2016/17 £000		2017/18 £000
	Explanation of movements in year	
4,167	Increase in underlying need to borrow (supported by government financial assistance)	2,679
14,528	Increase in underlying need to borrow (unsupported by government financial assistance)	17,439
(10,075)	MRP & Long Term Debtors	(8,916)
(728)	Set aside Capital Receipts	(246)
7,892	Increase/(decrease) in Capital Financing Requirement	10,956

* 2016/17 figures have been re-stated to take account of the re-classification of capital reserves. The capital reserves figure of £5,883k has been transferred from Government grants & other contributions to Direct revenue contributions.

32. 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 some properties under finance leases and these were revalued in-year.

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

31 March 2017 £000		31 March 2018 £000
3,239	Other Land and Buildings	4,407

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 2017 £000		31 March 2018 £000
1,031	Not later than 1 year	1,159
2,746	Later than 1 year and not later than 5 years	2,781
13,651	Later than 5 years	13,287
17,428		17,227

33. Pension 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 2017/18, the county council paid £5,454k to Teachers' Pensions in respect of teachers' retirement benefits, representing 16.48% of pensionable pay. The figures for 2016/17 were £5,530k and 16.48%. In addition, payments in respect of premature retirements were made of £379k (£379k in 2016/17). 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 34.

34. 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 <https://mss.clwydpensionfund.org.uk/> 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	
	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000
Comprehensive Income and Expenditure Statement				
<i>Cost of Services:</i>				
<i>Service cost comprising:</i>				
• Current Service Cost	13,147	20,335		
• Past Service Costs/(Gains)	84	117		
• (Gain)/Loss from Settlements	0	0		
<i>Other Operating Expenditure:</i>				
• Administration Expenses	661	685		
<i>Financing and Investment Income and Expenditure:</i>				
• Net Interest Expense	6,752	6,322	272	202
Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services	20,644	27,459	272	202
<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)	(51,659)	(6,936)		
• *Actuarial (Gains) and Losses Arising on Changes in Demographic Assumptions (B)	(10,823)	0	(398)	0
• *Actuarial (Gains) and Losses Arising on Changes in Financial Assumptions (C)	129,984	(26,689)	783	(121)
• *Other (D)	(5,841)	0	205	0
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	82,305	(6,166)	862	81
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	(20,644)	(27,459)	(272)	(202)
<i>Actual amount charged against the Council Fund Balance for pensions in the year:</i>				
• Employer's contributions payable to the scheme	15,893	17,537		
• Retirement benefits payable to pensioners			803	777

* A + B + C + D = Remeasurement of the Net Defined Benefit Liability /(Asset) as quoted in the Comprehensive Income & Expenditure Statement: (£33,746k) 2017/18; £62,251k 2016/17.

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	
	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000
Present Value of the defined benefit obligation	654,439	649,677	8,470	7,774
Fair value of plan assets	(389,051)	(407,992)		
Sub-total	265,388	241,685	8,470	7,774
Other movements in the liability (asset)				
Net liability arising from defined benefit obligation	265,388	241,685	8,470	7,774

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

	Local Government Pension Scheme	
	2016/17 £000	2017/18 £000
Opening fair value of scheme assets	324,415	389,051
Interest Income	11,837	9,855
Administration Expenses	(661)	(685)
Remeasurement gain/(loss):		
• The return on plan assets, excluding the amount included in the net interest expense	51,659	6,936
• Other		
The effect of changes in foreign exchange rates		
Contributions from employer	15,893	17,537
Contributions from employees into the scheme	3,583	3,723
Benefits paid	(17,675)	(18,425)
Other		
Closing fair value of scheme assets	389,051	407,992

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

	Funded Liabilities Local Government Pension Scheme		Unfunded Liabilities Discretionary Benefits Arrangements	
	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000
Opening balance at 1 April	523,391	654,439	8,411	8,470
Current service cost	13,147	20,335		
Interest cost	18,589	16,177	272	202
Contributions from scheme participants	3,583	3,723		
Remeasurement (gains) and losses:				
• Actuarial (Gains) and Losses Arising on Changes in Demographic Assumptions	(10,823)	0	(398)	0
• Actuarial (Gains) and Losses Arising on Changes in Financial Assumptions	129,984	(26,689)	783	(121)
• Other	(5,841)	0	205	0
Past service cost	0	19		
Losses/(gains) on curtailment	84	98		
Liabilities assumed on entity combinations				
Benefits paid	(17,675)	(18,425)	(803)	(777)
Liabilities extinguished on settlements				
Closing balance at 31 March	654,439	649,677	8,470	7,774

Local Government Pension Scheme Assets Comprised:

	Fair value of scheme assets	
	2016/17 £000	2017/18 £000
Cash and cash equivalents	3,501	4,896
Equities		
• UK quoted	0	0
• Global quoted	29,957	33,455
• Global unquoted	0	0
• US	0	0
• Japan	0	0
• Europe	0	0
• Emerging markets	24,121	28,559
• Frontier	0	0
• Far East	0	0
Sub-total Equity	54,078	62,014
Bonds		
• Overseas Other Bonds	46,297	46,511
• LDI	90,649	92,206
Sub-total Bonds	136,946	138,717
Property:		
• UK	17,507	20,808
• Overseas	8,948	5,304
Sub-total Property	26,455	26,112
Alternatives:		
• Hedge Funds	34,236	34,271
• Private equity	38,905	42,023
• Infrastructure	7,003	9,384
• Timber & Agriculture	6,614	5,712
• Private Credit	0	3,264
• DGF	81,313	81,599
Sub-total Alternatives	168,071	176,253
Total Assets	389,051	407,992

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	
	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000
Mortality assumptions: Longevity at 65 for current pensioners:				
• Men	23.0 years	23.1 years	23.0 years	23.1 years
• Women	25.5 years	25.6 years	25.5 years	25.6 years
Longevity at 65 for future pensioners:				
• Men	25.6 years	25.7 years		
• Women	28.2 years	28.3 years		
Rate of inflation	2.30%	2.10%	2.30%	2.10%
Rate of increase in salaries	3.55%	3.35%		
Rate of increase in pensions	2.30%	2.20%	2.30%	2.20%
Rate of discounting scheme liabilities	2.50%	2.60%	2.50%	2.60%

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 2018	Impact on the Net Liability arising from the Defined Benefit Obligation in the Scheme £000
Longevity (increase in 1 year)	13,023
Rate of inflation (increase by 0.1%)	11,996
Rate of increase in salaries (increase by 0.1%)	1,899
Rate for discounting scheme liabilities (increase 0.1%)	(11,782)

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 £16,991k expected contributions to the scheme in 2018/19.

The weighted average duration of the defined benefit obligation for scheme members is 18 years, 2017/18 (18 years 2016/17).

35. 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 2017/18 on 14 February 2017. 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 31/03/2018	Balance Invested at 31/03/2018 £000	Maturity Date			
					0-3 Months	4-6 Months	7-9 Months	10-12 Months
					£000	£000	£000	£000
UK Banks	Bank of Scotland	A+	A+	4,700	4,700			
	NatWest	BBB+	BBB+	500	500			
	Uk Government Debt Management Office	AA	AA	7,400	7,400			
	Total			12,600	12,600			

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

Liquidity Risk

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

The maturity analysis of the Council's PWLB and temporary debt at 31 March 2018 was as follows:

	Years	31 March 2017 £000	31 March 2018 £000	%
Short Term Borrowing	Less than 1 year	(4,533)	(30,390)	14.74
Long Term Borrowing	Over 1 under 6	(21,217)	(19,830)	9.62
	Over 6 under 10	(10,713)	(9,800)	4.75
	Over 10 under 15	(10,168)	(10,049)	4.87
	Over 15 under 20	(29,349)	(35,803)	17.37
	Over 20 under 25	(14,796)	(12,370)	6.00
	Over 25 under 30	(6,000)	0	0.00
	Over 30 under 35	(4,000)	(11,053)	5.36
	Over 35 under 40	(69,630)	(71,897)	34.87
	Over 40 under 45	(14,320)	(5,000)	2.42
Total Long Term Borrowing		(180,193)	(175,802)	85.26
Total Borrowing at Nominal Amount		(184,726)	(206,192)	100.00
Accrued Interest		(1,451)	(1,454)	
Deferred Premium		952	941	
Total Borrowing at Amortised Cost		(185,225)	(206,705)	

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 2017 and 31 March 2018, 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.

36. 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 2017	361	1,122	4,460	2,969	8,912
Additions	0	0	0	0	0
Revaluation decreases recognised in the Surplus or Deficit on the Provision of Services	(361)	0	0	0	(361)
Depreciation	0	(8)	(33)	(15)	(56)
31 March 2018	0	1,114	4,427	2,954	8,495

	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
Revaluation decreases recognised in the Surplus or Deficit on the Provision of Services	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 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. CADW 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 CADW or Clwyd Powys Archaeological Trust.

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. Most artefacts are 'gifted' at no cost and the word 'value' in museums does not often refer to a financial value.

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 objects and archives relating to the history of the Gaol.

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. However, any objects directly related to the history of the house, which have since come to light and been 'gifted' have been accessioned into the Denbighshire Heritage Service.

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 needs 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. In August 2017, a professionally qualified Museum Curator was recruited to take responsibility for the care of the collections in Denbighshire, replacing the previous SLA arrangement with Bodelwyddan Castle Trust. The Curator's work to date has involved the submission of a full Re-Accreditation for Plas Newydd, Ruthin Gaol and Rhyl Museum, for which we will receive results in September 2018. A plan to move all objects listed in the County Collection onto a new Museum Objects Management Database and to physically move, re-label, condition check and photograph each object has been put into place and will commence June 2018. The Curator has completed an audit of all objects held/displayed within each of the Heritage sites listed above. The Curator post fully satisfies 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. There are also items on long-term loan from the Galleries of Justice in Nottingham in Ruthin Gaol. 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 listed in the Heritage Service Forward Plan. The Museum Documentation and Procedural Manual documents the procedures for acquisition and disposal of all items. Each item should have a unique number, details of ownership and type of deposit. Once an item is accessed against the Collection Policy, a decision is made to formally accept it into the museum collection or return to the owner.

Section 4:
Supplementary
Statements

and

Notes to the
Supplementary
Statements

Housing Revenue Account Income and Expenditure Statement

2016/17 £000		Note	2017/18 £000
	Expenditure		
3,886	Repairs & maintenance		4,442
2,327	Supervision & management		2,523
12	Rents, rates, taxes & other charges		13
4,106	Depreciation and impairment of non-current assets	5	8,710
32	Debt management costs		39
84	Movement in bad debt provision		96
10,447	Total Expenditure		15,823
	Income		
(13,605)	Dwelling Rents (Gross)		(14,158)
(166)	Non-Dwelling Rents (Gross)		(172)
(13,771)	Total Income		(14,330)
(3,324)	Net Expenditure of HRA Services as included in the Comprehensive Income and Expenditure Statement		1,493
58	HRA Share of Corporate Expenditure		58
(3,266)	Net Expenditure of HRA Services		1,551
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement		
22	Pension Administration Costs		24
3,222	Interest payable and similar charges		3,253
(15)	Interest and investment income		(10)
234	Net interest on the net defined benefit liability (asset)	6	225
(2,420)	Capital grants and contributions receivable		(2,409)
(2,223)	(Surplus) or deficit for the year on HRA services		2,634

Movement on the HRA Statement

2016/17 £000		2017/18 £000	
(2,604)	Balance on the HRA at 1 April		(2,547)
(2,223)	(Surplus) or deficit for the year on the HRA Income & Expenditure Statement	2,634	
2,137	Adjustments between accounting basis and funding basis under statute (see below)	(2,353)	
(86)	Net (increase) or decrease before transfers to or from reserves		281
143	Transfers to or (from) reserves		63
57	(Increase) or decrease in year on the HRA		344
(2,547)	Balance on the HRA at 31 March		(2,203)

	<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>		
(4,106)	Charges for depreciation and impairment of non-current assets	(8,710)	
2,420	Capital grants and contributions applied	2,409	
0	Revenue Expenditure Funded from Capital Under Statute	0	
(971)	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	(328)	(6,629)
	<u>Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement</u>		
2,522	Statutory provision for the financing of capital investment	2,703	
1,497	Capital Expenditure charged against HRA balances	1,647	
	Adjustments primarily involving the Capital Receipts Reserve		
971	Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the HRA Income & Expenditure Statement	328	
	Adjustments primarily involving the Financial Instruments Adjustment Account		
(2)	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	0	
	Adjustments primarily involving the Pensions Reserve		
(693)	Reversal of items relating to retirement benefits debited or credited to the HRA Income & Expenditure Statement	(967)	
493	Employer's pension contributions payable in the year	579	
	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	(14)	4,276
2,137	Total Adjustments		(2,353)

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

The Council's total housing stock was as follows:

2016/17 No. of Properties		2017/18 No. of Properties
1,816	Houses	1,810
977	Flats	954
618	Bungalows	616
3,411	Total	3,380

During the year four properties were sold under the Right to Buy Scheme. Six were reclassified, four were purchased during the year and twenty five were removed from the housing stock and will be demolished in 2018/19.

2. Rent Arrears

At the 31 March 2018, tenants' rent arrears were £427k, (£368k as at 31 March 2017) which represented 2.60% of the net rent income due in the year. Arrears totalling £36k were written off during the year. A contribution to the provision for Bad and Doubtful Debts of £96k was made during the year and the balance at year end is £330k.

3. Capital Receipts

There have been four Right to Buy (RTB) sales in 2017/18. Whilst the RTB has been suspended, pre-suspension applications have been completed. Capital receipts of £328k were received from RTB sales in 2017/18, £971k in 2016/17.

4. Analysis of Housing Revenue Account Capital Expenditure

During 2017/18, capital expenditure of £9,000k was incurred on improvements to the Council's housing assets. This includes improvements to existing stock and investment in sites to facilitate the development of additional housing stock. It also includes the acquisition of former housing stock. Total capital expenditure has been financed by four sources: the Major Repairs Allowance (a government grant), capital receipts (from the 'Right to Buy' scheme), Direct HRA revenue contributions and Prudential Borrowing as detailed in the table below.

2016/17 £000	Housing Capital Expenditure	2017/18 £000
7	Quality Performance Management - IT Project	87
1,724	Acquisitions	3,007
6,250	Improvement Works	5,906
7,981	In-year Expenditure	9,000
	<i>Financed by:</i>	
2,420	Major Repairs Allowance (Grant)	2,409
243	Usable Capital Receipts	82
1,497	Direct HRA Revenue Contributions	1,647
3,821	Prudential Borrowing	4,862
7,981	Total	9,000

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 2017/18 are shown below:

2016/17 £000		2017/18 £000
2,099	Operational Assets – Dwellings	2,111
63	Operational Assets – Communication Systems	63
2,162	Total Depreciation	2,174
1,944	Impairment and Revaluation Losses	6,536
4,106	Total HRA Depreciation, Impairment & Revaluation Losses	8,710

In 2016/17 100% of the Council Houses were revalued, the next 100% revaluation will be in 2021/22. In 2016/17 £6.1m of impairment losses was charged to the Revaluation Reserve.

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:

2016/17 £000	Comprehensive Income and Expenditure Statement	2017/18 £000
	<u>Net cost of services:</u>	
437	Current Service Cost	702
0	Past Service Costs	16
	<u>Net Operating Expenditure</u>	
22	Pension Administration Expenses	24
234	Net Interest Expense	225
693	Net charge to the Comprehensive Income & Expenditure Statement	967
	Movements on the HRA statement	
(693)	Reversal of net charges made for retirement benefits in accordance with the Code	(967)
493	Employer's contribution payable to the Clwyd Pension Fund Scheme	579

Section 5: The independent auditor's report of the Auditor General for Wales to the members of Denbighshire County Council**Report on the audit of the financial statements****Opinion**

I have audited the financial statements of Denbighshire County Council for the year ended 31 March 2018 under the Public Audit (Wales) Act 2004.

Denbighshire County Council's financial 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 and the related notes, including a summary of significant accounting policies.

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 2018 based on International Financial Reporting Standards (IFRSs).

In my opinion the accounting statement and related notes:

- give a true and fair view of the financial position of Denbighshire County Council as at 31 March 2018 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2018.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of Denbighshire County Council in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the responsible financial officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about Denbighshire County Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The responsible financial officer is responsible for the other information in the annual report and accounts. The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated later in my report, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements 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.

Report on other requirements

Opinion on other matters

In my opinion, based on the work undertaken in the course of my audit:

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018;
- The information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Annual Governance Statement has been prepared in accordance with guidance.

Matters on which I report by exception

In the light of the knowledge and understanding of Denbighshire County Council and its environment obtained in the course of the audit, I have not identified material misstatements in the Narrative Report or the Annual Governance Statement.

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 financial 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.

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.

Responsibilities

Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the responsible financial officer is responsible for the preparation of the statement of accounts, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

In preparing the statement of accounts, the responsible financial officer is responsible for assessing Denbighshire County Council's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered

material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Anthony J Barrett
For and on behalf of the Auditor General for Wales
28 September 2018

24 Cathedral Road
Cardiff
CF11 9LJ

Section 6: Annual Governance

Statement 2017-18

What is the Annual Governance Statement for?

Good governance in Denbighshire County Council (the Council):

- encourages better-informed and longer-term decision-making, as well as the efficient use of resources.
- strengthens accountability for the stewardship of those resources.
- is characterised by robust scrutiny, which places important pressures on improving the Council's performance and tackling corruption.
- improves 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.

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, the Corporate Governance Working Group coordinated a self-assessment of our arrangements against the Corporate Governance Framework according to the requirements set out in the CIPFA/Solace 2016 – Guidance Notes for Welsh Authorities. The Senior Leadership Team considered the results and principles requiring further improvement are shown in the Improvement Plan on page 15. A summary of the results of our self-assessment is contained within this document listed under the key principles of good governance that we use in our corporate governance framework.

What are the key principles of the Corporate Governance Framework

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.

The Council's Corporate Governance Framework is based on seven core principles:

- A Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- B Ensuring openness and comprehensive stakeholder engagement
- 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 entity's capacity, including the capability of its leadership and individuals within it
- F Managing risks and performance through robust internal control and strong public financial management
- G Implementing good practices in transparency, reporting, and audit to deliver effective accountability

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 Chief Internal Auditor's Annual Report.

In summary, our self-assessment provides evidence and assurance that the Council has robust governance arrangements in place. The following pages provide a summary of actions and behaviours taken by the Council in relation to each of the seven core principles and their supporting principles. We will monitor and report progress on the improvement action plan to the Corporate Governance Committee on a regular basis.

Principle A

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

Supporting Principles

Behaving with Integrity

Demonstrating strong commitment to ethical values

Respecting the rule of law

How we do this:

- Officers and Members are expected to behave according to the Council's Codes of Conduct, Constitution, and policies and procedures
- The Council has a Standards Committee to promote a high standards of member conduct.
- The Council has shared values, included in the Corporate Plan, which it communicates with Members, officers, residents and partners.
- Codes of Conduct for Members and Officers and requires declaration of business interests and receipt of gifts and /or hospitality.
- These Codes are reviewed periodically to ensure they are operating effectively.
- Key policies are in place to prevent and minimise the risk of fraud. Polices include: Whistleblowing Policy, Anti-Fraud and Corruption Strategy and Financial Regulations and Contract Procedure Rules.
- Decisions taken using Impact Assessment.
- Complaints policy to receive and respond to any complaints received.

- The required leadership and staff behaviours form part of performance appraisals. Expected standard of behaviour within the induction, supervision, training and appraisals and key competencies.
- Council's recruitment policy, induction and training processes incorporate personal behaviours with ethical values.
- Core values of the Council relate to ethical behaviour: Pride, Respect, Unity & Integrity.
- Corporate Governance Committee and Standards Committee terms of reference.
- Compliance with policies and protocols
- Actively seek to deter and prevent fraud and corruption following the Strategy for the Prevention of Fraud, Bribery and Corruption and using Internal Audit's Counter Fraud Plan.. Where irregularity is suspected, ensure that it is thoroughly investigated.

- The Council's Constitution sets out the responsibilities of the Council, the Cabinet, Scrutiny and other Committees, as well as officers, including decision making powers (Scheme of delegation).
- The Constitution sets an expectation on the standards of conduct and this is monitored by the Standards Committee.
- Legal advice provided to officers is recorded and Impact assessments make sure that decisions the Council takes are for the benefit of citizens, communities and stakeholder.
- Effective Anti-Fraud and Corruption framework supported by a number of policies and procedures. Disciplinary cases and any allegations of wrongdoing are investigated accordingly.
- The Council's Monitoring Officer has provisions in place to ensure decisions taken by the Council are within the law and the Council complies with the provisions of its Constitution.

Principle B

Ensuring openness and comprehensive stakeholder engagement

Supporting Principles

Openness

How we do this

- Progress against the Corporate Plan is monitored on a quarterly basis through performance, financial and risk reports to the Cabinet and Scrutiny Committees, which is publicly available.
- Meetings are advertised to the public and carried out in an open environment with more meetings now webcast live on the internet.
- The Council publishes information on its website as part of the publication scheme.
- The Council's commitment to openness is also shown through:
 - Impact assessment for all Council's key decisions;
 - Complaints and Compliments Procedure
 - Well-being objectives;
 - County conversation had big influence on the development of the Corporate Plan and its priorities. Also public consultation on some major decisions undertaken through the Council's website;
 - Formal and informal engagement models with employee and communities e.g. alternative delivery models and Member Area Groups;
 - Engagement with Trade Unions.

Engaging comprehensively with institutional stakeholders

- County Conversation and Corporate Plan embraces responses from residents.
- Wellbeing Plan.
- The Council uses a variety of methods to engage with stakeholders which include:
 - Communications strategy
 - Community engagement strategy
 - City, town & area planning
 - Directed communication including Social Media
 - Formal and informal meetings with stakeholder groups
 - Stakeholder engagement on strategic issues
 - Service led surveys and questionnaires
- Elected members are democratically accountable to their local area and provide clear leadership role in building sustainable communities.
- The Council relies on informal and formal partnership arrangements to deliver certain outcomes operating under the partnership governance framework.
- Partnership Scrutiny Committee monitors performance of key partnerships.
- Developed and implemented alternative service delivery models to allow for resources to be used more efficiently and effectively.

Engaging stakeholders effectively, including individual citizens and service users

- The Corporate Plan sets out the long-term strategy for the Council and this was developed in consultation with the public and other key stakeholders.
- Formal public consultation arrangements and public meetings held to ascertain stakeholder views prior to developing and implementing key changes.
- Citizen's Panel established comprising Denbighshire residents who are tasked with giving their views on Council services and issues affecting Denbighshire.
- Other methods to engage with individual citizens, service users and key stakeholders comprise of the following:
 - Public service board's communications and engagement strategy
 - Communications strategy
 - County Conversation
 - Resident survey
 - Undertaking impact assessments for all significant Council decisions
 - Wellbeing assessment and well-being objectives set
 - Using the results of customer satisfaction surveys to improve service delivery.
 - Complaints reviewed and improvements made where possible

Principle C

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

Supporting Principles

Defining outcomes

Sustainable economic, social and environmental benefits

How we do this

- The Council's long term vision and priorities are set out in the Corporate Plan. These have been formed with consideration of the Wellbeing and Future Generations Act's requirements.
- A Medium Term Financial Strategy and annual budget process ensure that financial resources are directed to the Council's priorities.
- The Council works in partnership with other organisations where there are shared objectives and advantages from working together.
- The Council operates a structured approach to commissioning services and defining outcomes.
- Contract management and monitoring arrangements are in place to ensure that services and expected outcomes are delivered to the required standard.
- Organisational objectives are delivered through Programme Boards and political decision making processes.
- Service Planning consideration including sustainability of service delivery.
- All Council decisions require completion of an impact assessment.
- Risk Management Strategy ensures consistent application of risk registers and terminology. Risk Management is applied at corporate, project, partnership and service plan levels and is reported using the corporate performance system (Verto). Council decision report require an assessment of the risk of making, and not making, the decision.
- The County's Well-being Plan and delivery of the Public Services Board's priorities ensure that public services work effectively together.

- The Council has set up 'Reshaping the Council' programme board to identify efficiency savings across the organisation in a systematic and considered way.
- Procurement Strategy defines expectations around economic, social and environment benefits which inform service specifications, tenders and contracts.
- Business Continuity Plan developed and tested to ensure that critical services can be maintained and recovered during an emergency situation.
- Council decisions require completion of an impact assessment, which takes account of the seven sustainability principles and legislative requirements of the Well-being and Future Generations (Wales) Act 2015.
- Budget setting of the Capital Programme and MTFs and longer term business planning using forecasting models.
- Programme and project management requires consideration of long term risks, sustainability and value for money.
- Community risk register focuses on long term risks to population. This is shared regionally with Public Services Board.

Principle D

Determining the interventions necessary to optimise the achievement of the intended outcomes

Supporting Principles

Determining interventions

Planning interventions

Optimising achievement of intended outcomes

How we do this

- The Council's decision making process ensures that decision makers receive objective and robust analysis of several options to show how outcomes will be achieved, along with an impact assessment and the risks and opportunities associated with these options to help inform their decisions.
- Public consultation is carried out when making decisions concerning significant service changes to ensure that feedback from citizens and service users inform the decision.
- Assessment of Local Wellbeing informed the Corporate Plan and in turn Service Plans.
- Citizens Panel set up to obtain views on services from a selection of Denbighshire residents.
- Engagement portal and toolkit developed to facilitate communication.

- The Corporate Plan sets out the Council's priorities and plans, following public consultation as part of the County Conversation.
- Quarterly performance reports, analysing trends, and financial reports to Cabinet and Scrutiny Committees and mitigations strategies are implemented to manage any perceived risks.
- Service plans include local as well as national performance indicators.
- Service challenge process involves measuring service performance through comparison of national performance indicators and benchmarking data.
- Risk management applied when working in partnership and collaboratively.
- Budget planning process in place to prepare budgets in accordance with objectives, strategies and the Medium Term Financial Plan (MTFP).

- Budget planning process involves service input and elected Member input to ensure that resource requirements for the services are identified as well as highlighting any shortfall in resources and spending requirements.
- 'Social value' through service planning and commissioning is achieved through the Procurement Strategy and Corporate Procurement Rules. Also, wellbeing statements are linked to service plans and wellbeing impact assessments inform key decisions and changes to services or policies.
- The Medium Term Financial Plan (MTFP) shows how the Council's resources will be deployed over the next few years to deliver agreed outcomes and priorities. It sets out the level or resources that will be available and how these are currently allocated between services.

Principle E

Developing the entity's capacity, including the capability of its leadership and the individuals within it

Supporting Principles

Developing the entity's capacity

Developing the capability of the entity's leadership and other individuals

How we do this

- The Service Challenge process shows how the Council reviews its operations, performance, and use of assets on a regular basis to ensure they continue to be effective. This involves research and benchmarking exercises and review of national and local performance indicators.
- Regular reviews of service delivery, performance and risks through team meetings and quarterly performance reporting.
- Collaborative and partnership working in place both regionally and nationally and monitoring through boards and committee structure to ensure added value is achieved.
- The Council has an alternative service delivery model framework that includes business case, options appraisal etc. This forms part of Financial Regulations.
- The Council has developed a workforce plan to enhance the strategic allocation of resources.
- Organisational development planning is in place to identify future workforce capability and progression.
- Flexible working practices including hot-desking and working from home to make more efficient use of resource.

- The Council's Constitution clearly outlines the roles of elected and appointed leaders to enable shared understanding of roles and objectives. It also specifies the types of decisions that are delegated within its Scheme of Delegation.
- Leadership Strategy is in place to develop leadership and management skills of Senior Management.
- Appraisal system assesses whether leaders' objectives are being met.
- Scrutiny Chairs meeting enables discussion of roles and agendas for scrutiny meetings.
- Skilled and experienced lay members appointed to Corporate Governance Committee and Standards Committee to enhance capability and effectiveness.
- Induction process for members and employees.
- Development needs are identified through one to one, supervision and appraisal meetings. Also the elected members' development strategy sets out a training plan for members.
- Committees review its own performance annually and an opportunity to identify areas for improvement and training needs.
- Training is delivered using a variety of methods including e-learning modules which are mandatory for certain subjects e.g. Data Protection, Safeguarding.
- The health and wellbeing of the workforce to support and maintain their physical and mental wellbeing is provided through various HR policies and support, flexible working approach, home working and the Occupational Health Service.

Principle F

Managing risks and performance through robust internal control and strong public financial management

Supporting Principles

Managing risk

Managing performance

Robust internal control

Managing data

Strong public financial management

How we do this

- The Council has a Risk Management Strategy which defines roles and responsibilities for managing risk, confirms that risk management is an integral part of the Council's activities including service planning, option appraisals and decision making.
- Business Continuity arrangements are in place to ensure that critical service can continue to be delivered during an emergency.
- Corporate Governance Committee is responsible for monitoring the adequacy of risk management arrangements within the Council
- Annual assurance provided by Internal Audit Services.

- Members and senior management are provided with regular reports on service performance against key performance indicators and milestones
- Service Challenge Process reviews performance
- Discussions between elected members and officers on the information required to support decision making.
- Council reports include risk assessment and impact assessments to inform decisions.
- Programme and project management approach monitor delivery of priorities and key outcomes.

- Internal Audit Service has identified improvement areas during the year, and action plans agreed with management to address them. The Chief Internal Auditor provides medium assurance overall on the adequacy of the Council's internal control, risk management and governance arrangements.
- The Council takes fraud and corruption very seriously as detailed within the Anti-Fraud and Corruption Strategy, and Whistleblowing Policy.

- The Council has policies and arrangements in place to manage the handling of data. These are the Data Protection Policy, Freedom of Information Policy and Information Security Policy.
- Information sharing protocols are in place when sharing data with partners.
- Information Governance Group responsible for implementing changes in response to the General Data Protection Regulations.
- E-learning module on data protection is mandatory.
- Internal audit and external regulatory review of quality and accuracy of information used for decision making and performance monitoring.

- Financial management supports the delivery of services and transformational change as well as securing good stewardship.
- Monthly finance reports reviewed by Cabinet and available to the public.
- External Audit review and report on the Council's financial statements (including the Annual Governance Statement).
- A programme board is being established to identify future savings and efficiencies to ensure the Council's strong financial position is sustainable.

Principle G

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

Supporting Principles

Implementing good practice in transparency

Implementing good practices in reporting

Assurance and effective accountability

How we do this

- The Council uses clear layout and presentation of its reports in order to present key information to decision-makers.
- Agenda and minutes of Council meetings are publicly available on the Council's internet along with live webcast of the meeting.
- Freedom of Information and publication scheme ensures the public have access to information held by the Council.

- Annual Statement of Accounts gives clear information on the income and expenditure of the Council and demonstrates the Council's stewardship of public money for the year.
- Annual Governance Statement published which shows how we monitor effectiveness of our governance arrangements during the year and the planned improvements for the coming year.
- The Corporate Governance committee review and approve the Annual Statement of Accounts and Annual Governance Statement.
- Internal audit review of services delivered through an Alternative Service Delivery Model confirms that adequate governance arrangements are in place.

- Corporate Governance Committee oversees and reviews the adequacy and effectiveness of the governance arrangements and internal control environment operating within the Council. The Committee periodically reviews its own performance against best practice.
- Risk based internal auditing provides ongoing assurance that key risks to the Council achieving its objectives are being managed.
- Service challenge and inspection from regulatory bodies and external compliance reviews. Actions from these reviews are used to improve services delivery.
- Internal Audit self-assessment and externally assessed against the Public Sector Internal Audit Standards to ensure an effective internal audit service
- All agreed actions from Internal Audit reviews are monitored regularly with reports to each Corporate Governance Committee.
- Internal Audit reviews over suitable protocols in place to manage risks associated with alternative service delivery models. Assurance reported to Corporate Governance Committee and relevant Senior Management.
- Partnership Governance Framework in place and reports to Partnership Scrutiny Committee

Key contributors to developing and maintaining the Governance Framework

Council	<ul style="list-style-type: none"> – Approves the Corporate Plan – Endorses the Constitution – Approves the policy and financial frameworks
Cabinet	<ul style="list-style-type: none"> – Primary decision making body of the Council – Comprises of the Leader of the Council and Cabinet members who have responsibility for specific portfolios
Corporate Governance Committee	<ul style="list-style-type: none"> – Help raise the profile of internal control, risk management and financial reporting issues within the Council, as well as providing a forum for the discussion of issues raised by internal and external auditors
Standards Committee	<ul style="list-style-type: none"> – Standards Committee promotes high standards of conduct by elected and co-opted members and monitors the operation of the Members' Code of conduct.
Programme Boards	<ul style="list-style-type: none"> – Track efficiencies, highlighting risk and mitigating actions to achievement – Consider the robustness of efficiency planning and forecasting and consider resourcing of planned delivery – Plan communication and engagement activity
Scrutiny Committees	<ul style="list-style-type: none"> – Review and scrutinise the decisions and performance of Council, Cabinet, and Committees – Review and scrutinise the decisions and performance of other public bodies including partnerships
Senior Leadership Team	<ul style="list-style-type: none"> – Set governance standards – Lead and apply governance standards across portfolios – Feed into the annual self-assessment
Internal Audit	<ul style="list-style-type: none"> – Provide an annual independent and objective opinion on the adequacy and effectiveness of internal control, risk management and governance arrangements – Investigates fraud and irregularity

How has the Council addressed the governance improvement actions from 2016/17?

The Annual Governance and Improvement Assessment 2016/17 contained the following improvement actions. Here is how they have been addressed:

Improvement Area	Responsibility	Progress as at March 2018
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.	Chief Internal Auditor	Review of Citizens Advice Denbighshire's governance arrangements is complete and given a high assurance rating overall Complete
The Council has not undergone a review to assess the robustness of its counter-fraud and anti-corruption arrangements.	Chief Internal Auditor	Phase 1 and 2 of Internal Audit's review of Managing the risk of Fraud against the CIPFA Code of Practice is complete. Complete
The WAO report ' <i>Savings Planning - Denbighshire County Council</i> ' identified two proposals for improvement to strengthen financial arrangements: Develop an income generation/charging policy Formally risk rate savings according to achievability and identify sustainable mitigating actions for those classified as high risk.	Head of Finance	Both proposals for improvement have been implemented: <ul style="list-style-type: none"> Income policy was approved by Cabinet and forms part of the budget process; Risk rating of savings has been incorporated into the budget process for 2018/19. Complete
The WAO report ' <i>Good Governance when determining significant service changes - Denbighshire County Council</i> ' identified one improvement: The Council's governance arrangements could be strengthened by consistent, timely monitoring of the impact of each significant service change.	Head of Business Improvement & Modernisation	There are a range of actions planned: <ul style="list-style-type: none"> Version 2 of the Well-Being Impact Assessment contains strengthened analysis of Equality Impacts. This has not been published as yet. Scrutiny Committees will be updated with the Actions agreed at Service Challenges. New programme Boards will play an active role in monitoring the impact of changes made to services as part of the Corporate Plan.
The ICO recommended that the Council should develop a formal policy on staff taking personal data relating to their clients out of the office.	Business Information Team Manager	The Personal Data Policy has been drafted and is currently being consulted on with services through the Information Governance Group. The policy is awaiting formal approval by Joint Trade Union Committee.

Improvement Area	Responsibility	Progress as at March 2018
		In the meantime the draft policy will be placed on the Council's Intranet and commence awareness raising thereafter.

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: (Leader)2018

Signed: (Chief Executive)2018

Appendix A - Governance Improvement Action Plan 2017/18

Improvement Area	Action	Responsibility	Timescale
Further to the action completed in last year's improvement plan in response to the WAO report ' <i>Good Governance when determining significant service changes - Denbighshire County Council</i> ', the Council considers further improvement is possible to ensure consistent, timely monitoring of the impact of each significant service change.	Chairs of decision making committees including Cabinet be reminded to ensure that debates include consideration of impact assessments. Pre-decision scrutiny to include consideration of the nature and frequency of future impact monitoring where appropriate.	Head of Business Improvement & Modernisation and Head of Legal, HR & Democratic Services	31 March 2019
Risks associated with significant service changes need to be better reflected within the decision reports so that the Council's decision is informed properly. Any notable adverse impacts identified within the impact assessment should be reflected within the risk assessment.	The guidance notes contained within the Report Templates will be reviewed to emphasise the need to identify and clearly explain within the body of the report any associated risk and impacts.	Strategic Planning Team Manager and Head of Legal, HR and Democratic Services	31 March 2019
Promote officer awareness of the code of conduct including Declaration of interests and whistleblowing policy	An e-learning training module will be rolled out to new staff initially and then to all staff.	Strategic HR Manager	31 March 2019
Budget gap identified in the MTFP and a new programme board is being established to identifying savings. The Council needs to capture how savings will be achieved within the required timeframe to address the budget gap.	Board established, terms of reference agreed and process for 2019/20 begun.	Head of Finance	28 February 2019
Transition relating to changes within the Senior Leadership Team to minimise impact to service delivery.	Processes in place to manage changes at senior level to ensure new officers fully deliver their roles and responsibilities effectively.	SLT & HR	31 December 2018
Increased reliance on partners to work with the Councils to deliver key services requires robust arrangements for overseeing and monitoring to ensure that they are effective.	Review Partnership Governance Manual and SLT to be made aware so that partnerships apply the requirements.	Strategic Planning Team Manager & SLT	31 March 2019

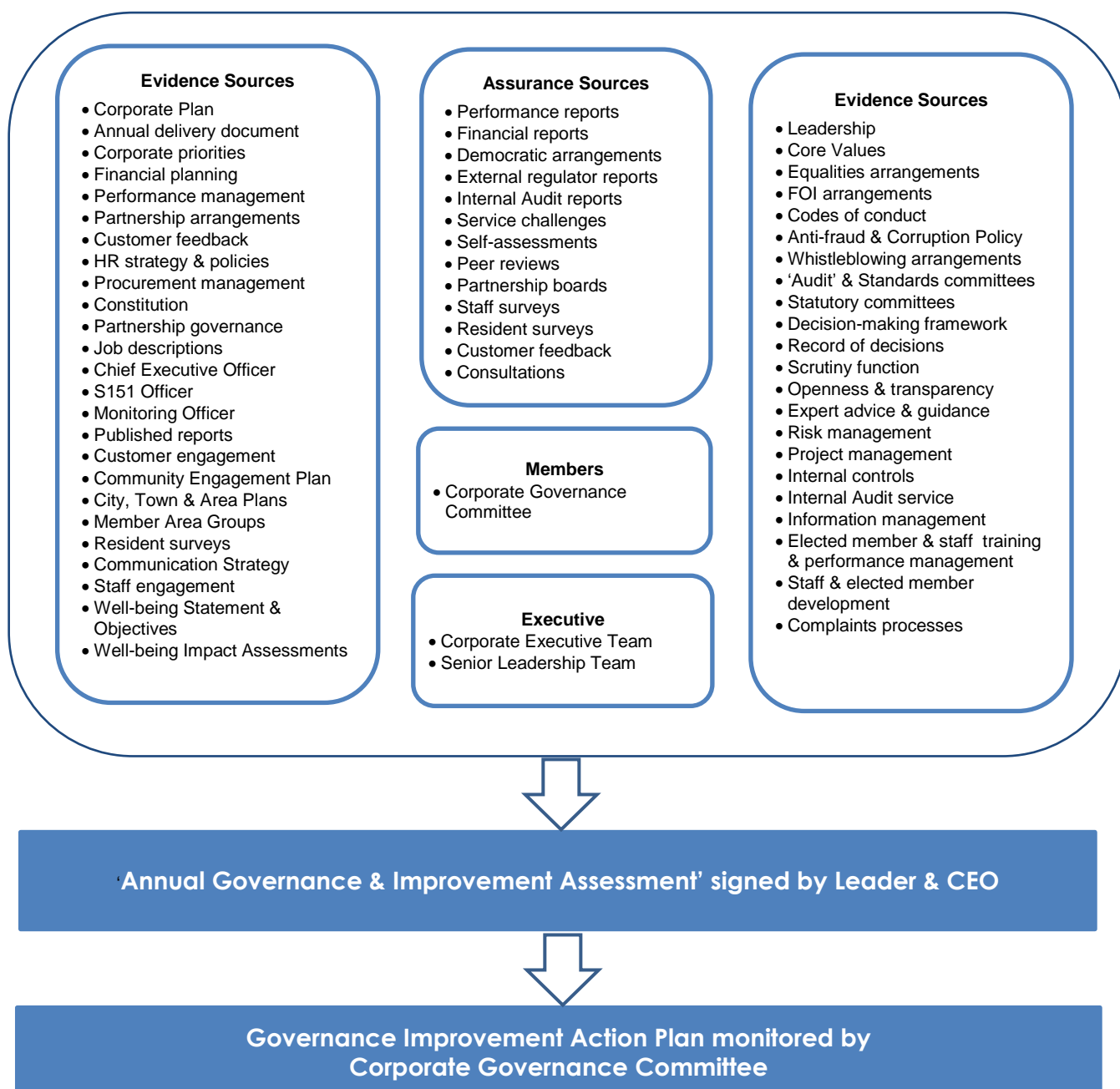
Improvement Area	Action	Responsibility	Timescale
Increasing number of core services are being delivered through large and complex contracts require effective arrangements for contract management.	Internal Audit review of Contract Management in 2018/19.	Chief Internal Auditor	30 June 2019
Demonstrate that proposed benefits are achieved from major programmes and projects.	Internal Audit review of programme and project management benefit realisation in 2018/19.	Chief Internal Auditor	31 March 2019
Compliance with General Data Protection Regulations from May 2018 will require significant resource from across the Council.	Information Governance Group has developed an action plan and reliance on services to assist with implementing the necessary actions to comply with the new regulations. Communication and mandatory training to be delivered as per the action plan.	Head of Business Improvement & Modernisation	31 March 2019

Appendix B - Summary of our governance framework

Denbighshire County Council Corporate Governance Framework

Principles of Good Governance

- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- B. Ensuring openness and comprehensive stakeholder engagement
- 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



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 a 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.

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.

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 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.



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru
Auditor General for Wales

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

Audit year: 2017-18

Date issued: September 2018

Document reference: 809A2018-19

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.

This document is also available in Welsh.

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

Contents

This document summarises the conclusions on the 2017-18 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 2018 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 £3.537 million for income and expenditure items and working capital balances, and £3.537 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 2017-18, that require reporting under ISA 260.
- 6 We are particularly grateful to the officers of the Council for the assistance provided during the course of the audit.

Status of the audit

- 7 We received the draft financial statements for the year ended 31 March 2018 on 15 June, being two weeks earlier than the agreed deadline of 30 June 2018. We have now substantially completed the audit work although there are a small number of audit procedures outstanding including our final review of our audit work.
- 8 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 Council officers, including the Chief Accountant and Head of Finance.

Proposed audit report

- 9 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](#).
- 10 The proposed audit report is set out in [Appendix 2](#).

Significant issues arising from the audit

Uncorrected misstatements

11 We set out below the misstatements identified in the financial statements, which have been discussed with management but remain uncorrected, and request that they are corrected. If you decide not to correct the misstatements, we ask that you provide us with the reasons for non-correction. The misstatements relate to accounting treatments and disclosures within Property Plant and Equipment (Note 14). The misstatements do not impact on the Council's General Fund.

Property Plant and Equipment is, in total, understated by £135,176 due to the following misstatements:

- an asset has been incorrectly written out of Other Land and Buildings which has resulted in an understatement of Other Land and Buildings of £82,162.
- an asset comprising of land and buildings has been revalued in the year, but this valuation has not been updated within the fixed asset register or the accounts. Other Land and buildings has been understated by £14,008.
- an asset held within Assets Held for Sale has been incorrectly revalued to nil and the revaluation loss charged to the Comprehensive Income and Expenditure. The asset should have been transferred out of Assets Held for Sale into Surplus assets. Assets Held for Sale has been understated by £39,000.

Further misclassifications have been identified:

- assets held in trust by the Council, but not owned by the Council, were previously incorrectly held within the Authority's balance sheet as non-current assets within Other Land and Buildings. This error was identified in 2017-18 and was incorrectly accounted for as a revaluation loss when it should have been treated as derecognition of the assets. This has resulted in a classification misstatement within Note 14 of £98,685 from 'Revaluation decrease recognised in the Surplus/Deficit on the Provision of Services' to 'Derecognition Other'.
- the treatment of a prior year disposal, previously not recorded in the fixed asset register, as a revaluation loss is incorrect. Expenditure on the provision of services is overstated by £21,800 while Note 9 'Other Operating Expenditure': Loss on Held for Sale Assets and the disposal of non-current assets has been understated by £60,000.
- property plant and equipment is overstated by a net value of £447,000 and Assets Held for Sale is understated by £450,000, including a revaluation gain of £3,000, due to an asset that is currently on sale included within operational assets in error.

- the Gross Cost and Gross Accumulated Depreciation of Surplus Assets have been overstated by £192,500. Although the NBV of the asset is correctly stated the gross position should be correctly reflected within the Property, Plant and Equipment Note.

Corrected misstatements

- 12 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

- 13 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 is one other matter 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 in the financial statements. We have reported to you during the last 3 years that, although these spreadsheets are well maintained and support the preparation of the accounts, we have concerns over the ability of the system to support a more streamlined accounts closure process, in particular the ease at which the accounting for revaluations is accomplished.

[Appendix 3](#) details amendments made to the draft financial statements following our audit. The vast majority of these relate to corrections made to the accounting treatment and disclosures of Property, Plant and Equipment (PPE).

Last year we recommended:

- 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 ([see paragraphs 17 to 20 below](#)).

Although some progress has been made in recent years regarding the above, there are still improvements needed to ensure that the PPE movements and valuations are correctly reported within the draft accounts. This has the benefit of reducing the additional time spent on this aspect of the account by the audit team. It also reduces officer time required to correct the financial statements for any audit adjustments.

- **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

- 14 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.
- 15 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.
- 16 We have therefore complied with ethical standards and in our professional judgment, we are independent and our objectivity is not compromised.

The financial statements and audit deadlines going forward

- 17 Under the Accounts and Audit (Wales) (Amendments) Regulations 2018¹, in the future the Council and the Auditor General are required to meet earlier statutory deadlines. Under the amended regulations the new deadlines are due to change in stages, with the final change taking effect from 2020-21. [Exhibit 1](#) sets out the new dates.

¹ www.legislation.gov.uk/wsi/2018/91/contents/made

Exhibit 1: changes introduced by the amended regulations

Annual financial statements	Financial statements signed by the responsible finance officer (Section 151 Officer)	Financial statements approved by the Council and published (with the signed audit certificate or an explanation for its absence)
2017-18	30 June 2018	30 September 2018
2018-19	15 June 2019	15 September 2019
2019-20	15 June 2020	15 September 2020
2020-21 and thereafter	31 May 2021	31 July 2021

- 18 For the 2017-18 financial statements, management have made some progress in producing the Council's draft financial statements earlier. After submitting the statements for audit, Council officers were present and available, and they engaged with us responsively and knowledgeably. These attributes were crucial in enabling us to conclude the majority of our main testing before the end of August.
- 19 This year management retained the Corporate Governance Committee (to consider and approve the audited financial statements) in September 2018, because the preparation and audit of the financial statements may not have met the earlier target dates that had been set. However, in the context of the revised deadlines set out above, the Council needs to consider the timings of the Corporate Governance Committee for the approval of the 2018-19 financial statements.
- 20 This coming Autumn, we will continue to work closely with officers to ensure that further improvements are made to the preparation and audit of the 2018-19 financial statements. A key aspect of these improvements will be to bring more of our audit work forward, so that where possible it is completed before we receive the draft financial statements.

Appendix 1

Final Letter of Representation

Denbighshire County Council

Auditor General for Wales

Wales Audit Office

24 Cathedral Road

Cardiff

CF11 9LJ

26 September 2018

Representations regarding the 2017-18 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 2018 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

Management representations

Responsibilities

We have fulfilled our responsibilities for:

- the preparation of the financial statements in accordance with legislative requirements and the code of practice on local authority accounting in the UK; 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; and
- 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. The effects of uncorrected misstatements identified during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

A summary of these items is set out below:

- an asset has been incorrectly written out of Other Land and Buildings which has resulted in an understatement of Other Land and Buildings of £82,162.
- an asset comprising of land and buildings has been revalued in the year, but this valuation has not been updated within the fixed asset register or the accounts. Other Land and buildings has been understated by £14,008.
- an asset held within Assets Held for Sale has been incorrectly revalued to nil and the revaluation loss charged to the Comprehensive Income and Expenditure. The asset should have been transferred out of Assets Held for Sale into Surplus assets. Assets Held for Sale has been understated by £39,000.
- assets held in trust by the Council, but not owned by the Council, were previously incorrectly held within the Authority's balance sheet as non-current assets within Other Land and Buildings. This error was identified in 2017-18 and was incorrectly accounted for as a revaluation loss when it should have been treated as derecognition of the assets. This has resulted in a classification misstatement within Note 14 of £98,685 from 'Revaluation decrease recognised in the Surplus/Deficit on the Provision of Services' to 'Derecognition Other'.
- the treatment of a prior year disposal, previously not recorded in the fixed asset register, as a revaluation loss is incorrect. Expenditure on the provision of services is overstated by £21,800 while Note 9 'Other Operating Expenditure': Loss on Held for Sale Assets and the disposal of non-current assets has been understated by £60,000.
- Property, Plant and Equipment is overstated by a net value of £447,000 and Assets Held for Sale is understated by £450,000, including a revaluation gain of £3,000, due to an asset that is currently on sale included within operational assets in error.
- the Gross Cost and Gross Accumulated Depreciation of surplus assets have been overstated by £192,500. Although the NBV of the asset is correctly stated the gross position should be correctly reflected within the Property, Plant and Equipment Note.

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. We approved the financial statements on 26 September 2018.

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

Signed by:

Councillor Barry Mellor

Date: 26 September 2018

Date: 26 September 2018

Appendix 2

Proposed audit report of the Auditor General to Denbighshire County Council

The independent auditor's report of the Auditor General for Wales to the members of Denbighshire County Council

Report on the audit of the financial statements

Opinion

I have audited the financial statements of Denbighshire County Council for the year ended 13 March 2018 under the Public Audit (Wales) Act 2004.

Denbighshire County Council's financial 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 and the related notes, including a summary of significant accounting policies.

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 2018 based on International Financial Reporting Standards (IFRSs).

In my opinion the accounting statement and related notes:

- give a true and fair view of the financial position of Denbighshire County Council as at 31 March 2018 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2018.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of Denbighshire County Council in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

- the responsible financial officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about Denbighshire County Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The responsible financial officer is responsible for the other information in the annual report and accounts. The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated later in my report, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements 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.

Report on other requirements

Opinion on other matters

In my opinion, based on the work undertaken in the course of my audit:

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Annual Governance Statement has been prepared in accordance with guidance.

Matters on which I report by exception

In the light of the knowledge and understanding of Denbighshire County Council and its environment obtained in the course of the audit, I have not identified material misstatements in the Narrative Report or the Annual Governance Statement.

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 financial 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.

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.

Responsibilities

Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the responsible financial officer is responsible for the preparation of the statement of accounts, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

In preparing the statement of accounts, the responsible financial officer is responsible for assessing Denbighshire County Council's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Anthony J Barrett
For and on behalf of the Auditor General for Wales
28 September 2018

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Appendix 3

Summary of corrections made to the draft financial statements which should be drawn to the attention of the Corporate Governance Committee

During our audit we identified the following misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process.

Value of correction	Nature of correction	Reason for correction
£1,067,000	<p>Note 14 Property Plant and Equipment: Infrastructure Assets</p> <p>Expenditure on infrastructure assets had been incorrectly classified as Council Dwellings and the expenditure fully impaired to the Comprehensive Income and Expenditure Statement (CI&ES). To correct this position, infrastructure assets have been increased by £1,067,000 and the expenditure within the CI&ES reduced by the same amount</p> <p>This amendment has also impacted on the following statements and notes:</p> <ul style="list-style-type: none">• Expenditure and Funding Analysis• Movement in Reserves Statement• Cash Flow Statement (including Note 23)• Note 7 Expenditure and Income Analysed by Nature• Note 8 Adjustment between Accounting Basis and Funding Basis under Regulations• Housing Revenue Account CI&ES	<p>To correctly disclose the assets and ensure full compliance with the Code of Practice on Local Authority Accounting.</p>

Value of correction	Nature of correction	Reason for correction
	<ul style="list-style-type: none"> • Housing Revenue Account Movement in Reserves Statement • Housing Revenue Account Note 5 	
£455,000	<p>Note 14 Property Plant and Equipment: Council Dwellings.</p> <p>Non-operational assets had been incorrectly included within Council Dwellings. To correct the position these assets have been transferred to Surplus Assets and have been impaired to the CI&Es (£506,000) & Revaluation Reserve (£36,000).</p> <p>In addition, IT assets not yet in use had been included within Council Dwellings and fully impaired to the CI&ES. The assets have been moved to Assets Under Construction and the impairment charge removed from Expenditure within the CI&E (£87,000).</p> <p>This amendment has also impacted on the following statements and notes:</p> <ul style="list-style-type: none"> • Expenditure and Funding Analysis • Movement in Reserves Statement • Cash Flow Statement (including Note 23) • Note 7 Expenditure and Income Analysed by Nature • Note 8 Adjustment between Accounting Basis and Funding Basis under Regulations • Note 9 Other Operating Expenditure • Note 22 Unusable Reserves 	To correctly disclose the assets and ensure full compliance with the Code of Practice on Local Authority Accounting.

Value of correction	Nature of correction	Reason for correction
	<ul style="list-style-type: none"> HRA CI&ES HRA Movement in Reserves Statement HRA Note 5 	
£2,248,000	<p>Note 14 Property Plant and Equipment: Other Land and Building.</p> <p>Valuations applied to some of the car parks owned by the Council were incorrect. These changes have impacted on the following statements and notes:</p> <ul style="list-style-type: none"> Expenditure and Funding Analysis Comprehensive Income and Expenditure Account Movement in Reserves Statement Note 7 Expenditure and Income Analysed by Nature Note 9 Other Operating expenditure Note 22 Unusable reserves: Revaluation Reserve and Capital Adjustment account Note 23 Cash Flow Statement 	To correctly disclose the assets and ensure full compliance with the Code of Practice on Local Authority Accounting.
£10,000	<p>Note 14 Property Plant and Equipment: Other Land and Building.</p> <p>Valuations applied to some of the car parks owned by the Council were incorrect. One car park valuation was understated by £140,000, others were understated by a total of £150,000</p> <p>These changes have impacted on the following statements and notes:</p> <ul style="list-style-type: none"> Expenditure and Funding Analysis 	To correctly disclose the assets and ensure full compliance with the Code of Practice on Local Authority Accounting.

Value of correction	Nature of correction	Reason for correction
	<ul style="list-style-type: none"> • Comprehensive Income and Expenditure Account • Movement in Reserves Statement • Balance Sheet • Cash Flow Statement (including note 23) • Note 7 Expenditure and Income Analysed by Nature • Note 8 Adjustment between Accounting Basis and Funding Basis under Regulations • Note 9 Other Operating expenditure • Note 22 Unusable reserves: Revaluation Reserve and Capital Adjustment account 	
£303,000 Various	<p>Note 14 Property Plant and Equipment</p> <p>Further adjustments have been made to correctly account for infrastructure assets, and Community Asset equipment with corresponding entries within the following areas:</p> <ul style="list-style-type: none"> • Expenditure and Funding Analysis • Comprehensive Income and Expenditure Account • Movement in Reserves Statement • Note 8 Adjustment between Accounting Basis and Funding Basis under Regulations • Note 22 Unusable reserves: Revaluation Reserve and Capital Adjustment account 	To correctly disclose the assets and ensure full compliance with the Code of Practice on Local Authority Accounting.
£ Various	A number of below material narrative, presentational and other amendments were made to the accounts.	To ensure full compliance with the Code of Practice on Local Authority Accounting, ensure

Value of correction	Nature of correction	Reason for correction
	<p>The disclosures affected were:</p> <ul style="list-style-type: none"> • The Narrative Report • Accounting Policies • Comprehensive Income and Expenditure Account • Movement in Reserves Statement • Balance sheet • Cash Flow Statement • Note 7 Expenditure and Income Analysed by Nature • Note 8 Adjustments between Accounting Basis • Note 14 Capital Commitments • Note 15 Financial Instruments • Note 17 Debtors • Note 19 Short Term Creditors • Note 20 Movements in Earmarked reserves • Note 21 Usable Reserves • Note 22 Unusable Reserves • Note 23 Cash Flow Statement • Note 29 Grant Income • Note 30 Related Parties • Note 36 Heritage Assets 	<p>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: 26th September 2018

Lead Members / Officers: Julian Thompson-Hill

Report Author: Richard Weigh

Title: Budget Process 2019/20

1. **What is the report about?**

To provide an overview on the process to set the budget for 2019/20.

2. **What is the reason for making this report?**

The Corporate Governance Committee has an oversight role in respect of the council's budget process. To explain the process underway and the key medium term financial planning assumptions informing it.

3. **What are the Recommendations?**

To consider the process and comment as appropriate.

4. **Report details**

Over the last twelve months, four sessions have been held with elected members outlining the medium term financial position, as set out in the Medium Term Financial Plan (MTFP). The most recent session (in June) highlighted some of the following key points:

- Negative budget settlements in real terms for the last seven years and in cash terms for four out of those last seven years
- Savings and other measures over the same period amount to £35m
- Between 2009 and 2016, with Education and Housing Benefit expenditure removed, the council's overall expenditure reduced by 23%
- Council Tax rises since 2013 have been below the Welsh average
- Analysis and explanation of the central case planning assumptions and key pressures
- A resulting estimated budget gap of £6.4m for 2019/20

In recent years, various approaches have been applied to budget setting, from a form of zero based budgeting underpinning the Freedom and Flexibilities process, to equalised efficiency targets across services in the last two years. Both approaches were supported by corporate financing savings and the prudent use of cash. However, within the context of ongoing funding reductions, external cost pressures and

increasing demand in key areas, the process to set the council's budgets and to determine the medium term financial strategy has been revised.

In January 2018, an internal board was established to:

- Define and deliver a Medium Term Financial Strategy to the end of 2022/23
- Ensure a balanced budget can be set each financial year within the programme
- Support the delivery of Corporate Priorities
- Provide a managed approach to becoming a smaller, well-run council

The Terms of Reference of the board are attached as Appendix 1. In recent months, it was decided to refer to it as the Reshaping the Council Board.

It is important to note that the Board is not a decision making body. Any proposals arising from the work of the Board will follow existing approval routes and will need to comply with existing consultation and wellbeing assessment requirements, etc.

The Board meets regularly and considers the immediate requirements to deliver a budget annually but in the context of a wider strategic view. In addition, the Chief Executive and the council's SLT have developed a set of principles to support the strategic budget process. These will be reflected in the next published Medium Term Financial Strategy document but encompass an evidence and outcome based process with an emphasis on the Council taking an enterprising and pro-active an approach as possible, to help limit the impact of funding cuts on frontline services and priorities.

The approach taken to begin the process for 2019/20 initially involved services modelling the impact of a funding cut. This, along with detailed analysis of service budgets and strategic consideration by the Board, has resulted in a number of proposals being developed in a phased approach. The phases, of which so far there have been four, reflect the timing of the work the Board has so far completed – i.e. working through different service areas or corporate themes.

The Board has so far identified proposals to be developed, across all service areas, totalling over £4m. Services are now developing these proposals so that those that are ultimately necessary as part of the 2019/20 budget can be taken forward.

The Board also considers key assumptions underpinning the MTFP. The assumptions and risks change throughout the year. Significant changes are highlighted and if necessary the MTFP assumptions are updated: positive or negative. The overall impact of changes, including assumed savings noted above is as follows:

	£k
Opening budget gap	6,472
Positive impact changes	(7,505)
Negative impact changes	3,094
Latest budget gap	2,061

Further phases will continue until sufficient proposals have been identified to address the budget gap.

The key element now to be determined is the level of financial settlement from the Welsh Government. The planning assumption is a reduction of -1% (£1.4m) in cash terms. However, with other assumptions in the MTFP, the impact of such a reduction in settlement results in a budget gap of 5%. This is because the pressures the council has to fund next year are over £8m. The pressures are predominantly outside of the council's control and include pay awards, demand pressure, demography and inflation.

Key dates in the process to note are as follows:

- | | |
|---|---------------------------|
| • Welsh Government Draft Outline Budget | 2 nd October |
| • Provisional Local Government settlement | 9 th October |
| • Welsh Government Detailed Draft Budget | 23 rd October |
| • UK Budget (date to be confirmed) | 21 st November |
| • Welsh Government Final Budget | 18 th December |
| • LG Final Settlement | 19 th December |

If the provisional settlement announced in October is different from the planning assumption, then the Board will consider further options. It is prudent to be mindful that the headline figure announced on 9th October, particularly if it is better than the planning assumption announced may come with caveats or is better simply to recognise some of the unavoidable costs the council has to fund (pay awards for example). Previous draft settlements have also been light on detail regarding specific grants, so this is also something to be mindful of.

At the last budget briefing to elected members in June, it was proposed that a further session be arranged following the provisional settlement announcement. The proposed date for this session will be confirmed shortly. Further sessions will be arranged if required.

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

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

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

Based on current assumptions, the council is facing a potential budget gap of over £6m for each of the next three years.

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

Not applicable for this report. The budget process involves an assessment to inform whether individual budget proposals require an impact assessment. It is for Heads of

Service to make this determination initially with further examination by the Budget Board to ensure consistency and appropriateness.

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

Regular reports to CET, SLT and Cabinet Briefing. A budget briefing for all elected members took place in June. Further workshops or briefings will take place in the autumn. Trade unions will be consulted via the Corporate Joint Meetings. Public engagement will be supported by general information on the council's website and there will be specific engagement where appropriate or required on proposals affecting service delivery.

9. Chief Finance Officer Statement

A revised approach to the budget process was necessary to recognise the ongoing financial pressure the council is facing. The requirement to set a balanced budget annually must be framed within a wider strategic direction and the new Board is the vehicle to provide this.

The financial pressures the council is facing are driven mainly by external factors. While the uncertainty over the level of funding from the Welsh Government from year to year is problematic from a financial planning perspective, it is hoped there will be scope to recognise of the scale of the pressures facing councils in the financial settlement or 2019/20 and beyond.

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

The budget process itself is a risk management measure with the aim of identifying, assessing and agreeing budget proposals in a planned and timely way. The process allows some flexibility in response to the funding settlement.

11. Power to make the Decision

Section 151 of the Local Government Finance Act 1972.

Reshaping the Council Budget Board

Outline Terms of Reference

Programme Purpose

Set the strategic direction to determine the shape and size of the council at the end of 2022/23. This will include determining where the council will reduce or remove funding and approving the key assumptions within the Medium Term Financial Plan.

Main Outcomes

Define and deliver a Medium Term Financial Strategy to the end of 2022/23

Ensure a balanced budget can be set each financial year within the programme

Support the delivery of Corporate Priorities

Provide a managed approach to becoming a smaller, well-run council

Programme Vision

A CET/cabinet programme board established to set the strategic direction to reshape the council and deliver significant savings over a four year period. The make-up of the Board allows proposals to deliver this change to be defined from both a corporate and political perspective.

The Board will direct services to develop projects and produce business cases for it to consider. The direction will include setting targets around the level of savings and the timescale within which the proposal should be finalised and the actual saving delivered. Proposals may include complete withdrawal from some service areas.

This will form the basis of a four year programme consisting of a number of projects. Projects will generally be service based but there will be more cross-cutting themes emerging as the programme develops – specifically in relation to support service functions, assets and potentially thematic projects focusing on identifying opportunities to reduce areas of common spend.

Projects should follow the corporate project management methodology.

The core membership is set out below, although key senior officers will be asked to advise as appropriate on specific areas, such as finance, legal, HR, property and ICT.

Governance & Delivery Approach

Programme chair/sponsor Chief Executive

Membership Corporate Directors

Leader of the Council

Lead Cabinet Member with Finance Portfolio

S.151 Officer (Programme Manager)

The Board's responsibilities would include:

- Agreeing the strategic direction to reshape the Council over four years
- Delivery of an agreed transformation programme consisting of numerous projects over a four-year period

- Devising a work programme and timetable to deliver the projects
- Ensuring the risks and benefits of all projects and the strategic direction are understood and managed
- Ensure the financial impact of proposals is fully understood from the service and corporate perspective
- Ensure that regulators are sufficiently consulted where appropriate
- Ensure resources are sufficient to deliver the programme
- Agree actions to overcome obstacles
- Agree a strategy to communicate and engage with staff, elected members, citizens and other stakeholders

Formal decisions would follow existing approval routes and therefore would need to comply with existing requirements regarding consultation, wellbeing impact, etc. The Medium Term Financial Plan and Strategy underpinning the purpose of the Board should be formally approved by Cabinet.

SLT would report to the Board in relation to direction given, whether that be specific projects or in regard to achievement of any saving targets set.

The Board will determine the process to deliver the budget annually, within the four-year programme framework.

The proposed role of the Chair and Programme Manager are set out below:

Chair/Project Sponsor

- Ensure the Board stays focussed on delivering the vision and outcomes
- Ensure proper communication of the vision and outcomes
- Ensure the Programme remains aligned to the Wellbeing of Future Generations Act
- Provide a link with service areas to direct and manage projects, risks, issues and decisions
- Chair and provide strategic management to the Board
- Provide day-to-day executive management of the Board
- Provide support to the Programme Manager to manage risks and resolve issues

Programme Manager

- Plan the programme, advising the Board
- Provide management and monitoring of the overall programme
- Be responsible of the quality and integrity of the programme
- Manage the dependencies and interfaces between projects
- Manage the risks to successful outcomes
- Recommend extra actions where deficits in the programme are identified
- Support outcome owners and project managers where appropriate
- Ensure projects adhere to the corporate project management methodology
- Manage and monitor a programme plan for the Board to track, control and deliver the programme outcomes and benefits
- Identify tranche reviews if appropriate

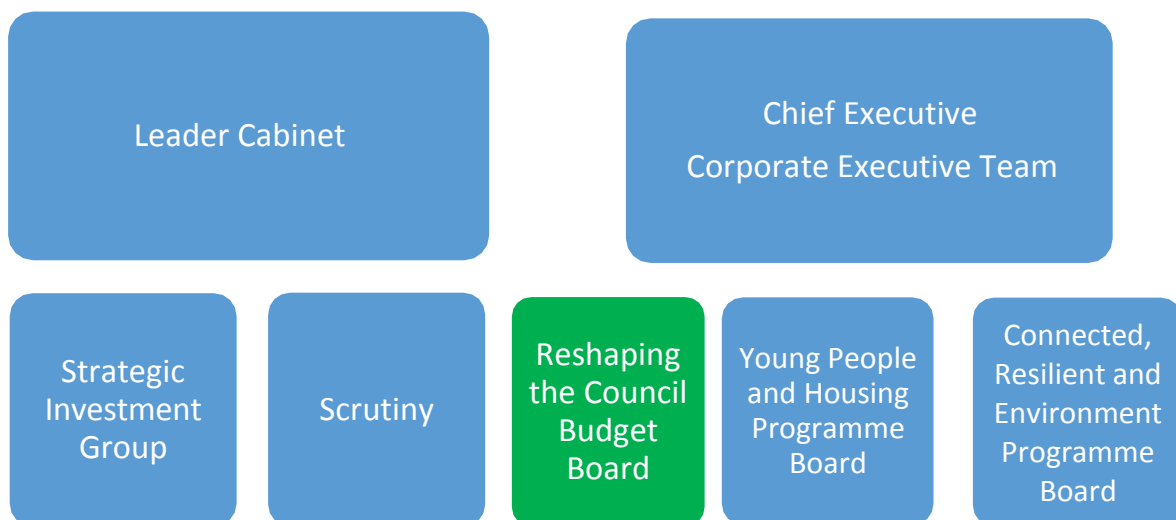
Project management support will be required to support the Board and options for this are being considered. Support will also be required to provide the capacity to deliver the change projects within services or from any cross-cutting corporate projects emerging.

The administration of papers and reports, formats, meeting frequency, submission deadlines etc. are still to be defined.

Financial provision will need to be considered to contribute to or cash-flow the cost of significant service change.

Interdependencies/Links:

- All Denbighshire County Council Services and Strategies
- Corporate Plan Programme Boards
- Cabinet
- SLT
- Corporate Governance Committee
- Wider elected member group
- Leadership Group (middle-managers)
- Staff
- Trade Unions
- Regional strategies -e.g. Regional Growth Bid, Health & Social Care Integration, wider Local Government Reform
- Partners and associated Strategies
- Public Service Board Denbighshire / Conwy
- Strategic Investment Group
- Asset Management Strategy/AMG
- Welsh Language Strategy
- Welsh Government
- Regulators



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Report To: Corporate Governance Committee

Date of Meeting: 26 September 2018

Lead Member / Officer: Hugh Evans, Leader

Report Author: Alan Smith, Head of Business Improvement & Modernisation

Title: **2017-18 Annual Improvement Report**

1. What is the report about?

The report concerns the annual assessment of the Council's prospects for improvement, undertaken by the Wales Audit Office

2. What is the reason for making this report?

To provide information to Members on the Councils Annual Improvement Report (AIR). See Appendix 1

3. What are the Recommendations?

That the Committee note the contents of the attached report and the proposals for improvement within it

4. Report details

Under the Local Government Measure, the Wales Audit Office annually reviews the Council's progress towards meeting its objectives and its prospects for continuing to improve in the year ahead.

For the year 2017-18, the WAO has concluded overall that: *'The Council continues to meet its statutory requirements in relation to continuous improvement' and that: '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'.*

The report does not make any formal recommendations, but does set out some Proposals for Improvement, set out below. Against each, I have included the progress the Council has made to date in responding to these.

	Proposal for Improvement	Progress
P1	The Council's governance arrangements could be strengthened by consistent, timely monitoring of the impact of each significant service change	<ul style="list-style-type: none"> Version 2 of the Well-Being Impact Assessment contains strengthened analysis of Equality Impacts. Scrutiny Committees are updated with the Actions agreed at Service Challenges. The Corporate Plan Programme Boards play an active role in monitoring the impact of changes made to services as part of the Corporate Plan.
P2	Strengthen financial arrangements by:	

	<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 	<ul style="list-style-type: none"> • Income policy was approved by Cabinet and forms part of the budget process; • Risk rating of savings has been incorporated into the budget process for 2018/19.
P3	<p>Strengthen people management arrangements by</p> <ul style="list-style-type: none"> • Developing an approach to ensure that employees with limited access to the intranet can access relevant HR information. • Ensuring that variations and inconsistency of application of HR policies are avoided for front line non—office based employees 	<ul style="list-style-type: none"> • All HR information is now available on the DCC website to enable universal access. • HR information is now available for managers and supervisors to use in front-line ‘tool box talks’.
P4	<p>Strengthen Asset management arrangements by:</p> <ul style="list-style-type: none"> • Ensuring that actions already underway to modernise corporate asset management arrangements promote more efficient and effective use of the Council’s land and property portfolio and reinforce its contribution as a strategic resource. 	<ul style="list-style-type: none"> • A formal Asset management group has been established and a Corporate Asset Management Strategy developed
P5	<p>Strengthen ICT arrangements by:</p> <ul style="list-style-type: none"> • Ensuring the Council consults its ICT service over all technology purchases for both strategic and routine purchases; • Ensuring adequate ICT expertise are included in larger-scale or higher-risk procurements and implementations 	<ul style="list-style-type: none"> • The ICT Business Partners are now involved in all developments from an early stage. It is now a requirement that all ICT purchase are signed off by the Business Transformation and ICT Manager.
P6	<p>Strengthen Information Management arrangements by:</p> <ul style="list-style-type: none"> • Ensuring information governance arrangements meet the requirements of international standards and include representation from across the whole of the Council; • Extending the TOR of the Information Governance Group to cover business information needs as well as the requirements for compliance; • Developing an Information Strategy, linked to other resource strategies, to shape information use and ensure information is accessible when and where it is needed; • Developing longer term implementation plans for the EDRMS to move the Council towards its goal of a paperless office environment. 	<ul style="list-style-type: none"> • The IGG now includes full representation from across the Council and has accepted the wider definition of its role. However, the work involved in GDPR preparation is currently the group’s priority, meaning that work on a new strategy has been put back to 2019. • The EDRMS work has confirmed financial resources until the end of the project

- 5. How does the decision contribute to the Corporate Priorities?**
No decision is required, but the WAO's review of the Council's progress is an important part of understanding our progress towards delivering our Corporate Priorities.
- 6. What will it cost and how will it affect other services?**
There are no financial implications.
- 7. What are the main conclusions of the Well-being Impact Assessment?**
Not applicable
- 8. What consultations have been carried out with Scrutiny and others?**
Officers have reviewed the report for accuracy prior to publication
- 9. Chief Finance Officer Statement**
This positive report provides assurance that financial management arrangements are sound and no formal recommendations have been made and processes are in place to ensure that concerns raised are considered appropriately by the Council.
- 10. What risks are there and is there anything we can do to reduce them?**
There would be risk to the Council if the proposals for improvement made by the WAO were not acted on
- 11. Power to make the Decision**
No decision is required.

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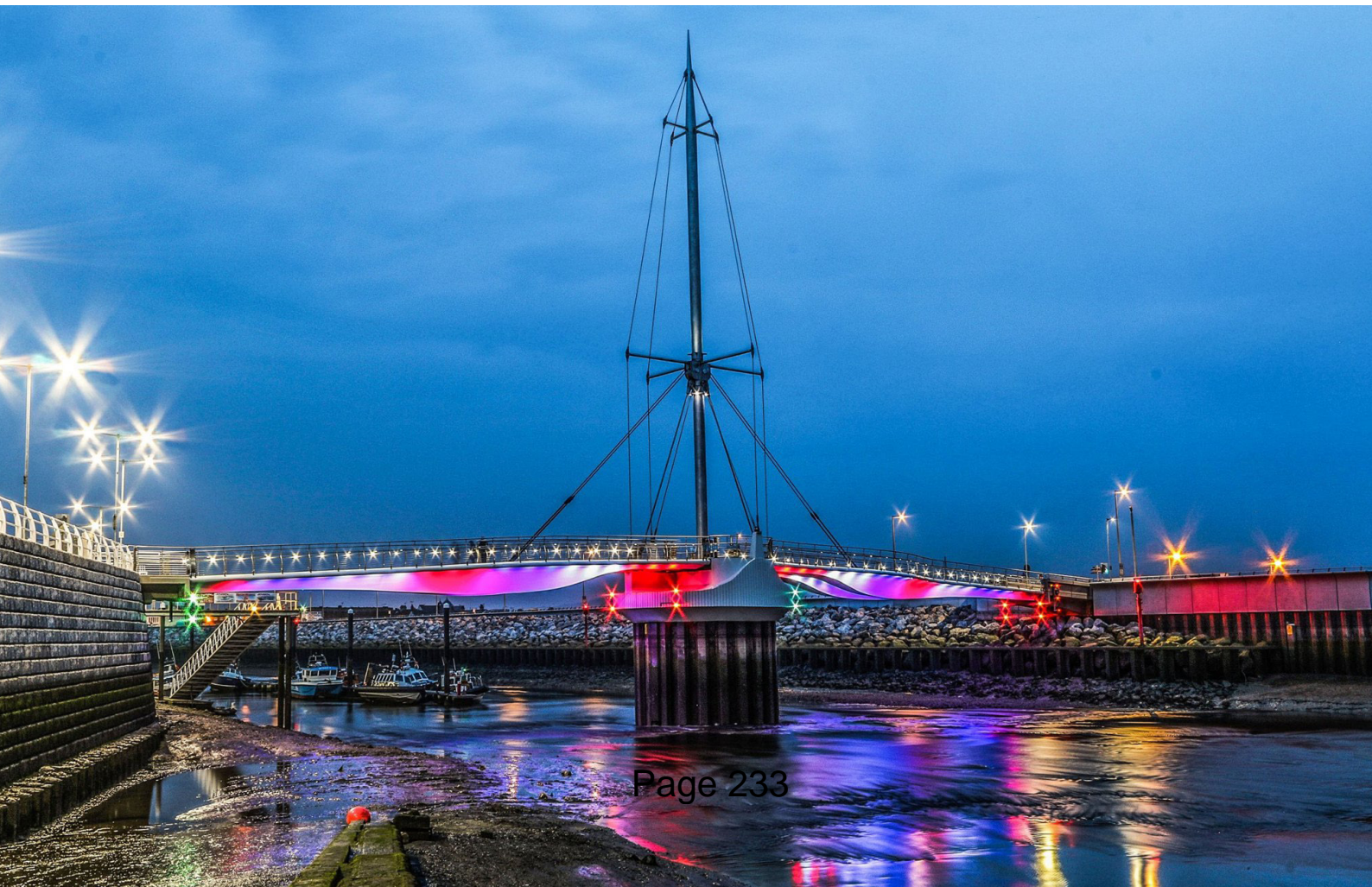
WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Annual Improvement Report: 2017-18

Denbighshire County Council

Issued: August 2018

Document reference: 714A2018-19



This Annual Improvement Report has been prepared on behalf of the Auditor General for Wales by Gwilym Bury, Charlotte Owen, Paul Goodlad and Jeremy Evans under the direction of Huw Rees.

Adrian Crompton
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The Auditor General is independent of government, and is appointed by Her Majesty the Queen. The Auditor General undertakes his work using staff and other resources provided by the Wales Audit Office Board, which is a statutory board established for that purpose and to monitor and advise the Auditor General. The Wales Audit Office is held to account by the National Assembly.

The Auditor General audits local government bodies in Wales, including unitary authorities, police, probation, fire and rescue authorities, national parks and community councils. He also conducts local government value for money studies and assesses compliance with the requirements of the Local Government (Wales) Measure 2009.

Beyond local government, the Auditor General is the external auditor of the Welsh Government and its sponsored and related public bodies, the Assembly Commission and National Health Service bodies in Wales.

The Auditor General and staff of the Wales Audit Office aim to provide public-focused and proportionate reporting on the stewardship of public resources and in the process provide insight and promote improvement.

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.

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Summary report

2017-18 performance audit work

- 1 In determining the breadth of work undertaken during the year, we considered the extent of accumulated audit and inspection knowledge as well as other available sources of information including Denbighshire County Council's (the Council) own mechanisms for review and evaluation. For 2017-18, we undertook improvement assessment work at all councils. We also undertook work at all councils in relation to the Wellbeing of Future Generations Act, and a service-user-perspective themed review. At some councils, we supplemented this work with local risk-based audits, identified in the Audit Plan for 2017-18.
- 2 The work carried out since the last Annual Improvement Report (AIR), including that of the relevant regulators, is set out in [Exhibit 1](#).

The Council is meeting its statutory requirements in relation to continuous improvement

- 3 Based on, and limited to, the work carried out by the Wales Audit Office and relevant regulators, the Auditor General believes that the Council is likely to comply with the requirements of the Local Government Measure (2009) during 2018-19.

Recommendations and proposals for improvement

- 4 Given the wide range of services provided by the Council and the challenges it is facing, it would be unusual if we did not find things that can be improved. The Auditor General is able to:
 - make proposals for improvement – if proposals are made to the Council, we would expect it to do something about them and we will follow up what happens;
 - make formal recommendations for improvement – if a formal recommendation is made, the Council must prepare a response to that recommendation within 30 working days;
 - conduct a special inspection, and publish a report and make recommendations; and
 - recommend to ministers of the Welsh Government that they intervene in some way.

- 5 During the course of the year, the Auditor General did not make any formal recommendations. However, we have made a number of proposals for improvement and these are repeated in this report. We will monitor progress against them and relevant recommendations made in our national reports ([Appendix 3](#)) as part of our improvement assessment work.

Audit, regulatory and inspection work reported during 2017-18

Exhibit 1: audit, regulatory and inspection work reported during 2017-18

Description of the work carried out since the last AIR, including that of the relevant regulators, where relevant.

Issue date	Brief description	Conclusions	Proposals for improvement
August 2018	<p>Service User Perspective Review</p> <p>To understand the 'service user perspective' at every Council within Wales. In Denbighshire County Council, we reviewed the Housing service. In particular, whether the Council was using the experiences and aspirations of service users to inform the design and delivery of services for the Welsh Housing Quality Standard.</p>	<p>Most Council tenants are satisfied with the quality of the service, and the Council is beginning to re-engage tenants in service design, but the Council has not always evaluated the impact of service changes.</p> <p>We came to this conclusion because:</p> <ul style="list-style-type: none"> • before 2012 the Council effectively involved tenants in service design, and recognises that involvement had declined, the Council is now addressing this; • most Council tenants are satisfied with the quality of the service although some had concerns about damp and felt their homes were not warm enough in winter; and • tenants can access the services they need but the Council has not always evaluated changes it has made to access models and service standards for sheltered housing. 	<p>P1 The Council should work with tenants to review its approach to assisting people experiencing problems with damp and homes that are not adequately heated, fuel efficient, or well insulated.</p> <p>P2 The Council should work with tenants to review the long-term impact of the ending of the resident warden service from its sheltered housing schemes.</p>

Issue date	Brief description	Conclusions	Proposals for improvement
June 2018	<p>Overview and Scrutiny – Fit for the future?</p> <p>Review focused on how ‘fit for the future’ their scrutiny functions are. We considered how the Council is responding to current challenges, including the Well-being of Future Generations (Wales) Act 2015 and how the Council is beginning to carry out scrutiny of Public Service Boards. We also examined how well placed is the Council to respond to future challenges such as continued pressure on public finances and the possible move towards more regional working between local authorities.</p>	<p>The Council’s overview and scrutiny function is responding well to current challenges, however limited capacity to support scrutiny may hinder future progress, and there is scope for cabinet members to contribute more actively to scrutiny discussions.</p> <p>Key conclusions from the report:</p> <ul style="list-style-type: none"> • The Council creates a supportive environment for scrutiny, but limited capacity to support scrutiny may hinder the ability of the scrutiny function to deal with future challenges; • The overview and scrutiny function is well planned, takes a balanced approach to using pre- and post-decision scrutiny, and is developing ways to more effectively engage members of the public in scrutiny; and • The Council evaluates the effectiveness and impact of the scrutiny function, but there is scope for cabinet members to take a more active role in discussions. 	<p>P1 Review the adequacy of support arrangements, in terms of both the amount and type of support that overview and scrutiny committees may need.</p> <p>P2 Cabinet members should routinely present reports and respond to questions from overview and scrutiny committee members about the Council’s policies and decisions, in accordance with statutory guidance.</p>

Issue date	Brief description	Conclusions	Proposals for improvement
November 2017	<p>Annual Audit Letter 2016-17</p> <p>Letter summarising the key messages arising from the Auditor General's statutory responsibilities under the Public Audit (Wales) Act 2004 and his reporting responsibilities under the Code of Audit Practice. The Annual Audit Letter is in Appendix 2 of this report.</p>	<ul style="list-style-type: none"> • Denbighshire County Council complied with its responsibilities relating to financial reporting and use of resources. • I am satisfied that the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources. • My work to date on certification of grant claims and returns has not identified significant issues that would impact on the 2016-17 accounts or key financial systems. 	None.
Improvement planning and reporting			
April 2017	<p>Wales Audit Office annual improvement plan audit</p> <p>Review of the Council's published plans for delivering on improvement objectives.</p>	The Council has complied with its statutory improvement planning duties.	None.
November 2017	<p>Wales Audit Office annual assessment of performance audit</p> <p>Review of the Council's published performance assessment.</p>	The Council has complied with its statutory improvement reporting duties.	None.
Reviews by inspection and regulation bodies			
No reviews by Care Inspectorate Wales (CIW) of Denbighshire County Council have taken place during the time period covered in this report although local inspection work of service providers has taken place.			

Issue date	Brief description	Conclusions	Proposals for improvement
Estyn February 2018	Local Authority Inspection	<p>Over time, very strong senior leadership in the local authority has ensured a determined focus on improving provision and outcomes for learners. A highly effective impact of this is the way leaders have demonstrated the confidence to recently amalgamate the education service and the children's service into one collegiate department to deliver a coherent and efficient integrated service. This is having a very positive effect on the provision available to children and young people and a beneficial impact on learners' wellbeing.</p> <p>Overall, most schools in Denbighshire perform consistently well. Although performance across the secondary schools has been variable over the last three years, standards at key stage 4 on nearly all key indicators broadly compare well over time with those in similar authorities across Wales, and with national outcomes.</p> <p>The authority places great importance on learner voice, ensuring that many children and young people take part in purposeful opportunities to share their opinions, concerns and ideas for improvement. This is enabling learners to have clear channels of communication in which to improve the authority's services and provision.</p> <p>The local authority knows its schools very well and supports and challenges them effectively. Overall, it has a range of appropriate provision for vulnerable learners and these are generally effective in meeting the needs of children and young people. Inspection area judgement:</p> <ul style="list-style-type: none"> • Outcomes Good; • Quality of education services Good; and • Leadership and management Excellent. 	<p>R1 Reduce the variability in outcomes in secondary schools</p> <p>R2 Ensure that the evaluation of services focuses clearly on measuring the outcomes that children and young people achieve through those services</p>

Appendices

Appendix 1 – Status of this report

The Local Government (Wales) Measure 2009 (the Measure) requires the Auditor General to undertake a forward-looking annual improvement assessment, and to publish an annual improvement report, for each improvement authority in Wales. Improvement authorities (defined as local councils, national parks, and fire and rescue authorities) have a general duty to 'make arrangements to secure continuous improvement in the exercise of [their] functions'.

The annual improvement assessment considers the likelihood that an authority will comply with its duty to make arrangements to secure continuous improvement. The assessment is also the main piece of work that enables the Auditor General to fulfil his duties. Staff of the Wales Audit Office, on behalf of the Auditor General, produce the annual improvement report. The report discharges the Auditor General's duties under section 24 of the Measure, by summarising his audit and assessment work in a published annual improvement report for each authority. The report also discharges his duties under section 19 to issue a report certifying that he has carried out an improvement assessment under section 18 and stating whether (as a result of his improvement plan audit under section 17) he believes that the authority has discharged its improvement planning duties under section 15.

The Auditor General may also, in some circumstances, carry out special inspections (under section 21), which will be reported to the authority and Ministers, and which he may publish (under section 22). An important ancillary activity for the Auditor General is the co-ordination of assessment and regulatory work (required by section 23), which takes into consideration the overall programme of work of all relevant regulators at an improvement authority. The Auditor General may also take account of information shared by relevant regulators (under section 33) in his assessments.

Appendix 2 – Annual Audit Letter

Councillor Hugh Evans – Leader/
Dr Mohammed Mehmet – Chief Executive
Denbighshire County Council
County Hall
Wynnstay Road
Ruthin
Denbighshire LL15 1YN

Reference: 280A2017-18

Date issued: 30 November 2017

Dear Hugh and Mohammed

Annual Audit Letter Denbighshire County Council 2016-17

This letter summarises the key messages arising from my statutory responsibilities under the Public Audit (Wales) Act 2004 and my reporting responsibilities under the Code of Audit Practice.

Denbighshire County Council complied with its responsibilities relating to financial reporting and use of resources

It is Denbighshire County Council's (the Council's) responsibility to:

- put systems of internal control in place to ensure the regularity and lawfulness of transactions and to ensure that its assets are secure;
- maintain proper accounting records;
- prepare a Statement of Accounts in accordance with relevant requirements;
and
- establish and keep under review appropriate arrangements to secure economy, efficiency and effectiveness in its use of resources.

The Public Audit (Wales) Act 2004 requires me to:

- provide an audit opinion on the accounting statements;
- review the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources; and
- issue a certificate confirming that I have completed the audit of the accounts.

Local authorities in Wales prepare their accounting statements in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. This code is based on International Financial Reporting Standards.

On 28 September 2017, I issued an unqualified audit opinion on the accounting statements confirming that they present a true and fair view of the Council's financial position and transactions. My report is contained within the Statement of Accounts. The key matters arising from the accounts audit were reported to members of the Corporate Governance Committee in my Audit of Financial Statements report on 27 September 2017.

I issued a certificate confirming the audit of the accounts has been completed on 28 September 2017.

I am satisfied that the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources

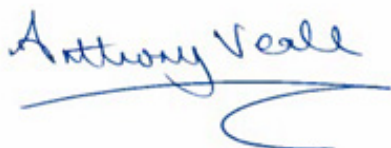
My consideration of the Council's arrangements to secure economy, efficiency and effectiveness has been based on the audit work undertaken on the accounts as well as placing reliance on the work completed under the Local Government (Wales) Measure 2009. The Auditor General has highlighted areas where the effectiveness of these arrangements has yet to be demonstrated or where improvements could be made in his Annual Improvement Report 2016-17.

My work to date on certification of grant claims and returns has not identified significant issues that would impact on the 2016-17 accounts or key financial systems

A more detailed report on my grant certification work will follow in 2018 once this year's programme of certification work is complete.

The financial audit fee for 2016-17 is currently expected to be in line with the agreed fee set out in the Annual Audit Plan.

Yours sincerely

A handwritten signature in blue ink that reads "Anthony Veale". The signature is written in a cursive style and is underlined with a single horizontal stroke.

Anthony Veale

**Engagement Director
For and on behalf of the Auditor General for Wales**

cc: Richard Weigh – Head of Finance

Appendix 3 – National report recommendations 2017-18

Exhibit 2: national report recommendations 2017-18

Summary of proposals for improvement relevant to local government, included in national reports published by the Wales Audit Office, since publication of the last AIR.

Date of report	Title of review	Recommendation
June 2017	<u>Savings Planning in Councils in Wales</u>	The report did not include any recommendations or proposals for improvement, although proposals for improvement were included in local reports issued to each Council.
October 2017	<u>Public Procurement in Wales</u>	The report contained seven recommendations. Six of the recommendations were for the Welsh Government, one of the recommendations was for public bodies: R3 It was clear from our sampling that some procurement strategies are out of date and there has also been a mixed response to new policy and legislation, such as the Well-being of Future Generations (Wales) Act 2015. We recommend that public bodies review their procurement strategies and policies during 2017-18 and on an annual basis thereafter to ensure that they reflect wider policy and legislative changes and support continuous improvement.
October 2017	<u>Good governance when determining significant service changes – National Summary</u>	The report did not include any recommendations or proposals for improvement, although proposals for improvement were included in local reports issued to each Council. The report was designed primarily to provide insight, share existing practice and prompt further conversations and discussions between councils and other organisations.
December 2017	<u>Local Government Financial Reporting 2016-17</u>	The report did not include any recommendations or proposals for improvement.

Date of report	Title of review	Recommendation
January 2018	How Local Government manages demand – Homelessness	<p>R1 Implementing the Housing (Wales) Act 2014 requires local authorities to develop services which are focussed on preventing homelessness and reducing demand. These are very different to traditional casework led homelessness services, and prevention work requires new skills and early interaction with users and potential users. We found local authorities' progress in revising and strengthening services is variable (paragraphs 1.12 to 1.20). We recommend that local authorities:</p> <ul style="list-style-type: none"> • ensure their staff are sufficiently skilled to deal with the new demands of mediating, problem solving, negotiating and influencing with homeless people; and • review and reconfigure their services to engage more effectively with homeless and potentially homeless people to prevent homelessness. <p>R2 The Welsh Government provided funding to support local authorities to implement the Housing (Wales) Act 2014 and this funding has been critical in enabling new preventative services to be developed. The funding is in place until 2019-20 but authorities need to ensure they use headspace provided by these resources to revise their services to deliver their responsibilities in the future (paragraphs 1.21 to 1.28). We recommend that local authorities review their funding of homelessness services to ensure that they can continue to provide the widest possible preventative approach needed. Reviews should consider use of Supporting People as well as General Council fund monies to support delivery of the authority's homelessness duties.</p> <p>R3 How services are configured and managed at the first point of contact can significantly influence how effective local authorities are in managing and reducing demand. Easy to access services which maximise usage, avoid gate keeping and focus on early solutions can significantly improve the prospects for successful homelessness prevention. We found that some authority point of entry systems are poorly designed which reduces the authority's prospects for early intervention to prevent homelessness from occurring (paragraphs 2.4 to 2.11). We recommend that local authorities:</p> <ul style="list-style-type: none"> • design services to ensure there is early contact with service users; • use 'triage' approaches to identify and filter individuals seeking help to determine the most appropriate response to address their needs; and • test the effectiveness of first point of contact services to ensure they are fit for purpose.

Date of report	Title of review	Recommendation
January 2018	How Local Government manages demand – Homelessness	<p>R4 Establishing clear standards of service that set out what the authority provides and is responsible for is critical to ensuring people know what they are entitled to receive and what they need to resolve themselves. We found that authorities are not always providing clear, concise and good quality information to help guide people to find the right advice quickly and efficiently (paragraphs 2.12 to 2.17). We recommend that local authorities publish service standards that clearly set out what their responsibilities are and how they will provide services to ensure people know what they are entitled to receive and what they must do for themselves. Service standards should:</p> <ul style="list-style-type: none"> • be written in plain accessible language. • be precise about what applicants can and cannot expect, and when they can expect resolution. • clearly set out the applicant’s role in the process and how they can help the process go more smoothly and quickly. • be produced collaboratively with subject experts and include the involvement of people who use the service(s). • effectively integrate with the single assessment process. • offer viable alternatives to the authority’s services. • set out the appeals and complaints processes. These should be based on fairness and equity for all involved and available to all. <p>R5 Local authorities need to design services to engage with service users effectively and efficiently, but current standards are too variable to ensure service users are getting access to the advice they need (paragraphs 2.18 to 2.24). To improve current performance we recommend that local authorities make better use of their websites to help manage demand by:</p> <ul style="list-style-type: none"> • testing the usability and effectiveness of current website information using our lines of enquiry set out in Appendix 5; • increasing and improving the range, quality and coverage of web based information; making better use of online applications; and • linking more effectively to information from specialist providers and advice specialists, such as Citizens Advice. <p>R6 The Housing (Wales) Act 2014 introduces a new duty on social services and housing associations to collaborate with local authority homelessness services in preventing homelessness. We found that these arrangements are not operating effectively and service responses to prevent homelessness and assist homeless people are not always being provided, nor are they consistently effective (paragraphs 3.13 to 3.25). We recommend that local authorities set out and agree their expectations of partners identifying how they will work together to alleviate homelessness. The agreement should be reviewed regularly and all partners’ performance reviewed to identify areas for improvement.</p>

Date of report	Title of review	Recommendation
January 2018	How Local Government manages demand – Homelessness	<p>R7 Local authorities monitoring systems and evaluation approaches to ensure compliance with their responsibility under the Equality Act 2010 and the Public Sector Equality Duty are not working as well as they should (paragraph 3.35 to 3.39). We recommend that local authorities address weaknesses in their equalities monitoring, and ensure that their homelessness service accurately records and evaluates appropriate data to demonstrate equality of access for all service users that the local authority has a duty towards.</p> <p>R8 Managing demand can be challenging for local authorities. There are some clear lessons to be learnt with regard to the implementation of the Housing (Wales) Act 2014 and homelessness prevention duties that can be applied to managing demand in other services (paragraphs 4.24 to 4.27). We recommend that local authorities use the checklist set out in Appendix 10 to undertake a self-assessment on services, to help identify options to improve how they can help manage demand.</p>

Date of report	Title of review	Recommendation
February 2018	Housing Adaptations	<p>The report contained nine recommendations. One of the recommendations was for the Welsh Government, eight of the recommendations were for local authorities and/or delivery organisations:</p> <p>R1 There are many sources of funding and policies for adaptations, which results in disabled and older people receiving very different standards of service (paragraphs 1.5 to 1.9). To address these discrepancies we recommend that the Welsh Government set standards for all adaptations to ensure disabled and older people receive the same standard of service irrespective of where they live, who their landlord is and whether they own their own home.</p> <p>R2 Most public bodies are clear on how their work on adaptations can positively impact on disabled and older people, and have set suitable aims that provide focus for action. For adaptations, having the right strategic goals also establishes a clear basis for decision-making on who should be prioritised for services and how and where to use resources. However, we found that current policy arrangements have a number of deficiencies and public bodies are not maximising the benefit of their investment (paragraphs 3.8 to 3.15). We recommend that local authorities work with partner agencies (health bodies, housing associations and Care and Repair) to strengthen their strategic focus for the provision of adaptations by:</p> <ul style="list-style-type: none"> • setting appropriate strategic objectives for adaptations that focus on wellbeing and independence; • improving the quality of information on the demand for adaptations by using a wide range of data to assess need including drawing on and using information from partners who work in the local-authority area; and • linking the system for managing and delivering adaptations with adapted housing policies and registers to make best use of already adapted homes. <p>R3 Ensuring that all those who might need an adaptation have all the information they need in order to apply for and receive an adaptation is important. Good-quality and accessible information is therefore essential for delivery organisations to demonstrate fair access and transparency. However, we identified weaknesses in the quality and coverage of public information relating to housing adaptations (paragraphs 2.6 to 2.15). We recommend that delivery organisations provide information on housing adaptations in both Welsh and English, and accessible formats including braille, large fonts, audio versions and other languages. Information should be promoted widely via a range of media including social media, websites and published information, and also through key partners. Preferably, information should be produced jointly and policies aligned between delivery bodies to improve coverage and usage.</p>

Date of report	Title of review	Recommendation
February 2018	Housing Adaptations	<p>R4 Given the wide number of routes into services, delivery organisations need to ensure they have robust systems to deal effectively and quickly with applications. However, we found that the processes used by delivery organisations vary widely and often create difficulties for disabled and older people seeking assistance (paragraphs 2.16 to 2.19). We recommend that delivery organisations streamline applications by creating single comprehensive application forms covering all organisations within a local-authority area that are available via partners and online.</p> <p>R5 Delivery of adaptations can be delayed by a variety of factors (paragraphs 2.20 to 2.33). To improve timeliness in delivery we recommend that:</p> <ul style="list-style-type: none"> • the Welsh Government reviews whether local authorities should continue to use the means test for Disabled Facilities Grants (DFGs); • local authorities provide or use home improvement agency services to support disabled and older people to progress their DFG applications efficiently; • delivery organisations work with planning authorities to fast track and streamline adaptations that require approvals; • delivery organisations use Trusted Assessors to undertake less complex adaptation assessments; and • the Welsh Government streamlines its approval processes for Physical Adaptation Grants (PAGs).

Date of report	Title of review	Recommendation
February 2018	Housing Adaptations	<p>R6 Most local authorities, housing associations and Care and Repair agencies have established processes to appoint, oversee and manage builder and/or contractor performance. However, we found wide variations in how delivery organisations arrange, contract and deliver building works (paragraphs 2.37 to 2.44). We recommend that delivery organisations:</p> <ul style="list-style-type: none"> • introduce formal systems for accrediting contractors to undertake adaptations. These should include: <ul style="list-style-type: none"> – standards of customer care such as keeping to appointments, keeping the site tidy, controlling noise etc; – vetting of financial standing, tax and VAT status; – promoting good health and safety practices; – requiring the use of warranty schemes; – ensuring that adequate insurance is held; and – requiring references. • use framework agreements and partnered contracts to deliver adaptations; • address weaknesses in the contracting of adaptations, updating Schedule of Rates used to tender work and undertaking competitive tendering to support value for money in contracting; • develop effective systems to manage and evaluate contractor performance by: <ul style="list-style-type: none"> – setting an appropriate range of information to judge performance and delivery of works covering timeliness of work; quality of work; applicant/tenant feedback; cost of work (including variations); health and safety record; and customer feedback; – regularly reporting and evaluating performance to identify opportunities to improve services; and – providing formal feedback to contractors on their performance covering key issues such as client satisfaction, level and acceptability of variations, right first-time work, post-inspection assessment and completion within budget and on time.

Date of report	Title of review	Recommendation
February 2018	Housing Adaptations	<p>R7 Maximising impact and value for money in provision of adaptations requires effective joint working between housing organisations and health and social care services to ensure the needs of often very vulnerable people can be met, and their quality of life improved. However, our findings highlight that delivery organisations continue to have a limited strategic focus on adaptations, concentrating on organisational specific responses rather than how best collectively to meet the needs of disabled or older people (paragraphs 3.16 to 3.21). We recommend that local authorities work with partner agencies (health bodies, housing associations and Care and Repair) to develop and improve joint working to maximise both take-up and the benefits of adaptations in supporting independence by pooling of resources, co-locating staff and creating integrated delivery teams</p> <p>R8 Most public bodies recognise the value of adaptations in reducing the risk of falls, preventing hospital admissions and speeding up discharge from hospital. However, the importance of adaptations is not always reflected in local partnership arrangements and outside of Occupational Therapists, health professionals noted that the different local-authority and housing-association systems for administering, approving and delivering adaptations are difficult to navigate (paragraphs 3.22 to 3.24). To enhance take-up and usage of adaptations with health bodies we recommend that delivery organisations jointly agree and publish joint service standards for delivery of adaptations within each local-authority area. The service standards should clearly set out how each agency approaches delivery of adaptations and how they will provide services to ensure people know what they are entitled to receive. Service Standards should:</p> <ul style="list-style-type: none"> • be written in plain accessible language; • be precise about what people can and cannot expect to receive; • be produced collaboratively to cover all adaptations services within an area; • set out the eligibility for the different funding streams, application and assessment processes, timescales and review processes; and • offer the viable options and alternatives for adaptations including linking with adapted housing registers to maximise use of already adapted homes.

Date of report	Title of review	Recommendation
February 2018	Housing Adaptations	<p>R9 Having the right performance indicators and regularly reporting performance against these are important for public bodies to manage operational performance, identify areas of improvement and evaluating the positive impact of services. We found that the current range of performance indicator data is extremely limited and not sufficient to enable a full evaluation of performance (paragraphs 4.5 to 4.20). To effectively manage performance and be able to judge the impact of adaptations, we recommend that the Welsh Government and delivery organisations:</p> <ul style="list-style-type: none"> • set appropriate measures to judge both the effectiveness and efficiency of the different systems for delivering adaptations and the impact on wellbeing and independence of those who receive adaptations; • ensure delivery organisations report against their responsibilities in respect of the Equalities Act 2010; • ensure performance information captures the work of all delivery organisations – local authorities, housing associations and Care and Repair agencies; and • annually publish performance for all delivery organisations to enable a whole systems view of delivery and impact to support improvement to be taken.

Date of report	Title of review	Recommendation
April 2018	<u>Speak my language: Overcoming language and communication barriers in public services</u>	<p>Ensuring that people who face language and communication barriers can access public services</p> <p>R1 Public bodies are required to ensure that people can access the services they need. To take account of the requirements of the 2010 Equality Act and other legislation, we recommend that public bodies regularly review the accessibility of their services to people who do not speak English or Welsh as a main language including Deaf people who use sign language. This assessment can include using our checklist.</p> <p>Developing interpretation and translation services in Wales</p> <p>R2 Our work with public bodies, interpretation and translation service providers and service users has identified some challenges for interpretation and translation services. We recommend that the Welsh Government work with public bodies, representative groups and other interested parties to make sure that:</p> <ul style="list-style-type: none"> • the supply of interpreters is sufficient especially for languages in high demand such as BSL and Arabic; • interpreters with specialist training are available to work in mental health services and with people who have experienced trauma or violence; and • quality assurance and safeguarding procedures are in place.
May 2018	<u>Reflecting on Year One: How Have Public Bodies Responded to the Well-being of Future Generations</u>	<p>The report did not include any recommendations or proposals for improvement.</p>

Date of report	Title of review	Recommendation
May 2018	Strategic Commissioning of Accommodation Services for Adults with Learning Disabilities	<p>R1 People with a learning disability have a right to live independently. The last 50 years have seen significant changes in the provision of accommodation and support. Service provision has moved to a model that enables people to live in the community in ordinary houses throughout Wales (paragraphs 1.3 to 1.10). We recommend that local authorities continue to focus on preventing people becoming dependent on more expensive placements in care homes by providing effective support at home and a range of step up accommodation by:</p> <ul style="list-style-type: none"> • improving the evaluation of prevention activity so local authorities understand what works well and why. • utilising the mapping of prevention services under the Social Services and Well-being (Wales) Act 2014 that covers other agencies and service providers. • improving the signposting of additional help so carers and support networks can be more resilient and self-reliant. This should include encouraging carers to make long-term plans for care to maintain and protect their dependants' wellbeing. • sharing risk analysis and long-term planning data with other local authorities, service providers, and partners to agree a shared understanding of the range of options. <p>R2 Population projections show that the number of people with a learning disability will increase in the future, and those aged over 65 and those with a moderate or severe learning disability will rise significantly (paragraphs 1.3 to 1.10). We recommend that local authorities improve their approach to planning services for people with learning disabilities by building on the Regional Partnership Boards' population assessments for people with learning disabilities and agreeing future priorities.</p>

Date of report	Title of review	Recommendation
May 2018	<u>Strategic Commissioning of Accommodation Services for Adults with Learning Disabilities</u>	<p>R3 The Welsh Government produced guidance to local authorities, entitled 'developing a commissioning strategy for people with a learning disability' to support authorities in producing strategic plans for the commissioning of learning disability services. In conjunction with codes of practice developed following the Social Services and Well-being (Wales) Act 2014, the Welsh Government requires local authorities to develop integrated commissioning options with Local Health Board services. The aim is to provide a joined-up and cost-effective approach to the commissioning of services but our review highlighted weaknesses in current arrangements (paragraph 2.4 to 2.12). We recommend that local authorities do more to integrate commissioning arrangements with partners and providers and take account of the work of the National Commissioning Board by:</p> <ul style="list-style-type: none"> • understanding the barriers that exist in stopping or hindering further integration; • improving the quality of joint strategic plans for learning disability services (see also paragraphs 3.11 to 3.14); • establishing investment models and sustainable financial structures, joint workforce planning and multi-year budgeting; and • developing appropriate governance and data sharing frameworks with key local partners that include a clear process for managing risk and failure. <p>R4 Local authorities' engagement with people with learning disabilities and their carers is variable. Whilst many authority services have positive relationships with advocacy groups, some are less successful in involving these groups and carers in evaluating the quality of services (paragraph 2.18 to 2.20). We recommend that local authorities do more to involve people with learning disabilities and their carers in care planning and agreeing pathways to further independence by:</p> <ul style="list-style-type: none"> • consistently including people with learning disabilities and their carers in the writing, monitoring and development of care plans; • systematically involving carers and advocacy groups in evaluating the quality of services; • involving people with learning disabilities in procurement processes; and • ensuring communications are written in accessible and appropriate language to improve the understanding and impact of guidance and information.

Date of report	Title of review	Recommendation
May 2018	<u>Strategic Commissioning of Accommodation Services for Adults with Learning Disabilities</u>	<p>R5 Local Authorities could do more to involve service providers in commissioning and make the tendering process more effective by making it easier to navigate and more outcome focused. However, providers are not as effectively engaged as they should be (paragraphs 2.28 to 2.38). We recommend that local authorities collaborate with providers, the third sector and suppliers in understanding challenges, sharing data, and pooling expertise by:</p> <ul style="list-style-type: none"> • improving the quality, range, and accessibility of tendering information; and • working with providers to shape local markets by coming to a common understanding of the opportunities, risks, and future priorities in providing learning disabilities services. <p>R6 Most local authorities do not have effective arrangements to monitor and evaluate their commissioning of learning disability services (paragraphs 3.3 to 3.15). We recommend that local authorities develop a more appropriate set of performance indicators and measures of success that make it easier to monitor and demonstrate the impact of service activity by:</p> <ul style="list-style-type: none"> • co-designing measures, service and contract performance indicators with service providers, people with learning disabilities and their carers; • ensure commissioners have sufficient cost and qualitative information on the full range of placement and care options available; • equipping commissioners with data to demonstrate the long-term financial benefits of commissioning choices, this includes having the right systems and technology; • integrating the outcomes and learning from reviews of care plans into performance measures; • evaluating and then learning from different types of interventions and placements; and • including learning disability services in local authority scrutiny reviews to challenge performance and identify improvements.

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Report To: Corporate Governance Committee
Date of Meeting: 26 September 2018
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?

To provide information on the 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

The report provides an update as at September 2018 on:

- Internal audit reports recently issued i.e. Catering Services;
- Progress on Internal Audit work to date in 2018-19;
- Progress on counter fraud work;
- Results of the National Fraud Initiative 2016-17 exercise; and
- Update on Internal Audit performance against set standards.

There will also be a verbal update on progress with the review against the CIPFA Good Practice for Audit Committees.

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

There is no decision required with this report. There is no direct contribution to the Corporate Priorities, but some projects in the audit plan will review Corporate Priority areas and will provide assurance on their delivery.

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

Not applicable - there is no decision or costs attached to this report.

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

Not applicable - this report does not require a decision or proposal for change.

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

Not required.

9. Chief Finance Officer Statement

There are no financial implications attached to this report.

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

The work of internal audit gives assurance to the council on the adequacy and effectiveness of controls in place to manage and mitigate risks.

11. Power to make the Decision

Not applicable - there is no decision required with this report.



Corporate Governance Committee Update

September 2018



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 2018 on:
 - Internal Audit reports recently issued;
 - Progress on Internal Audit work to date in 2018–19;
 - Progress with counter fraud work;
 - Results of the National Fraud Initiative (NFI) 2016–17 exercise; and
 - 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

Catering Services – September 2018

Catering Services– Medium Assurance

- | | |
|---|-----------------------|
| 2 | Moderate Risks/Issues |
| 0 | Major Risks/Issues |
| 0 | Critical Risks/Issues |
4. Our review focused on the effectiveness of financial controls within non-school and school establishments. We concluded that:
 - a. Overall controls in place for income management and stock control arrangements for Café R were adequate. We identified significant weaknesses in a couple of controls, which were addressed at the time of the review.
 - b. From the seven schools sampled, there were good controls in place for income security and stock control for the provision of school meals.
 5. Schools have different means for recording arrears: some schools use electronic payment systems such as ‘ParentPay’ and the ‘Impact’ system, while other schools are still using manual systems. Catering Services has direct access to the ‘Impact’ system to view arrears levels; however, it relies on schools to submit a weekly catering return to them to obtain a breakdown of arrears at a particular point in time. Sample testing of the catering returns highlighted that not all schools have been completing the arrears information. This makes it difficult to gain an accurate overall arrears figure for school meals. Improvement actions have been identified to address this situation.
 6. Set menus are drawn up by Catering Services which are devised to make it easier for schools to order and maintain the appropriate level of stock. We confirmed that stock levels were not excessive which helps to ensure that food waste is kept to a minimum. The schools are completing monthly stock controls sheets, which are sent to Catering Services. Catering Services use the stock control forms as a monitoring tool to ensure the meals served and the food ordered for school meals correspond and that any variances are easily identified. We did, however, identify inconsistencies in the weekly catering forms received from

schools around the level of information being recorded. An improvement action has been identified to resolve the issue.

7. Regular monitoring of free school meals (FSM) is carried out by the Operations and Business Support Team, who compare the uptake against the entitlement in relation to FSM. Catering Services Team use these results to promote FSM uptake through the schools. The Council partakes in the annual national benchmarking exercise and this shows that the Council's performance compares well overall. The monitoring of the information is currently carried out annually, but the team are considering increasing the frequency from annually to quarterly to improve the monitoring process in place.
8. The Catering Services Managers are part of the Universal Credit Board, which has been proactive in implementing and addressing any potential issues arising from recent changes to legislation e.g. Welfare Reform Act 2012, although the full implications of the changes brought about by the legislation are not yet clear in relation to FSM.
9. Catering Services have a 'Collection of Dinner Money' procedure, and all schools were sent a copy in October 2016. During our review, Catering Services updated the procedure: from September 2018 the charge for school meals will increase from £2.10 per meal to £2.20, and the arrears trigger level for the recovery of school meal arrears will be reduced from £20 to £11 (equating to 5 unpaid meals).
10. Based on the results of our review, the controls in place both at non-school establishments and schools together with the improvements made during the review, we are providing a 'Medium' assurance.

Progress in delivering the Internal Audit Assurance 2018-19

11. The following table shows a summary of Internal Audit’s work to date for this year. This table will be added to during the year as more projects commence.

12. Where projects have been completed since 1 April 2018, the table provides assurance ratings and number of issues raised for the completed reviews.

13. The following projects have not yet commenced but are scheduled for the coming months:

- Homelessness
- Revenues and Benefits
- School Governance
- Grants Management

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Internal Audit Assurance Plan Areas of Work	2018–19 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
2018–19 Projects								
Catering	33	33	Complete	Medium	0	0	2	
Risk Management	4	10	Fieldwork					Nearing completion
Business Continuity Management	3	10	Fieldwork					Monitoring development of the Business Continuity Plan
Homelessness	5	30	Scoping					

Internal Audit Assurance Plan Areas of Work	2018-19 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
Housing Rents	48	50	Draft					
AONB Grant Certification	2	2	Complete	N/a				
Welsh Government Grant Certification: <ul style="list-style-type: none"> Pupil Deprivation Grant Education Improvement Grant 	12	12	Complete	N/a				
Section 106	22	25	Closing meeting					
Welsh Transport Grant	12	15	Draft					
Single Access Route to Housing (SARTH)	1	10	Scoping					
Revenues and Benefits	4	40	Scoping					
School Governance	1	20	Scoping					
Grants Management	3	20	Fieldwork					
Projects Brought Forward from 2017-18								
Procurement	7	10	Complete	Low	0	1	1	Joint audit with Flintshire County Council of the shared service. Issues are consolidated into two root causes.
Project Management	5	5	Complete	Medium	0	1	1	

Internal Audit Assurance Plan Areas of Work	2018-19 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
School Transport	24	25	Complete	Medium	0	0	5	
Health & Safety in Schools	9	10	Complete	Low	0	1	4	
Travel & Subsistence	1	1	Complete	Medium	0	1	3	
CCTV Partnership	1	1	Complete	Medium	0	0	3	
IT Procurement of Resources	11	15	Closing meeting					Nearing completion.
ALN & Inclusion / Recoupment & Out of County Placement / Special Education	5	10	Draft					
Pooled Budgets	1	5	Fieldwork					Ongoing
Registrars	14	20	Closing Meeting					
Court of protection	33	40	Fieldwork					Additional work requested.
Fraud & Corruption Work								
National Fraud Initiative	14	40	Ongoing					2016-17 exercise complete. 2018-19 exercise commencing.
Housing Tenancy Fraud	5	20	Scoping					
General fraud enquiries and counter fraud work	32	50	Ongoing					

Internal Audit Assurance Plan Areas of Work	2018-19 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
Follow-up Reviews								
IA project follow-ups	20	30	Ongoing					Includes devising new follow up process
Management of follow-ups	16	20						
Other Areas of Work								
School Fund admin & audits	19	40	In progress					Audit of outstanding school fund certificates due to commence.
Corporate Governance Framework	9	15	2017-18 complete					
Corporate working groups	10	35	In progress					
Consultancy & corporate areas	20	70	In progress					
IA Support & Management								
Team Meetings / 1:1s	32	50						
Management	16	40						
Training & development	5	40						
Total Days	459	869						

Progress with Counter Fraud Work

Referrals 2018/19

Date Referred	Investigation Details	Outcome
Ongoing from 2017/18		
September 2017	Concern raised regarding emptying of property as well as other allegations.	Ongoing.
Referrals from 2018/19		
April 2018	Conflict of interest, employee using their position to gain work for their own company.	Employee dismissed.
April 2018	Potential abuse of the Council's Cycle to Work Scheme	Allegation unproven. Additional controls put in place over the Cycle to Work Scheme.
May 2018	Allegation that external company gaining work through deception and false claims.	Matter referred to Welsh Government for investigation.
May 2018	Allegation of theft involving a school caretaker.	Allegation unproven. Officer dismissed in relation to non-compliance issues.
May 2018	Member of staff stole money from a safe with intention of returning it before it was due to be banked.	Allegation proved. Money recovered and member of resigned.
July 2018	Allegation of money stolen using prepaid cards	Ongoing. Matter referred to North Wales Police for investigation.
July 2018	Allegation that members of staff committing fraud.	Investigation concluded. Nothing proved.
August 2018	Allegation involving a member of staff with relation to illegal trade.	Allegation unproven.

14. In addition to the referrals listed above, counter fraud work carried out during 2018/19 includes:

- Providing advice on counter-fraud to officers on request;
- Co-ordinating the National Fraud Initiative (NFI) data matching exercise. Preparation for the NFI 2018-19 exercise is underway;

- Involvement with the Welsh Chief Auditor's Group to share learning regarding potential vulnerabilities and control weaknesses; and
- Investigating the potential for the Council to partake in a pilot all Wales Fraud Hub run by CIPFA (Chartered Institute for Public Finance) and coordinated via the Welsh Chief Auditor's Group.
- Preparing to visit schools that have voluntary school fund certificates which are long overdue.

National Fraud Initiative 2016–17 Results

15. The Auditor General conducts the biennial NFI data–matching exercise in Wales in order to help detect and prevent fraud and overpayments from the public purse. Participants submit their data securely, which is matched against the data of other local authorities and central government departments. This includes data for payroll, housing benefit, creditors, insurance and transport passes. Reports are provided that contain matches that specifically relate to the Council to investigate.
16. The Wales Audit Office reports that:
- “Since its commencement in 1996, NFI exercises have resulted in the detection and prevention of more than £35.4 million of fraud and overpayments in Wales and £1.69 billion across the UK. The NFI 2016–17 resulted in the detection and prevention of overpayments worth £5.4 million in Wales”.
17. Within Denbighshire CC, overpayments totalling just over £32k have been identified and are being recovered, with some investigations still in progress (see table below showing a summary of the results). Notable results include:
- a. 23 Housing benefit errors totalling £17,663, which are in the process of being recovered. Errors were mainly due to the customer not informing us of a change of circumstance. The figures do not include the potential frauds that were referred to the Department of Work and Pensions Single Fraud Investigation Service (SFIS).
 - b. As the Denbighshire Housing waiting list moved over to the Single Access Route to Housing (SARTH), which is hosted by Flintshire County Council in April 2017 the data on the NFI data set was considered no longer relevant. It was agreed to wait until the next exercise which is imminent.
 - c. . Accounts Payable use data matching software to prevent duplicate payments being made. Our annual audit of financial systems reviews the controls in place to prevent duplicate payments and we plan to review a sample of these creditor matches as part of our upcoming review due in Quarter 3. The increase in Creditor matches in 2016/17 (10,073) compared to the 2014/15 exercise (1,039) can be attributed to additional reports being provided for the 2016/17 exercise to show duplicate matches.
 - d. A review of Value Added Tax (VAT) referrals revealed two errors totalling £85. One was due to a refund of training course costs because of non-attendance. The other overpayment was from an invoice for Duty and VAT

for goods into the country from a freight company: the VAT should not have been claimed prior to receipt of a C79 form from HMRC.

- e. There is a large volume of Council Tax matches to be reviewed and staff are making progress with the matches which were released in December 2017. At the time of writing this report, 22 frauds and eight errors totalling £10,735 have been identified involving mainly incorrect claiming of Single Person Discount. These are being recovered by amending the council tax liability for the property.
 - f. The new Council Tax Reduction Scheme report produced 1,015 matches, 70 were investigated, and 2 errors were found totalling £3,302. These are in the process of being recovered through the Council Tax billing system. .
 - g. Welsh Government is now performing the checks on the concessionary travel pass matches; consequently, none of the matches were released to individual local authorities.
18. While a considerable resource is required for investigating the matches, 22 fraudulent activities have been identified, together with other errors. A total of £31,784 is in the process of being recovered. While this is a reduction in the actual number of fraudulent activities identified compared with previous years, there has been an increase in the average value per case. The number of errors identified has reduced considerably from 83 in the previous exercise to 35 currently. This can largely be attributed to the transfer of Housing Benefit Compliance Team to the DWP Single Fraud Investigation Services who investigate potential fraudulent matches the Council refers to them. In addition, several investigations are showing as 'in progress', so further errors and frauds may be identified once these are concluded.
19. The NFI exercise also assists with identifying errors with data held in the Council's systems and provides an opportunity to put controls in place to prevent them happening again.

Detailed results from NFI 2016-17 as at 14 August 2018.

Referral Types	Total NFI Referrals	Recommended NFI Referrals	Tested	Investigation Results	Estimated Savings £
Housing benefit	577	34	192	23 errors 2 in progress	17,663
Payroll	256	51	67	0	0
Companies House*	80	46	45	0	0
Housing tenants	95	26	69	2 in progress	0
Waiting list*	325	314	94	0	0
Right to buy	3	3	3	0	0
Blue badge	172	115	169	3 in progress	0
Creditors	10,073	7,313	0	0	0
VAT	25	9	22	2 errors	85
Private residential care homes	22	16	22	0	0
Concessionary travel pass	0	0	0	0	0
Insurance claims	5	1	5	0	0
Market traders	0	0	0	0	0
Personal budgets	6	3	6	0	0
Resident parking permit	0	0	0	0	0
Council tax single person discount	1,834	1,834	682	20 frauds 4 errors 332 in progress	9,771
Council tax to other datasets*	7,075	7,075	85	1 error 36 in progress	0
Council tax rising 18s	120	120	17	2 frauds 3 errors 32 in progress	964
Council tax reduction scheme	1,015	36	70	2 errors	3,302
Totals	21,683	16,996	1,548	22 frauds 35 errors 407 in progress	31,784

Internal Audit performance standards

20. 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.

21. The table below shows Internal Audit's performance to date for 2018/19.

Customer Service Standard	Target	Current Performance
Internal Audit will discuss, agree and send services the Internal Audit Project Scoping Document before it commences work.	100%	100%
At the conclusion of its work, Internal Audit will hold a closing meeting with all relevant people to discuss the outcome of its work, and then send services a draft report as soon as possible after that meeting.	Avg. Days (less than 10)	5
Internal Audit will issue a final audit report as soon as possible after agreeing the report and its action plan with services.	Avg. Days (less than 5)	1

Follow Up Action Plans & Service Improvement	Target	Current Performance
Using performance management system (Verto), Internal Audit will monitor and report on the % of agreed improvement actions that have been implemented by services to show that Internal Audit's service is effective in helping to deliver improvement.	75%	73%*

* The new follow up reporting process has been operational for 5 months and is bedding in well. Services are responsible for updating progress themselves and Internal Audit will carry out spot check to confirm accuracy.

Report To: Corporate Governance Committee
Date of Meeting: 25 September 2018
Lead Member / Officer: Lisa Lovegrove – Chief Internal Auditor
Report Author: Lisa Lovegrove – Chief Internal Auditor
Title: Public Conveniences Update

1. What is the report about?

This report provides an update on progress in implementing the action plan that accompanied the Internal Audit report on Public Conveniences in April 2018

2. What is the reason for making this report?

This report is to provide information on how the Council is implementing improvements in public conveniences since the issue of the Internal Audit report. The audit report gave 'Low Assurance', so the Corporate Governance Committee requested a progress report to ensure that the issues are being addressed. This is the first progress report.

3. What are the Recommendations?

The Committee to review progress with addressing audit actions.

4. Report details

Appendix 1 is the Internal Audit follow up report, which shows that all four issues raised have now been successfully resolved. Improvements carried out to income collection, reconciliation and security arrangements, also mean that the risk of fraud occurring or going undetected is reduced, with guidelines in place to direct correct practices.

Based on the scope of the original review, and the improvements carried out, we have increased the assurance rating from low to high.

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.



Public Conveniences

Follow up review

**September
2018**



**High
Assurance**

Purpose & Scope of Review

Our original review of Public Conveniences was requested by the Head of Facilities, Assets and Housing to ensure that processes and controls for income collection are robust. We issued a report in March 2018 giving a low assurance rating because of the absence of some fundamental controls including shortcomings with the reconciliation of income collection, staff and cash security, and a lack of written procedures and guidelines for the staff involved.

We have now followed up the action plan included with our report to ensure that the agreed improvements have been made.

Audit Opinion

The Service has worked hard to implement changes in working practices since our original review, through strengthening the income reconciliation process, and improving record keeping so that meter readings are recorded accurately and evidence a clear separation of duties. Additionally, staff and cash security issues have been addressed through utilising lockable cash boxes and increasing staff awareness of income security. Staff have found the changes made to be beneficial, especially with identifying and investigating discrepancies.

Written guidelines have been amended and updated to include key areas of cash collection, counting, banking and reconciliation, with the appropriate templates and Risk Assessment included as appendices.

Due to the completion of the agreed actions – involving stronger controls around income collection, reconciliation and security – we have now increased our assurance rating for this area to High. Therefore, a further follow up will not be required.

High Assurance	Risks and controls well managed and objectives being achieved.
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Action Plan

Audit Follow-up Review of: **Public Conveniences**

Date: **September 2018**

Action Plan Contacts: **Cleaning Manager**

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

Root Cause 1	Weak income arrangements		
Underlying Weakness	There is a lack of: <ul style="list-style-type: none"> Reconciliation between expected and actual income collected; Reconciliation between cash collected and banked; Separation of duties between income collection, counting and banking; and Inaccuracies with the recording of meter readings, and the formula used on spreadsheets to calculate the expected income. 		
Action (Ref)	Agreed Management Action	Responsibility & Deadline	Status
1.1	All future discrepancies between expected and actual income are to be reported to the Manager who will investigate/identify how the discrepancy occurred and who will endorse the cash sheet with his/her findings.	Cleaning Manager, 22/02/18	Complete

Follow Up Results	This process is now in place. As facilities do not give change and will accept coinage of a higher value than required the Cleaning Manager has put in an acceptable tolerance of +/- £3. The Admin & Technical Support Officer confirmed that monitoring for discrepancies is now easier.		
1.2	All monies collected are to be banked in full with no rounding down of totals for ease of banking, all monies are to be banked as soon as practicable with none retained in the safe for future banking.	Cleaning Manager, 22/02/18	Complete
Follow Up Results	Income is now banked in full.		
1.3	The actions of collection, counting and banking of monies are to be conducted independently by staff members. No staff member is to collect and count monies, the collection and counting of monies is to be carried out by separate individuals acting independently of one another.	Cleaning Manager, 19/03/18	Complete
Follow Up Results	The collection, counting and banking of income is now carried out independently. Staff involved in the process endorse the cash sheet as a true and accurate record reflecting their involvement in the process.		
1.4	The formula has since been corrected and will be validated periodically to make sure that spreadsheet calculations are accurate. Admin and Support Officer will bring to the attention of the Manager any unexplained anomalies relating to the meter readings, which may come to light during input onto the spreadsheet.	Cleaning Manager, 22/02/18	Complete
Follow Up Results	The formula has been corrected and a process in place for the Admin & Technical Support Officer to check before inputting data onto the spreadsheet.		

Root Cause 2	Lack of comprehensive written procedure and guidelines		
Underlying Weakness	Guidelines are being put in place but these need to be more comprehensive and currently do not cover: <ul style="list-style-type: none"> • Monitoring of income collection; • Reconciliation of income and banking; • Break-ins; • Maintenance; and • Personal and income security. 		
Action (Ref)	Agreed Management Action	Responsibility & Deadline	Status
2.1	Review and update written guidelines, for operational processes involved in income collection. To include but not limited to:- <ul style="list-style-type: none"> • Weekly monitoring and recording of income collection; • Processes for floats and the appropriate level of responsibility; • On an unannounced basis, independent witnesses from other departments will attend during cash collection and counting phases. Once completed s/he will endorse the cash collection register verifying current procedures/policies were followed and that all locks/security seals were present and correct. 	Cleaning Manager, 13/04/18	Complete
Follow Up Results	Written guidelines have recently been updated and now include reconciliation of income, banking and floats. Procedures cover personal security, income security and dealing with break-ins and maintenance.		
2.2	Review and update written guidelines, for operational processes involved in income collection. To include but not limited to:- <ul style="list-style-type: none"> • Reconciliation of income and banking including responsibility and process; • All discrepancies (positive or negative) are to be reported to the Manager so s/he may investigate and endorse their findings on the cash sheet(s). 	Cleaning Manager, 22/02/18	Complete

Follow Up Results	The guidelines are now in place setting out the reporting and investigation procedures should a large discrepancy come to light. The guidelines include a tolerance of +/- £3.		
2.3	Review and update written guidelines, for operational processes involved in income collection. To include but not limited to :- The recording of repairs, maintenance and break-ins. Templates have been created and are to be completed in full following each repair/maintenance/recording of a break in.	Cleaning Manager, 22/02/18	Complete
Follow Up Results	Templates are in place for recording of repairs, maintenance and break-ins. Guidelines state that sheets are to be completed for recording maintenance, repairs, and break-ins and these are included as appendices.		
2.4	Review and update written guidelines, for operational processes involved in income collection. To include but not limited to :- <ul style="list-style-type: none"> • Personal and income security including: <ul style="list-style-type: none"> ○ Transferring income from site to site, ○ Risk assessments, ○ Frequency of change of door codes, ○ Security at attended sites. 	Cleaning Manager, 16/04/2018	Complete
Follow Up Results	There are written guidelines for the collection, counting, banking and handling of cash, and staff are instructed to read the Risk Assessment regarding cash collection and handling. The guidelines cover transfer of income and the completion of cash sheets. The copies of all the templates used for recording cash, meter readings, cash container replacement, recording of maintenance, as well as a copy of the Risk Assessment are included as an appendix with the guidelines. The frequency and requirement for changing door codes has been included. In line with good practice the document is dated and a review date included.		

Root Cause 3	Security of income and employees		
Underlying Weakness	<ul style="list-style-type: none"> • Security of cash during collection periods; • Security of staff at manned sites and during emptying of collection boxes; • Security and reconciliation of floats at manned sites during shift changeover periods. 		
Action (Ref)	Agreed Management Action	Responsibility & Deadline	Status
3.1	The fitting and use of lockable/secured money containers at all public convenience sites (where monies are taken) will provide additional security as the collector/opportunist thieves will not be able to access the monies without considerable effort and inflicting damage to the cash boxes. Cash boxes will be concealed in a holdall whilst transiting between site and vehicle.	Cleaning Manager, 13/05/18	Complete
Follow Up Results	Secure collection boxes are now in use, these can only be opened once back in the office and access to the keys is limited to the Supervisor and Deputy Supervisor. Due to several break-ins at the self-contained, unmanned toilet units (pods) the collection boxes within these pods have been made more secure and break-ins less likely.		
3.2	Staff will receive toolbox talks regarding personal/site security during the collection of cash boxes. All manned sites have CCTV and have been fitted with auto door closing arms and keypads (the codes of which are changed monthly or on change of personnel).	Cleaning Manager, 23/03/18	Complete
Follow Up Results	Toolbox talks have been completed and staff have been made aware of the need for their personal security and the security of the income collected. Attended sites have the boxes changed before opening to the public in the morning. If there is a need to change the boxes during the day, then the sites will be temporarily closed while the income boxes are changed. Manned sites are secure and fitted with CCTV and auto door closing arms; keypad codes are changed monthly or after a change in personnel.		

3.3	At each shift handover the incoming attendant will sign the float register as accurate, the float register is broken down into currency denominations and both off going/incoming attendants countersign the float register as accurate and correct.	Cleaning Manager, 22/02/18	Complete
Follow Up Results	All the float is counted at the shift changeover and this is signed by both the incoming and outgoing attendant.		

Risk Issue 4	Fundamental control weaknesses could result in error/fraud going undetected and also create difficulty prosecuting if there was allegation of potential fraud.		
Underlying Weakness	<p>When all the above risks and root causes are taken into consideration, it raises a potential risk of fraud going undetected. As the service has been the subject of two frauds in recent years, it is important to have robust controls over income and reconciliations to identify the reasons for any income fluctuations at an early stage so that it can be investigated promptly.</p> <p>We are concerned that this is not in place as these issues have been raised previously whilst the Public Convenience team were managed by Environmental Services. Since then, the Public Convenience service has moved to a different service (Facilities, Assets and Housing) and has a dedicated team manager and lead officer.</p>		
Action (Ref)	Agreed Management Action	Responsibility & Deadline	Status
4.1	Internal Audit will follow up the above actions once completed to assess whether action taken has reduced the risk of fraud sufficiently.	Chief Internal Auditor, 30/06/18	Complete
Follow Up Results	All actions have not been completed.		

Report Recipients

- Head of Facilities, Assets and Housing
- Lead Officer – Contracts and Facilities
- Cleaning Manager – South and Public Conveniences
- Lead Officer – Operations & Business Support
- Corporate Director: Economic & Community Ambition
- Lead Member for Finance, Performance & Strategic Assets
- Corporate Governance Committee
- Strategic Planning & Performance Officer

Internal Audit Team

Irene Griffiths	Auditor	01824 706974 irene.griffiths@denbighshire.gov.uk
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Key Dates

Follow up review commenced	August 2018
Review completed	August 2018
Reported to Corporate Governance Committee	26 September 2018

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Corporate Governance Committee Forward Work Programme

21 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 (CIPFA update)	Chief Internal Auditor – Lisa Lovegrove
	4	Forward Work Programme	Democratic Services
		Reports	
	5	Annual report on Whistle Blowing	Head of Legal, HR and Democratic Services / Gary Williams
	6	Annual RIPA (Regulation of Investigatory Powers Act 2000)	Head of Legal, HR and Democratic Services / Gary Williams
Page 289	7	Annual report on the Constitution to include the Terms of Reference	Head of Legal, HR and Democratic Services - Gary Williams / Chief Internal Auditor – Lisa Lovegrove
	8	Update Report – Project Management of 21 st Century Schools	Head of Internal Audit – Lisa Lovegrove
	9	External assessment- Gwynedd County Council’s Chief Audit Executive- Report and Improvement plan	Chief Internal Auditor – Lisa Lovegrove
23 JAN 2019		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 (CIPFA update)	Chief Internal Auditor – Lisa Lovegrove
	4	Forward Work Programme	Democratic Services
		Reports	
	5	Update Report – Joint Procurement Unit (Low assurance – requested at 06/06/18)	Chief Internal Auditor – Lisa Lovegrove
06 MAR 2019		Standing Items	

Corporate Governance Committee Forward Work Programme

	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	Service Challenge – Service report	Chief Internal Auditor – Lisa Lovegrove
10 APRIL 2019		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 (CIPFA update)	Chief Internal Auditor – Lisa Lovegrove
	4	Forward Work Programme	Democratic Services
		Reports	
05 JUNE 2019		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 (CIPFA update)	Chief Internal Auditor – Lisa Lovegrove
	4	Forward Work Programme	Democratic Services
		Reports	
	5	Health and Safety in Schools (Update requested at July meeting)	Chief Internal Auditor – Lisa Lovegrove
	6	Annual Corporate Governance Committee Report	Head of Legal, HR and Democratic Services - Gary Williams
10 JULY 2019		Standing Items	

Corporate Governance Committee Forward Work Programme

	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 (CIPFA update)	Chief Internal Auditor – Lisa Lovegrove
	4	Forward Work Programme	Democratic Services
		Reports	
	5	Draft Statement of Accounts	Head of Finance- Richard Weigh
	6	Treasury Management	Head of Finance- Richard Weigh
	7	Annual report on the Constitution	Head of Legal, HR and Democratic Services - Gary Williams / Chief Internal Auditor – Lisa Lovegrove
	8	Annual SIRO Report	Head of Business Improvement & Modernisation– Alan Smith
	9	WAO Annual improvement report	WAO/ Head of Business Improvement & Modernisation– Alan Smith
15 SEPT 2019		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 (CIPFA update)	Chief Internal Auditor – Lisa Lovegrove
	4	Forward Work Programme	Democratic Services
		Reports	
	5	Approval of Statement of Accounts	Head of Finance – Richard Weigh
	6	Annual H&S Report	Head of H&S –Gerry Lapington
20 NOV 2019		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 (CIPFA update)	Chief Internal Auditor – Lisa Lovegrove

Corporate Governance Committee Forward Work Programme

	4	Forward Work Programme	Democratic Services
		Reports	
	5	Annual report on Whistle Blowing	Head of Legal, HR and Democratic Services / Gary Williams
	6	Annual RIPA (Regulation of Investigatory Powers Act 2000)	Head of Legal, HR and Democratic Services / Gary Williams

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.

Revised 12.09.18 SJ