

To: Members of the Corporate  
Governance Committee

Date: 5 July 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, 11 JULY 2018** in **CONFERENCE ROOM 1B, 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 - 14)**

To receive the minutes of the Corporate Governance Committee meeting held on 06 June 2018 (copy enclosed).

**5 ANNUAL SIRO REPORT** (Pages 15 - 28)

To consider a report by the Head of Business Improvement and Modernisation (copy enclosed) which details breaches of the data protection act and complaints relating to Freedom of Information Legislation.

**6 DRAFT STATEMENT OF ACCOUNTS** (Pages 29 - 156)

To consider a report by the Chief Accountant (copy enclosed) on the Draft Statement of accounts 2017/2018.

**7 TREASURY MANAGEMENT** (Pages 157 - 186)

To consider a report by the Head of Finance (copy enclosed) on the Treasury Management Annual report.

**8 INTERNAL AUDIT UPDATE** (Pages 187 - 212)

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

**9 INTERNAL AUDIT OF HEALTH AND SAFETY IN SCHOOLS** (Pages 213 - 228)

To consider a report by the Chief Internal Officer (Copy enclosed) providing details of a recent Internal Audit Report on Health and Safety in Schools that received a 'Low' Assurance rating.

**10 CIPFA PRACTICAL GUIDANCE - PROGRESS UPDATE**

To consider a verbal update report by the Chair, Councillor Barry Mellor on the CIPFA practical guidance.

**11 ANNUAL CORPORATE GOVERNANCE COMMITTEE REPORT** (Pages 229 - 236)

To consider a report by the Head of Legal, HR and Democratic Services (copy enclosed) seeking Members' approval of a draft report to be submitted to Council in respect of the Corporate Governance Committee's work for the municipal year 2107/18.

**12 WAO- OVERVIEW AND SCRUTINY - FIT FOR THE FUTURE?** (Pages 237 - 252)

To receive a report from the Wales Audit Office (copy enclosed) on the Overview and Scrutiny – Fit For the Future? For Denbighshire County Council.

**13 CORPORATE GOVERNANCE COMMITTEE WORK PROGRAMME** (Pages 253 - 256)

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

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All Councillors for information  
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## LOCAL GOVERNMENT ACT 2000

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### Code of Conduct for Members

### DISCLOSURE AND REGISTRATION OF INTERESTS

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

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

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## CORPORATE GOVERNANCE COMMITTEE

Minutes of a meeting of the Corporate Governance Committee held in Conference Room 1a, County Hall, Ruthin on Wednesday, 6 June 2018 at 9.30 am.

### PRESENT

Councillors Mabon ap Gwynfor, Tony Flynn, Martyn Holland (Vice-Chair), Alan James and Barry Mellor (Chair)

Lay Member Paul Whitham

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

**Observer** - Councillor Meirick Lloyd Davies

### ALSO PRESENT

Head of Legal, HR & Democratic Services (GW), Chief Accountant (SG), Chief Internal Auditor (LL), Internal Auditor (BC), ), Head of Education and Children Services (KE), Principal Manager - Modernising Education (GD), Planning and Resources Manager (IL), Legal Services Manager (LJ), Legal and Procurement Operations Manager (HM) and Committee Administrator (SJ)

Wales Audit Office Representative –Gwilym Bury

### 1 APOLOGIES

Apologies for absence were received from Wales Audit Office representatives Anthony Veale and Michelle Phoenix.

### 2 APPOINTMENT OF CHAIR

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

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

### 3 APPOINTMENT OF VICE CHAIR

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

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

#### **4 DECLARATION OF INTERESTS**

Councillors Martyn Holland, Tony Flynn, Mabon ap Gwynfor and Meirick Lloyd Davies declared a personal interest in Agenda item 7 – Denbighshire's 2018 Estyn Inspection outcomes, as they were school Governors.

#### **5 URGENT MATTERS**

No urgent matters were raised.

#### **6 MINUTES**

The minutes of the Corporate Governance Committee held on the 25 April 2018 were submitted.

Item 9- Internal Audit Annual Report - Lay member Paul Witham stated a clerical error. The minutes should read 'Members asked for assurance that returns of investments had been investigated'.

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

#### **7 DENBIGHSHIRE'S 2018 ESTYN INSPECTION OUTCOMES**

The Head of Education and Children Services (HECS), introduced the outcomes of Denbighshire's 2018 Estyn Inspection report (previously circulated).

The HECS guided members through the report. Reference was made to the vigorous and robust inspection process, including the work officers had completed to obtain information and reports in preparation of the inspection. The HECS stated she was elated with the overall outcome of the inspection and gave thanks and praise to all officers and departments that had contributed and supported the team during the inspection.

The outcomes assessed against Estyn's new inspection framework were highlighted to members from within the report. It was emphasised that Denbighshire was one of only two authorities to receive excellent for leadership in the last round of inspections. The HECS explained, Estyn had identified the strong moral compass that Denbighshire had demonstrated in providing for young individuals in the county. Following the successful merger between Education and Children Services, Estyn had asked Denbighshire officers to complete a case study to illustrate the process followed to demonstrate to other authorities. Overall the HECS stated that the inspection had been an intense process but the outcome had been positive and rewarding.

During discussion the following matters were raised:



- Members congratulated the HECS and officers for the outstanding outcome of the inspection. Praise was given to all the departments involved. Members were pleased Estyn had highlighted the work that the authority had completed and ongoing work to engage with schools, parents and young individuals.
- Out of County Monitoring – The HECS confirmed that monitoring of children in out of County placements had occurred. The inspection had highlighted the monitoring of the commissioned services that provide services. Members heard that there was a limited number of third party providers available when researching out of County placements. As an authority the child's wellbeing and development had been the main priority.
- Fixed-term exclusions rate – The HECS confirmed that the rate of fixed term exclusions observed had been high with the number of permanent exclusions having been low. The education officers had been working with schools to address the issues. Emphasis had been made that a good working relationship with schools and head teachers had been established, which created a positive working relationship to obtain the best resources and outcomes for Denbighshire's children.
- Discussions with the link officer to address concerns raised in the inspection report were to take place. The HECS confirmed monitoring of young children in or out of county had taken place and required further explanations from Estyn to fully comprehend what they had based their findings on.
- Work on the recommendations from the investigation had been scheduled. Progress would be monitored and analysed to be escalated through the scrutiny process allowing evidence to be presented to present work carried out. An action plan to address the recommendations was due to be developed in September following a follow up meeting with the Estyn link investigating member.
- Home Schooling –The complexity around the choice to home educate children was highlighted. Working relationships with other professionals had been observed. The HECS praised the work of officers, it had been clearly highlighted in the report that work in this area was a particular strength.

The Chair thanked the HECS and officers for the report. He congratulated the department for the progress made in ensuring Denbighshire's children had the best education, with all resources made available to them. The result of the inspection had been a reflection of the work carried out by the HECS and officers and was to be applauded.

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

## **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 May 2018 on:

- Internal Audit reports recently issued i.e. Project management and Joint Procurement Service;
- Progress on Internal Audit work to date 2018-19;
- Quarterly update on Counter Fraud Work; and
- Update on Internal Audit Performance against set standards

The following matters were discussed in more detail –

- Project Management – May 2018 – The CIA guided members through the review of Project Management, it was explained the review had covered governance arrangements, risk management, monitoring and reporting on the project. The CIA stated governance arrangements in the 21<sup>st</sup> Century Schools Programme were inadequate, a gap in the management of projects had been highlighted. Clear guidance needed to be provided to project managers of when reports had to be escalated to be scrutinised. Outcomes of the actions raised would be presented back to the Corporate Governance Committee. Overall the CIA explained that a number of positives had been observed. Lay Member Paul Witham stated he was pleased to see work had been completed in this area, and that lessons could be adopted to future projects. He stated project management is essential in the delivery of high standards which was echoed by the CIA.
- Joint Procurement Service – May 2018 – 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.
- Progress with Counter Fraud Work – The CIA guided members through the data. It was highlighted that 5 referrals had been made from 2018-19 to date and all were ongoing. The CIA clarified the information had been included to show transparency, with any outcomes presented to the committee upon completion of investigations.

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

**RESOLVED** that the Corporate Governance Committee receive the update report and an update on the Project Management of 21<sup>st</sup> Century Schools be included in the Committee Forward Work Programme following update.

At this junction (10:45 a.m.) there was a 15 minute break.

Meeting reconvened at 11:00 a.m.

## **9 CIPFA PRACTICAL GUIDANCE FOR AUDIT COMMITTEES 2018**

The Chief Internal Auditor (CIA), introduced the CIPFA Practical Guidance for Audit Committees 2018 report (previously circulated) to enable members to assess themselves against the core knowledge and skills framework outlined in the report.

The CIA proposed that a task group of three members including the Chair and Vice Chair be established to analyse the effectiveness of the committee. The CIPFA guide had included a self-assessment which the CIA requested members to complete. The outcome of the assessment would form the basis of training needs and further development needs for members.

The Chair expressed his agreement in a task group to establish needs and knowledge. The imperative role the Corporate Governance Committee provided in scrutinising reports needed to remain at a high standard. The Chair asked members to complete the self-assessment to allow the task group a base to expand upon. Members were in agreement that a task group be established.

Members discussed the number of members on the Corporate Governance Committee. The Monitoring Officer explained that no restrictions or laws were in place to restrict the number of elected members on the committee. A change in the constitution would need to be approved by County Council for any changes to occur. An increase to the number of Lay Members on the Committee could also be investigated. Previous restrictions and rules that had applied to who was eligible to be on the committee had been lifted. Lay Member Paul Witham emphasised that the Corporate Governance Committee in Denbighshire had one of the fewest member numbers. Paul Witham suggested that the committee revisited the terms of reference when completing the self-assessment.

The Monitoring Officer highlighted to members the formed task group would assess the terms of reference during its meeting. It was agreed by members that the Chair (Councillor Barry Mellor), Vice Chair (Councillor Martyn Holland) and Councillor Mabon ap Gwynfor formulate the task group.

The Chair thanked the Monitoring Officer and CIA for the report and guide. He reminded members to complete the self-assessment.

***RESOLVED, that the***

- *Corporate Governance Committee receive the report and note its contents;*
- *Members undertake the self-assessment based on the CIPFA template and;*
- *Councillor Barry Mellor, Councillor Martyn Holland and Councillor Mabon ap Gwynfor form a task group to analysis the effectiveness of the committee and any additional training requirements.*

## **10 INTERNAL AUDIT OF THE JOINT CORPORATE PROCUREMENT UNIT**

The Chief Internal Auditor (CIA), introduced the report (previously circulated) providing members with details of the Internal Audit report on the Joint Corporate Procurement Unit that had received a 'Low' assurance rating.

The Lead Member for Finance, Corporate Plan and Performance with the Legal and Procurement Operations Manager and Legal Service Manager guided members through the Audit report.

The Lead Member welcomed the report and recognised the issues that it had raised. Work to address the governance issues had been addressed with further

work scheduled. Members were informed training for staff was scheduled to raise the profile of procurement and the high level of buy in.

It was proposed by the Monitoring Officer (MO) to inform the Senior Leadership Team of the report and its findings. The MO gave members some background information to work that had occurred to date, this included the appointment of the Legal and Procurement Operations Manager. Praise was given to the amount of work that had taken place since the appointment to obtain robust procedures in procurement. The MO assured the committee that the audit report and its findings had been raised at the Service Challenge meeting and a report with recommendations was to be escalated.

During the debate members discussed the following:

- Both authorities had to impress upon services the need to buy in to the work of the collaborative unit. Knowledge and understanding was vital to improve interest. Members agreed that the report did not show the potential outcomes for collaborative working, and work to resolve the issues was needed.
- Scrutinising of the subject matter and the joint working arrangement had not been sufficient.
- The MO confirmed the Legal and Procurement Operations Manager had identified the work officers had done to increase the profile of procurement. This in turn would enable departments to have knowledge of the unit and work more effectively.
- Discussions between both authorities to establish an ongoing relationship were taking place. Transparent communication had been imperative to work positively in the future.
- The Legal Service Manager (LSM) confirmed that a meeting with Flintshire was scheduled to discuss future collaborative working. A stronger method of scrutinising work and findings at an early stage of procurement was required.
- The Wales Audit Office representative stated scrutiny arrangements and governance needed to be in place from the onset. The authority had procedures in place to scrutinise that should have been followed to prevent audits of services receiving a low assurance. Monitoring of joint working needed to take place henceforth.

Members requested that an update to the report be included in the forward work programme to update the committee on work completed, this was to include any update received from Scrutiny Chairs and Vice Chairs. The Chair thanked the officers for the transparent audit report and for the Joint working relationship with Flintshire County Council. The Committee acknowledged the work that had been completed but felt the need to monitor the governance arrangements was evident.

**RESOLVED**, that the Corporate Governance Committee;

- I. Receives the report and notes its contents and*
- II. An update on the Joint Procurement Unit be included in the committees Forward Work Programme.*

## 11 CORPORATE GOVERNANCE COMMITTEE WORK PROGRAMME

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

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

11 July 2018 -

- The Wales Audit Office report on Scrutiny arrangements.
- CIPFA guidance update

21 November 2018 –

- Annual report on the Constitution (rescheduled from 11 July meeting)
- An update to Project Management of 21<sup>st</sup> Century Schools outcomes (tbc)

January 2019-

- An update on the Joint Procurement Unit

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

**The meeting concluded at 12:25 p.m.**

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Report To:	Corporate Governance Committee
Date of Meeting:	<b>11<sup>th</sup> July 2017</b>
Lead Member / Officer:	Cllr Richard Mainon, Lead Member for Community Infrastructure Alan Smith, Head of Business Improvement & Modernisation
Report Author:	Alan Smith, Senior Information Risk Owner (SIRO)
Title:	<b>SIRO report for 2017/18</b>

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

The report covers the period **April 2017 to March 2018** and details breaches of the data protection act by the Council that have been subject to investigation by the Senior Information Risk Officer (SIRO – in DCC this is the Head of Business Improvement & Modernisation). It also covers complaints about the Council relating to Freedom of Information legislation that have been referred to the Office of the Information Commissioner (ICO), and provides some information about the Access to Information/FOI requests made to the Council.

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

The Council's Data Protection Policy requires an annual report on progress to the Corporate Governance Committee to allow Member oversight of the process.

## **3. What are the Recommendations?**

3.1. That the contents of the report are noted by the Committee.

## **4. Report details**

Alongside the Data Protection Officer, the Senior Information Risk Owner (SIRO) has an explicit responsibility to ensure that information held by the Council is managed safely, effectively and in accordance with the legislation. The systems designed to ensure that these roles are carried out successfully depend on transparency and openness, so it is especially important that Members have oversight of the process.

#### 4.1 Data Protection Breaches

I am pleased to report that there have been **no significant breaches of the Data Protection act in the Council during the 2017/18 year**. There have been two minor breaches however (both in Education). These were:

- E-mail sent to incorrect e-mail address
- Letter sent to wrong address

Both were investigated, but neither were considered serious enough to report to the Information Commissioner's Office.

Last year, the ICO made a recommendation that we should develop a formal policy on staff taking personal data relating to their clients out of the office. This has been completed and has now been agreed by the LJCC and is going to Cabinet for approval on the 31<sup>st</sup> July. Work to implement this policy will be required across the Council, but especially in Services where there is still a reliance on paper based systems.

#### 4.1 General Data Protection Regulations (GDPR)

The new Data Protection Regulations came into force on 25<sup>th</sup> May 2018. The new regulations provide a framework with greater scope and much tougher punishments for those who fail to comply with new rules around the storage and handling of personal data.

As requirements of the new regulations have become clearer, the Council has been working towards meeting them. The focus of this work has been on the Information Commissioner's Office "12 steps to take now", which was published last year

To support the preparatory work, an Information Governance Group (IGG) was formed during 2017 consisting of representatives from across all services. The IGG is chaired by the Senior Information Risk Owner and also includes Lisa Jones in her role as Data Protection Officer. The IGG has helped to provide a forum for discussing the new requirements and overseeing the work being undertaken.

The action plan shown in Appendix 1 provides an update on progress being made. Most actions are on track and have been completed. There are a few slight delays associated with the following:

- Development of a complete Information Assets Register; and
- Review of contracts to meet GDPR requirements.

These are mainly associated with a lack of capacity in some areas.

Internal Audit has been asked to review Data Protection compliance in Services as part of their 2018/19 forward work-plan. This should help provide the Council with some assurance on levels of compliance going forward.



4.2 Freedom of Information (FOI) and Environmental Information Regulation (EIR) requests.

There has been a total of 1,367 requests during the 12 months to 31<sup>st</sup> March 2018. This figure marks an increase of 2% on last year, with higher numbers of FOI requests, although EIRs have reduced during this period.

	FOI	EIR	Total (& within deadline)	Misc. requests	Final total (& within deadline)
14/15	880	127	1007	131	1138 (91%)
15/16	871	183	1054	182	1236 (93%)
16/17	955	128	1083 (95%)	248	1331 (96%)
17/18	1042	85	1127	240	1367 (95%)

**Table 1: Number of completed requests for 2014/15 to 2017/18**

The FOI and EIR requests are concentrated on some areas more than others and as before, are predominantly business related or from individuals. The most frequent requesters over the last 12 months are set out in the table below.

APPLICANT TYPE	NO OF REQUESTS
Academic	21
AM/MP	95
Business	132
Charity/Lobby Group	86
Corporate	1
Councillor	4
Individual	516
Insurance Company	1

Local Authority	16
Media	221
NHS	4
Other	11
Solicitor	9

Top 10 Enquirers over the last 12 months:

1	AM/MP	17
2	INDIVIDUAL	15
3	AM/MP	14
4	AM/MP	12
5	AM/MP	11
6	MEDIA	8
7	INDIVIDUAL	8
8	INDIVIDUAL	8
9	MEDIA	7
10	INDIVIDUAL	7

In some cases, decisions regarding access to information were challenged by the requestor and an internal review was undertaken. There were 13 of these over the last 12 months. NB any expression of dissatisfaction from a requester is treated as a request for an internal review.

Some internal reviews, and other complex or sensitive cases, were referred to the Access to Information Panel, chaired by the Head of Legal, HR and Democratic Services. The Panel met 5 times during the year and reviewed 11 cases. Appendix 2 is a list of these, along with the outcome of each review.

No complaints about the Council under the FOI Act were investigated by the Information Commissioner's Office during 2017/18.

It is worth noting that managing FOI/EIR and DP requests continues to present a resource cost to the Council, with an officer engaged full time on this. In addition, considerable work is delivered within Services by the IMOs (Information Management Officers), who provide the detailed answers for each question. Despite a significantly increased workload, 95% of requests have been dealt with within the legislative requirement.

- 5. How does the decision contribute to the Corporate Priorities?**  
This report supports the Council's objective to modernise, but is not directly linked to a corporate priority.
- 6. What will it cost and how will it affect other services?**  
*The report is for information only*
- 7. What are the main conclusions of the Well-being Impact Assessment?**  
*A WBIA is not required*
- 8. What consultations have been carried out with Scrutiny and others?**  
*n/a*
- 9. Chief Finance Officer Statement**  
*Not required*
- 10. What risks are there and is there anything we can do to reduce them?**  
*Although this report is for information only, there would be a risk to the Council if proper information management and data protection systems are not maintained. Committee oversight is an important element of ensuring that our systems are effective.*
- 11. Power to make the Decision**  
*No decision is required*

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**APPENDIX 1 - GDPR ACTION PLAN**

REQUIREMENT	TASK	START DATE	END DATE	LEAD OFFICER(s)	PROGRESS	Status
<b>Establish a record of personal data processing activities</b>  <b>Article 30</b>	Create an information assets register (IAR) and circulate to services	October 2017	May 2018	Kerry Standen	Received responses from most services and they have been incorporated into Register.	In-progress
	Publish IAR as a central record.  Services to update when changes occur.	Feb 2018	May 2018	Kerry Standen		Complete
<b>Ensure all staff, Members and suppliers are</b>	Develop a Communications Plan	March 2018	March 2018	Craig Berry	Complete and was agreed at IGG meeting in March.	Complete

<b>aware of GDPR and our new obligations.</b>	Develop E-learning module for all office-based staff, schools staff and Members to complete.	March 2018	May 2018	Craig Berry	E-learning module developed and launched on 21 <sup>st</sup> May  ICT videos also available on intranet.	Completed
	Develop a factsheet for non-office based staff.	March 2018	May 2018	Craig Berry	Completed.	Completed
	Develop a schedule of classroom based sessions for more in-depth training	June 2018		Craig Berry	To be scheduled.	In-progress
<b>Assign DP Officer role</b>  <b>Articles 37-39</b>	DP Officer role agreed – Lisa Jones	December 2017	December 2017	SLT	Agreed that Lisa Jones would continue as DCC's DP Officer.	Complete
<b>The Council must have GDPR compliant Privacy Notices</b>	Produce guidance / template on GDPR compliant privacy notices	Jan 2018	March 2018	Craig Berry	Draft guidance developed.  Shared with IGG for comments.	Complete

<b>Articles 13 &amp; 14</b>					Published on intranet	
	Services to identify and amend their Privacy Notices based on guidance provided	March 2018		All Services	Services to amend privacy notices using guidance provided.  Requirement to amend privacy notices has been included in E-learning module.	In progress
	Update main privacy Notice on website	May 2018	May 2018	Craig Berry	Draft developed and approved by Legal.	Complete
<b>Legal Requirement for Data Protection Impact Assessments (DPIA) to be undertaken for high-risk activities</b>	Raise awareness of the need to undertake DPIA for high risk activities	Jan 2018	May 2018	Craig Berry	Requirement included in ELearning module.	Complete
	Develop a DPIA template and incorporate into DCC's Impact Assessment site	Jan 2018	May 2018	Craig Berry	Template developed as part of regional workings. Has been incorporated into impact assessment framework.  Launched 28 <sup>th</sup> May.	Complete
<b>Article 35</b>						

	Agree a process for reviewing DPIAs.	April 2018	April 2018	Craig Berry and Lisa Jones	Agreed with Lisa Jones and Alan Smith that DPIAs with a residual high risk status would be referred onto them for consideration.	Complete
<b>Where a processor is used to process personal data, a legally binding contract needs to be in place.</b>  <b>Articles 28-36</b>	Identify existing contracts involving processing of personal data	February 2018		Helen Makin	<p>Only limited number of contracts are known about and held centrally. Information on these contracts has been circulated to IGG members.</p> <p>Many contracts/arrangements with data processors are not held centrally and are in services.</p> <p>Service asked to send contracts and agreements to Legal to scrutinise.</p>	In progress
	Legal to review contracts and issue	February 2018		Helen Makin	Being undertaken by Helen Makin.	In-progress



	contract variations, where applicable.					
	For new suppliers – amend standard T&C’s and procurement process to include guarantees that suppliers can comply with new data protection requirements	April 2018	May 2018	Helen Makin	New Ts & Cs developed and incorporated into procurement process.	Complete
<b>Ensure personal data is kept for no longer than necessary</b>	Raise awareness of retention schedule in areas where there is uncertainty on retention rules.	Jan 2018		Craig Berry	On-going	In progress
<b>Article 17</b>	Make Schedule more user-friendly	Dec 2017	May 2018	Craig Berry	New more user-friendly format for Retention Schedule published	Complete
	Retention rules incorporated into emails	Feb 2018	Dec 2018		Retention policies to be agreed with IGG and SLT.	In progress

					Draft proposals shared with IGG for comments.	
<b>Mandatory requirement to inform ICO of serious breaches</b>  <b>Articles 33 &amp; 34</b>	Raise awareness across Council of the legal requirement to inform ICO and data subjects of serious breaches.	April 2018	May 2018	Craig Berry	To be included in ELearning, which will be launched in May.	In progress
<b>Data Subjects Rights</b>	Amend SAR process to take into account changes in timescales and fees.	May 2018	May 2018	Kerry	Changes incorporated into SAR process and database.	Complete
<b>Insurance and compensation</b>	Arrange appropriate insurance to cover costs for fines and personal claims	Feb 2018	March 2018	Craig	Checked with Chris Jones.  Fines are paid for by Council.  Claims paid for by insurance.	Complete

## Appendix 2 – Panel Meetings 2017/18

Date	Issue	Case Ref	Exemption Claimed	Stage of request	Outcome
07/04/17	Access to notes relating to school amalgamation	1830/2107	Section 1(not held)	Internal Review	Requestor directed to school.
07/04/17	Access to submissions for Band B funding	2022/2099	Section 22 (intended for future publication)	Internal Review	Section 22 upheld
02/05/17	Multiple Planning histories requested	2174	Publically available/Charged search/EIR burden	First response	Publically available. Nearing vexatiousness. Invited requester to view.
02/05/17	DP Case	None	Vexatious	multiple emails	Consents to be sought.
02/05/17	ICO Decision re Credit Balances	None	S31	None	Will not apply decision to DCC as circumstances different
09/08/17	Subject Access Request	DP 2477	Disproportionate effort	First response	Asked for fee and clarification again. Final outcome - documents were sent, however borderline disproportionateness.
09/08/17	Request for address list to create App	2530/2617	S21	internal review	Appeal Successful - disclosed the info as Ordnance Survey failed to respond to expressed concerns about confidentiality of data.
07/12/17	Repeat Requester Also	Multiple	Data Protection	Data Protection cases	Consents to be explored again

	see Panel 02/05/2017				
07/12/17	Multiple Requests 2477 etc again	Multiple	DP - disproportionate FOI vexatious	Post DP and current FOIs	S14 for FOI and DP disproportionate
18/12/17	Information relating to possible Criminal Investigation	FOI 3070	S30/S31	First response	31 (1) (g) the exercise by any public authority of its functions for any of the purposes specified in subsection (2)31 – (2)(b) the purpose of ascertaining whether any person is responsible for any conduct which is improper. Extension for consideration of PI test
18/12/17	Land Sale	EIR 3133	Complete non- disclosure	First response	EIR 12 (4) (e) internal, EIR 12 (5) (d) confidential proceedings
18/12/17	Land Sale	EIR 3141	Complete non- disclosure	First response	EIR 12 (4) (e) internal, EIR 12 (5) (d) confidential proceedings, EIR 12 (5) (e) commercial

<b>Report To:</b>	Corporate Governance Committee
<b>Date of Meeting:</b>	11 <sup>th</sup> July 2018
<b>Lead Member / Officer:</b>	Councillor Julian Thompson-Hill / Richard Weigh (Head of Finance)
<b>Report Author:</b>	Steve Gadd, Chief Accountant
<b>Title:</b>	<b>Draft Statement of Accounts 2017/18</b>

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

To provide an overview of the draft Statement of Accounts 2017/18 and the process underpinning it.

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

The Corporate Governance Committee has delegated responsibility to approve the audited accounts which will be presented on 26<sup>th</sup> September 2018. Presenting the draft accounts gives an early indication of the council's financial position and can highlight any issues in the accounts or the process prior to the accounts being audited.

**3. What are the Recommendations?**

To note the position as presented in the draft accounts (see Appendix 1).

**4. Report details**

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. This role has been delegated to the Corporate Governance Committee. The draft accounts have now been finalised and were signed by the Head of Finance on the 15<sup>th</sup> June (meeting the interim date for early closedown which will be compulsory next year). The draft accounts have been made available for audit as required and will be open to public inspection from 9<sup>th</sup> July to 3<sup>rd</sup> August.

Given the role of the Committee in approving the final accounts, it is beneficial to provide an update and overview at draft stage for consideration before submitting the final accounts in September.

**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?**  
The council's procedures and processes underpinning the production of the accounts are regularly reviewed by the Wales Audit Office. 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 is a key element of the council's governance framework. It is important that elected members are assured that the accounts have been produced in compliance with the relevant standards and that the process underpinning the production of the accounts is robust.
- 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 30th 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.

# **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.

### **Movement in Reserves Statement**

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

### **Comprehensive Income and Expenditure Statement**

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

### **Balance Sheet**

The Balance Sheet shows a snapshot of the Council's financial position as at 31 March 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 from 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 26<sup>th</sup> June 2018 (Agenda Item 8 - [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.

	<b>Final Revenue Outturn Report £000</b>
<b>Service and Corporate Budgets</b>	
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
<b>Total Service and Corporate Budgets</b>	<b>170,519</b>
<b>Other</b>	
Capital Finance / Investment Interest	12,965
Levies	4,525
<b>Total Expenditure (excludes HRA)</b>	<b>188,009</b>
Less Funding	(187,006)
Budgeted Contribution from Earmarked Reserve	(2,122)
<b>Final Outturn</b>	<b>(1,119)</b>
<b>Allocated as follows:</b>	
Earmarked Balances – Services	(406)
School Balances	(713)
<b>Total</b>	<b>(1,119)</b>

## 1.2 Review Of The Year – Capital Expenditure

Each year the Council spends money on items that will be in existence for a long time such as land, buildings, roads, vehicles and equipment. These items are called assets and the Council will use them to deliver services for years to come. Expenditure on these assets is called capital expenditure.

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

<b>Expenditure</b>	<b>£000</b>
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
<b>Total</b>	<b>47,604</b>
<b>Funding</b>	
Grants	18,681
Supported Borrowing	2,679
Prudential Borrowing	17,439
Capital Receipts	1,446
Capital Expenditure charged against the Council Fund	7,359
<b>Total</b>	<b>47,604</b>

Expenditure on major Projects undertaken during the year includes:

<b>Project</b>	<b>Description</b>	<b>2017/18 £000</b>
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 <sup>st</sup> Century Schools – New School Building	364
Ysgol Carreg Emlyn, Clocaenog	21 <sup>st</sup> Century Schools – New School Building	421
Ysgol Glan Clwyd, St Asaph	21 <sup>st</sup> Century Schools – Extension, Remodel and Refurbishment Works	3,194
Rhyl	21 <sup>st</sup> Century Schools – New School Building	376
Rhyl	21 <sup>st</sup> Century Schools – New 3-16 Catholic School Building	1,394
Rhos Street and Ysgol Penbarras, Ruthin	21 <sup>st</sup> 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 and investment balances were £12.6m.

#### **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.

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

**Chair Of Corporate Governance Committee**

**Responsibilities of the Chief Financial Officer**

The Chief Financial Officer is responsible for the preparation of the Authority's Statement of Accounts in accordance with 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.

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

**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.

2017/18	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)		
	£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	82	444	54	580	14,744
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	4,657	(986)	(6)	3,665	16,867
Facilities, Assets & Housing	6,668	(440)	6,228	4,325	537	(75)	4,787	11,015
Finance	2,914	217	3,131	0	106	(3)	103	3,234
Highways & Environment	17,765	(856)	16,909	6,429	453	(57)	6,825	23,734
Planning & Public Protection	3,001	111	3,112	3,193	216	(14)	3,395	6,507
Community Support Services	32,356	(242)	32,114	364	736	26	1,126	33,240
Local Authority Housing (HRA)	0	(5,666)	(5,666)	7,703	139	15	7,857	2,191
<b>Net Cost of Services</b>	<b>170,519</b>	<b>(10,719)</b>	<b>159,800</b>	<b>37,555</b>	<b>2,140</b>	<b>(836)</b>	<b>38,859</b>	<b>198,659</b>
Other Income and Expenditure	0	(159,663)	(159,663)	(33,303)	7,209	(6)	(26,100)	(185,763)
<b>(Surplus) or Deficit</b>	<b>170,519</b>	<b>(170,382)</b>	<b>137</b>	<b>4,252</b>	<b>9,349</b>	<b>(842)</b>	<b>12,759</b>	<b>12,896</b>
<b>Opening Council Fund &amp; HRA Balance</b>			<b>(39,306)</b>					
<b>Less/Plus (Surplus) or Deficit on Council Fund &amp; HRA Balance in Year</b>			<b>137</b>					
<b>Closing Council Fund and HRA Balance at 31 March*</b>			<b>(39,169)</b>					

\*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)
<b>Net Cost of Services</b>	<b>170,110</b>	<b>(10,251)</b>	<b>159,859</b>	<b>28,306</b>	<b>(3,465)</b>	<b>751</b>	<b>25,592</b>	<b>185,451</b>
Other Income and Expenditure	0	(155,990)	(155,990)	(31,451)	7,685	(2)	(23,768)	(179,758)
<b>(Surplus) or Deficit</b>	<b>170,110</b>	<b>(166,241)</b>	<b>3,869</b>	<b>(3,145)</b>	<b>4,220</b>	<b>749</b>	<b>1,824</b>	<b>5,693</b>
<b>Opening Council Fund &amp; HRA Balance</b>			<b>(43,175)</b>					
<b>Less/Plus (Surplus) or Deficit on Council Fund &amp; HRA Balance in Year</b>			<b>3,869</b>					
<b>Closing Council Fund and HRA Balance at 31 March*</b>			<b>(39,306)</b>					

\*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	27,398	(12,654)	14,744
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	51,420	(34,553)	16,867
18,963	(10,186)	8,777	Facilities, Assets & Housing	21,756	(10,741)	11,015
4,304	(1,477)	2,827	Finance	4,903	(1,669)	3,234
34,589	(11,289)	23,300	Highways & Environment	35,150	(11,416)	23,734
9,651	(4,828)	4,823	Planning & Public Protection	9,986	(3,479)	6,507
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)	16,521	(14,330)	2,191
303,837	(118,386)	185,451	Cost of Services	320,745	(122,086)	198,659

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)	16,832	(1,187)	15,645
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	353,664	(340,768)	12,896
		(11,289)	(Surplus) or Deficit on revaluation of property, plant and equipment assets			(17,140)
		7,510	Impairment losses on non-current assets charged to the Revaluation Reserve			4,694
		62,251	Remeasurement of the net defined benefit liability/(asset)			(33,746)
		58,472	Other Comprehensive Income & Expenditure			(46,192)
		<b>64,165</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(33,296)</b>

## 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)
<b>Movement in reserves during 2017/18</b>									
(Surplus) or deficit on the provision of services	CI & ES	9,622		3,274			12,896		12,896
Other Comprehensive Income & Expenditure	CI & ES							(46,192)	(46,192)
<b>Total Comprehensive Income &amp; Expenditure</b>		<b>9,622</b>	<b>0</b>	<b>3,274</b>			<b>12,896</b>	<b>(46,192)</b>	<b>(33,296)</b>
Adjustments between accounting basis & funding basis under regulations	8	(9,766)		(2,993)	(528)	657	(12,630)	12,630	
Net Increase/Decrease before Transfers to Earmarked Reserves		(144)	0	281	(528)	657	266	(33,562)	(33,296)
Transfers to/from Earmarked Reserves	20	152	(215)	63					
Increase/Decrease in 2017/18		<b>8</b>	<b>(215)</b>	<b>344</b>	<b>(528)</b>	<b>657</b>	<b>266</b>	<b>(33,562)</b>	<b>(33,296)</b>
Balance at 31 March 2018		<b>(7,541)</b>	<b>(29,425)</b>	<b>(2,203)</b>	<b>(5,374)</b>	<b>(3,150)</b>	<b>(47,693)</b>	<b>(5,120)</b>	<b>(52,813)</b>

	Note	Revenue Reserves			Capital Reserves		Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
		Council Fund Balance £000	Earmarked Reserves £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000			
Balance at 31 March 2016		(8,752)	(31,819)	(2,604)	(2,228)	(1,576)	(46,979)	(36,703)	(83,682)
<b>Movement in reserves during 2016/17</b>									
(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
<b>Total Comprehensive Income &amp; Expenditure</b>		<b>7,916</b>	<b>0</b>	<b>(2,223)</b>	<b>0</b>	<b>0</b>	<b>5,693</b>	<b>58,472</b>	<b>64,165</b>
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		<b>3,955</b>	<b>0</b>	<b>(86)</b>	<b>(2,618)</b>	<b>(2,231)</b>	<b>(980)</b>	<b>65,145</b>	<b>64,165</b>
Transfers to/from Earmarked Reserves	20	(2,752)	2,609	143			0		0
Increase/Decrease in 2016/17		<b>1,203</b>	<b>2,609</b>	<b>57</b>	<b>(2,618)</b>	<b>(2,231)</b>	<b>(980)</b>	<b>65,145</b>	<b>64,165</b>
Balance at 31 March 2017		<b>(7,549)</b>	<b>(29,210)</b>	<b>(2,547)</b>	<b>(4,846)</b>	<b>(3,807)</b>	<b>(47,959)</b>	<b>28,442</b>	<b>(19,517)</b>

## 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>		101,419	
226,748	<i>Other Land &amp; Buildings</i>		232,034	
7,809	<i>Vehicles, Plant, Furniture &amp; Equipment</i>		8,546	
118,352	<i>Infrastructure</i>		119,332	
2,489	<i>Community Assets</i>		2,489	
5,621	<i>Assets Under Construction</i>		18,692	
5,549	<i>Surplus Assets not Held for Sale</i>		4,155	
470,187	Property, Plant & Equipment	14	486,667	
8,912	Heritage Assets	36	8,856	
7,360	Investment Property	15	8,623	
1	Long Term Investments	16	1	
721	Long Term Debtors	16	661	
<b>487,181</b>	<b>Long Term Assets</b>			<b>504,808</b>
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	22,999	
839	Cash and Cash Equivalents		4,027	
<b>26,525</b>	<b>Current Assets</b>			<b>40,499</b>
(6,058)	Short Term Borrowing	16	(31,935)	
(24,606)	Short Term Creditors	19	(25,984)	
(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)	
<b>(38,124)</b>	<b>Current Liabilities</b>			<b>(63,982)</b>

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)	
<b>(456,065)</b>	<b>Long Term Liabilities</b>			<b>(428,512)</b>
<b>19,517</b>	<b>Net Assets</b>			<b>52,813</b>
(7,549)	Council Fund	21	(7,541)	
(29,210)	Earmarked Reserves	20	(29,425)	
(2,547)	Housing Revenue Account	21	(2,203)	
(4,846)	Capital Receipts Reserve	21	(5,374)	
(3,807)	Capital Grants Unapplied	21	(3,150)	
<b>(47,959)</b>	<b>Usable Reserves</b>			<b>(47,693)</b>
(92,672)	Revaluation Reserve		(99,756)	
273,859	Pensions Reserve		249,461	
(156,236)	Capital Adjustment Account		(157,474)	
357	Financial Instruments Adjustment Account		351	
3,134	Short Term Accumulating Compensated Absences Account		2,298	
<b>28,442</b>	<b>Unusable Reserves</b>	22		<b>(5,120)</b>
<b>(19,517)</b>	<b>Total Reserves</b>			<b>(52,813)</b>

## Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

2016/17 £000		Note	2017/18 £000
5,693	Net (surplus) or deficit on the provision of services		12,896
(24,171)	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements		(27,321)
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
<b>(14,581)</b>	<b>Net cash flows from Operating Activities</b>	23	<b>(12,205)</b>
17,350	Investing Activities	24	29,087
2,984	Financing Activities	25	(20,070)
<b>5,753</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>(3,188)</b>
6,592	Cash and cash equivalents at the beginning of the reporting period		839
(5,753)	Increase/(Decrease) in Cash		3,188
<b>839</b>	<b>Cash and cash equivalents at the end of the reporting period</b>		<b>4,027</b>

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
<b>839</b>	<b>Cash and cash equivalents at the end of the reporting period</b>		<b>4,027</b>

**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, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the 'Code of Practice on Local Authority Accounting in the United Kingdom 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 line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

### **The Local Government Pension Scheme**

The Local Government Pension Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Clwyd Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc., and estimates of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.6%.
- 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, community assets and assets under construction – depreciated historical cost
- dwellings – current value, determined using the basis of EUV-SH (existing use value for social housing).
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

Subsequent revaluations of non-current assets are planned as part of a continuous assessment in order that all assets are revalued within five years of their previous valuation, although material changes to asset valuation will be adjusted in the interim period as they occur. 100% of the Council dwellings were revalued during 2016/17. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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

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

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

### **Impairment**

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

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

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

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

### **Depreciation**

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

Depreciation is calculated on the following bases:

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

### **Componentisation**

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

- Superstructure and Substructure
- Internal Finishes and Fittings
- Services

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

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

### **Disposals and Non-current Assets Held for Sale**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are

recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

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

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

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

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

## **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 £486,667k and further information is contained within Note 14.

### **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
	<b>Expenditure</b>	
125,707	Employee benefits expenses	132,806
4,907	Employee expenses of V A schools	4,944
145,540	Other services expenses	147,640
0	Support services recharges	0
29,082	Depreciation, amortisation and impairment	36,040
16,579	Interest payments	16,087
15,463	Precepts and levies	16,147
111	Loss on the disposal of assets	0
<b>337,389</b>	<b>Total expenditure</b>	<b>353,664</b>
	<b>Income</b>	
(54,361)	Fees, charges and other service income	(56,437)
(60)	Interest and investment income	(963)
(85,365)	Income from council tax and non-domestic rates	(89,376)
(191,799)	Government grants and contributions	(193,547)
(71)	Non-government grants and contributions	(335)
(40)	Gain on the disposal of assets	(110)
<b>(331,696)</b>	<b>Total income</b>	<b>(340,768)</b>
<b>5,693</b>	<b>(Surplus) or Deficit on the Provision of Services</b>	<b>12,896</b>

## 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.

2017/18	Usable Reserves			
	Council Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000
<b>Adjustments to the Revenue Resources</b> Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:				
• Pension Costs	(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	(15,430)	(7,269)		(1,499)
<b>Total Adjustments to Revenue Resources</b>	<b>(23,534)</b>	<b>(7,671)</b>	<b>0</b>	<b>(1,499)</b>
<b>Adjustments between Revenue and Capital Resources</b>				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	1,892	328	(2,220)	
Administrative costs of non-current asset disposal	0	0		
Payments to the government housing receipts pool	0	0		
Statutory provision for the repayment of debt	6,163	2,703		
Capital expenditure financed from revenue balances	5,713	1,647		
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>13,768</b>	<b>4,678</b>	<b>(2,220)</b>	<b>0</b>
<b>Adjustments to Capital Resources</b>				
Use of the Capital Receipts Reserve to finance capital expenditure			1,692	
Application of capital grants to finance capital expenditure				2,156
Cash payments in relation to deferred capital receipts				
<b>Total Adjustments to Capital Resources</b>	<b>0</b>	<b>0</b>	<b>1,692</b>	<b>2,156</b>
<b>Total Adjustments</b>	<b>(9,766)</b>	<b>(2,993)</b>	<b>(528)</b>	<b>657</b>

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

**9. Other Operating Expenditure**

<b>2016/17 £000</b>		<b>2017/18 £000</b>
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	(1,187)
661	Pension Administration Costs	685
<b>16,525</b>	<b>Total</b>	<b>15,645</b>

**10. Financing and Investment Income and Expenditure**

<b>2016/17 £000</b>		<b>2017/18 £000</b>
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)
<b>16,410</b>	<b>Total</b>	<b>15,124</b>

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

<b>2016/17 £000</b>		<b>2017/18 £000</b>
(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)
<b>(212,693)</b>	<b>Total</b>	<b>(216,532)</b>

**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 39,274.89 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 North Wales Police Authority	(9,788)
(368)	Provision for non-payment of Council Tax	(240)
<b>47,263</b>	<b>Net proceeds from Council Tax</b>	<b>48,734</b>
45,465	Denbighshire County Council Split:	46,872
1,761	Denbighshire County Council	1,834
37	Community Councils	28
	Discretionary Non-domestic Rate Relief	
<b>47,263</b>		<b>48,734</b>

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

## 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
<b>Cost or Valuation</b>								
At 1 April 2017	112,070	265,192	17,935	156,748	2,564	6,015	5,621	566,145
Additions	6,420	9,805	3,281	5,707	5	2,580	15,614	43,412
Revaluation increases / (decreases) recognised in the Revaluation Reserve	166	11,757	0	0	0	0	0	11,923
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	(80)	(9,340)	0	0	0	(945)	0	(10,365)
Derecognition – disposals	(328)	(820)	(149)	0	0	0	0	(1,297)
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)	(274)	2,610	0	0	0	(575)	(2,543)	(782)
<b>At 31 March 2018</b>	<b>117,974</b>	<b>272,854</b>	<b>19,141</b>	<b>162,009</b>	<b>2,569</b>	<b>6,775</b>	<b>18,692</b>	<b>600,014</b>

	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant & Equipment £000
<b>2017/18</b>								
<b>Accumulated Depreciation &amp; Impairment</b>								
At 1 April 2017	(8,451)	(38,444)	(10,126)	(38,396)	(75)	(466)	0	(95,958)
Depreciation charge	(2,103)	(6,593)	(2,487)	(3,898)	0	0	0	(15,081)
Depreciation written out to Revaluation Reserve	4	5,409	0	0	0	0	0	5,413
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	3,404	0	0	0	273	0	3,677
Impairment losses/(reversals) recognised in the Revaluation Reserve	(2,000)	(2,694)	0	0	0	0	0	(4,694)
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(4,005)	(7,111)	(35)	(829)	(5)	(2,427)	0	(14,412)
Derecognition - disposals	0	22	128	0	0	0	0	150
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	0	868	0	0	0	0	0	868
<b>At 31 March 2018</b>	<b>(16,555)</b>	<b>(40,820)</b>	<b>(10,595)</b>	<b>(42,677)</b>	<b>(80)</b>	<b>(2,620)</b>	<b>0</b>	<b>(113,347)</b>
<b>Net Book Value</b>								
At 31 March 2018	101,419	232,034	8,546	119,332	2,489	4,155	18,692	486,667
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
<b>Cost or Valuation</b>								
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
<b>At 31 March 2017</b>	<b>112,070</b>	<b>265,192</b>	<b>17,935</b>	<b>156,748</b>	<b>2,564</b>	<b>6,015</b>	<b>5,621</b>	<b>566,145</b>

	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant & Equipment £000
<b>2016/17</b>								
<b>Accumulated Depreciation &amp; Impairment</b>								
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
<b>At 31 March 2017</b>	<b>(8,451)</b>	<b>(38,444)</b>	<b>(10,126)</b>	<b>(38,396)</b>	<b>(75)</b>	<b>(466)</b>	<b>0</b>	<b>(95,958)</b>
<b>Net Book Value</b>								
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 £12,873k as below. Similar commitments at 31 March 2017 were £15,079k.

<b>Project</b>	<b>Contract Estimate £000</b>	<b>Payments made to 31 March 2018 £000</b>	<b>Total Future Contract Payments £000</b>
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	14,515	6,397	8,118
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
<b>Total</b>	<b>45,196</b>	<b>33,660</b>	<b>12,873</b>

**Revaluations**

As part of the programme to revalue all assets within five years of their previous valuation, a proportion of the freehold and leasehold properties which comprise the Authority's property portfolio have been valued by Mrs C Jones Black BSc (Hons) MRICS, on the under mentioned bases in accordance with the Statements of Asset Valuation and Guidance Notes of the Royal Institute of Chartered Surveyors, except that not all properties were inspected.

This was neither practical nor considered by the valuer to be necessary for the purpose of the valuation. Inspections were carried out between 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 valued at historic cost. Council dwellings are valued at current value in use as social housing.

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

	<b>Council Dwellings £000</b>	<b>Other Land &amp; Buildings £000</b>	<b>Vehicles, Plant, Furniture &amp; Equipment £000</b>	<b>Surplus Assets £000</b>	<b>Total £000</b>
Carried at historical cost			8,546		8,546
Valued at current value as at:					
31 March 2018		58,715		4,155	62,870
31 March 2017	101,419				101,419
31 March 2016		35,439			35,439
31 March 2015		118,369			118,369
31 March 2014		19,511			19,511
<b>Total Cost or Valuation</b>	<b>101,419</b>	<b>232,034</b>	<b>8,546</b>	<b>4,155</b>	<b>346,154</b>

As part of the rolling programme, the following areas were reviewed in 2017/18:

Youth Clubs  
 Special Schools  
 Residential Homes  
 Day Centres  
 Office Buildings and Other Buildings  
 Libraries  
 Land  
 Community Centres  
 Miscellaneous Properties  
 Allotments  
 Depots and Workshops  
 Civic Amenity sites  
 Car Parks

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

### **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
<b>7,360</b>	<b>Balance at end of the year</b>	<b>8,623</b>

## 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	<b>Investments</b>	1	7,400
		Loans and receivables		
721	10,318	<b>Debtors</b>	661	14,426
		Loans and receivables		
(179,618)	(6,058)	<b>Borrowings</b>	(175,364)	(31,935)
		Financial liabilities at amortised cost		
(2,340)	(21,433)	<b>Creditors</b>	(3,340)	(23,178)
		Financial liabilities at amortised cost		

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 is also a member of the Cycle scheme, which is a UK Government tax exemption initiative introduced to promote employees to cycle to work and therefore reduce environmental pollution. The Council gives loans to employees for this purpose and the balance outstanding at 31 March 2018 is £8k.

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

**Income Expense, Gains and Losses**

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

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
<b>9,385</b>		<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>9,147</b>		<b>9,147</b>
	(59)	Interest Income Gains on de-recognition		(44)	(44)
	<b>(59)</b>	<b>Total income in Surplus or Deficit on the Provision of Services</b>		<b>(44)</b>	<b>(44)</b>

**Fair Values of Assets and Liabilities**

The Council's financial assets and financial liabilities are carried in the Balance Sheet at amortised cost. IFRS requires the Fair Values of these assets and liabilities to be disclosed for comparison purposes. Fair Value is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. The Fair Value of a financial instrument on initial recognition is generally the transaction price. The Council's debt outstanding at 31 March 2017 and 31 March 2018 consisted entirely of loans from the Public Works Loan Board (PWL), 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 assessed the Fair Values by calculating the amounts the Council would have had to pay to extinguish the loans on these dates.

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

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

The fair values calculated are as follows:

31 March 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)
<b>(188,016)</b>	<b>(285,884)</b>	<b>Total Financial Liabilities</b>	<b>(210,639)</b>	<b>(296,980)</b>
1	1	Loans and Receivables	7,401	7,401
721	721	Long Term Debtors	661	661
<b>722</b>	<b>722</b>	<b>Total Financial Assets</b>	<b>8,062</b>	<b>8,062</b>

## 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
0	Public corporations and trading funds	0
7,016	Other entities and individuals	7,522
<b>21,245</b>	<b>Total</b>	<b>22,999</b>

## 18. Assets Held for Sale

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

## 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	(17,437)
<b>(24,606)</b>	<b>Total</b>	<b>(25,984)</b>

## 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
<b>Council Fund:</b>							
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 <sup>st</sup> 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)
<b>TOTAL</b>	<b>(31,819)</b>	<b>13,593</b>	<b>(10,984)</b>	<b>(29,210)</b>	<b>15,518</b>	<b>(15,733)</b>	<b>(29,425)</b>

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

- (i) Balances held by schools under a scheme of delegation: in accordance with section 48 of the Schools Standards and Framework Act 1998, the Denbighshire scheme for the financing of schools provides for the carry forward of individual school balances.
- (ii) Budget Mitigation: this has been set up to mitigate the effects of future reductions in funding received from Welsh Government and forms part of the budget strategy for 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) 21<sup>st</sup> 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)	(29,425)
(2,547)	Housing Revenue Account	(2,203)
(4,846)	Capital Receipts Reserve	(5,374)
(3,807)	Capital Grants Unapplied	(3,150)
<b>(47,959)</b>	<b>Total Usable Reserves</b>	<b>(47,693)</b>

## Revenue Balances

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

31 March 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)
<b>(7,549)</b>	<b>Total Council Fund Balances</b>	<b>8</b>	<b>(7,541)</b>
<b>(2,547)</b>	<b>Housing Revenue Account Balances</b>	<b>344</b>	<b>(2,203)</b>

## Capital Receipts Reserve

Income from the disposal of non-current assets is credited to the Capital Receipts Reserve, from which it can be applied to the financing of new capital expenditure.

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

## Capital Grants Unapplied

2016/17 £000		2017/18	
		£000	£000
(1,576)	<b>Balance at 1 April</b>		<b>(3,807)</b>
	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
<b>(3,807)</b>	<b>Balance at 31 March</b>		<b>(3,150)</b>

## 22. Unusable Reserves

31 March 2017 £000		31 March 2018 £000
(92,672)	Revaluation Reserve	(99,756)
(156,236)	Capital Adjustment Account	(157,474)
357	Financial Instruments Adjustment Account	351
273,859	Pensions Reserve	249,461
3,134	Accumulated Absences Account	2,298
<b>28,442</b>	<b>Total Unusable Reserves</b>	<b>(5,120)</b>

**Revaluation Reserve**

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2016/17 £000		2017/18	
		£000	£000
<b>(94,101)</b>	<b>Balance at 1 April</b>		<b>(92,672)</b>
(16,705)	Upward revaluation of assets	(19,392)	
5,416	Downward revaluation of assets not charged to the Surplus/Deficit on the Provision of Services	2,252	
(11,289)	Total Revaluation	(17,140)	
7,510	Impairment losses not charged to the Surplus/Deficit on the Provision of Services	4,694	
(3,779)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services		(12,446)
3,334	Difference between fair value depreciation & historical cost depreciation	3,632	
1,874	Accumulated gains on assets sold or scrapped	1,730	
0	Write off of balances following reclassification to Investment Properties	0	
5,208	Amount written off to the Capital Adjustment Account		5,362
<b>(92,672)</b>	<b>Balance at 31 March</b>		<b>(99,756)</b>

### Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert current and fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. The Account also contains valuation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 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)	<b>Balance at 1 April</b>		(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	29,549	
6,552	• Revaluation losses on Property, Plant & Equipment	6,492	
330	• Revaluation losses/gains on Held for Sale	(1,077)	
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	2,047	
36,556			41,203
(5,208)	Adjusting amounts written out of the Revaluation Reserve		(5,362)
31,348	Net written out amount of the cost of non-current assets consumed in the year		35,841
	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)
<b>(156,236)</b>	<b>Balance at 31 March</b>		<b>(157,474)</b>

**Financial Instruments Adjustment Account**

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

The Authority uses the Account to manage premiums paid and discounts received on the early redemption of loans. Premiums and discounts are debited or credited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the Council Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense or income is posted back to the Council Fund Balance in accordance with statutory arrangements for spreading the burden on council tax.

2016/17 £000		2017/18 £000
<b>358</b> (1)	<b>Balance at 1 April</b> Proportion of premiums/discounts incurred/received in previous financial years to be charged/credited to the Council Fund Balance in accordance with statutory requirements but reversed out of the Council Fund Balance in the Movement in Reserves Statement	<b>357</b> (6)
<b>357</b>	<b>Balance at 31 March</b>	<b>351</b>

**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
<b>207,388</b> 62,251	<b>Balance at 1 April</b> Remeasurements of the net defined benefit liability/(asset)	<b>273,859</b> (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)
<b>273,859</b>	<b>Balance at 31 March</b>	<b>249,461</b>

**Accumulated Absences Account**

The Accumulated Absences Account absorbs the differences that would otherwise arise on the Council Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 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	<b>Balance at 1 April</b>		<b>3,134</b>
(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)
<b>3,134</b>	<b>Balance at 31 March</b>		<b>2,298</b>

**23. Cash Flow Statement – Operating Activities**

2016/17 £000		2017/18 £000
<b>5,693</b>	<b>Net (surplus) or deficit on the provision of services</b>	<b>12,896</b>
	<b>Adjustments to net surplus or deficit on the provision of services for non-cash movements</b>	
(32)	Increase/(Decrease) in Inventories	(9)
(49)	Increase/(Decrease) in Long Term Debtors	(60)
(1,057)	Increase/(Decrease) in Debtors/Payments in Advance	5,514
(13)	Increase/(Decrease) in Investment interest accrual	0
211	(Increase)/Decrease in Creditors/Receipts in Advance	(500)
26	(Increase)/Decrease in Loan Interest accrual	(3)
(347)	Transfers (to)/from Provisions	438
366	Bad Debt Provision	(645)
(24,774)	Depreciation & Impairment	(36,041)
(4,639)	Revaluations Losses on Property, Plant and Equipment	1,077
(170)	Movements in Market Value of Investment Properties	481
(4,220)	Pension Fund Adjustments	(9,348)
10,527	Other	11,775
	<b>Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities.</b>	
3,897	Sale of Property, Plant and Equipment	2,220
<b>(14,581)</b>	<b>Net cash flows from Operating Activities</b>	<b>(12,205)</b>

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)
<b>17,350</b>	<b>Net cash flows from investing activities</b>	<b>29,087</b>

**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
<b>2,984</b>	<b>Net cash flows from financing activities</b>	<b>(20,070)</b>

**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
<b>827</b>	<b>Total</b>	<b>816</b>

## 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
<b>31</b>	<b>Total</b>	<b>23</b>	<b>16</b>	<b>39</b>	<b>4</b>

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

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

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

The “Expense allowances” column contains any relocation paid.

2017/18	Salary, fees, allowances & performance related pay	Compensation for Loss of office	Expense allowances	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
	<b>1,069,122</b>			<b>1,069,122</b>	<b>163,236</b>	<b>1,232,358</b>	<b>144,979</b>	<b>1,377,337</b>

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

- 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
<b>Total</b>	<b>24</b>	<b>15</b>	<b>51</b>	<b>43</b>	<b>75</b>	<b>58</b>	<b>£684,706</b>	<b>£715,661</b>

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

- d) Reporting bodies are required to disclose a remuneration ratio between the median remuneration of all the authority's employees during the year and that of the authority's Chief Executive. The remuneration of the Chief Executive in 2017/18 was £149,092. The median remuneration of the workforce was £21,962. The ratio was therefore 6.79:1. 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:

<b>2016/17 £000</b>		<b>2017/18 £000</b>
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
<b>334</b>	<b>Total External Audit Costs</b>	<b>344</b>

## 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
	<b>Credited to Taxation &amp; Non Specific Grant Income</b>	
(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 <sup>st</sup> 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)
<b>(16,116)</b>	<b>Total</b>	<b>(17,296)</b>
	<b>Credited to Services</b>	
(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	(2,716)
(64,471)	Total Government Grants	(66,391)
(71)	Other Non-government Grants	(335)
<b>(64,542)</b>	<b>Total Grants Credited to Services</b>	<b>(66,726)</b>

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

31 March 2017 £000		31 March 2018 £000
(2,008)	<b>Capital Grants Receipts in Advance</b> Commutated Sums	(2,082)
<b>(2,008)</b>	<b>Total</b>	<b>(2,082)</b>
	<b>Revenue Grants Receipts in Advance</b>	
0	Welsh Government Flying Start Grant	(260)
(124)	Welsh Government Foundation Phase Grant	(124)
0	Welsh Government Regional Reflect Grant	(149)
(13)	Welsh Government Minority Ethnic Language Grant	(13)
(9)	Welsh Government Families First Grant	(15)
(1,436)	DWP Housing Benefits Subsidy	0
(6)	Welsh in Education Grant	0
(291)	Welsh Government Supporting People Grant	(291)
(23)	Pupil Development Grant	(21)
(16)	Welsh Government Community Learning Grant	(16)
(19)	Welsh Government Literacy & Numeracy Programmes Grant	(19)
0	Welsh Government High Street Rates Relief Grant	(31)
(1)	Transitional Grant Funding - Homelessness	0
(10)	Welsh Government Changing Perception Grant	0
(28)	Welsh Government Welfare Reform Grant	(28)
0	Communities for Work Grant	(3)
0	Clwydian Range Lost Landscapes Grant	(51)
0	Comic Relief Grant	(5)
0	North & Mid Wales Trunk Road Agency Grant	(16)
<b>(1,976)</b>	<b>Total</b>	<b>(1,042)</b>

### 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).

**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	<b>Opening Capital Financing Requirement</b>	241,564
	<b>Capital Investment</b>	
39,660	Property, Plant & Equipment	43,412
0	Investment Properties	0
3,304	Revenue Expenditure Funded from Capital Under Statute	4,192
	<b>Sources of Finance</b>	
(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	<b>Closing Capital Financing Requirement</b>	252,520

2016/17 £000		2017/18 £000
	<b>Explanation of movements in year</b>	
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	<b>Increase/(decrease) in Capital Financing Requirement</b>	10,956

\* 2016/17 figures have been re-stated to take account of the re-classification of capital reserves.

### 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 acquired some properties under finance leases.

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

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

**Authority as Lessor**Operating Leases

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

31 March 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
<b>17,428</b>		<b>17,227</b>

**33. Pensions Schemes Accounted for as Defined Contribution Schemes**

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. In 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 [www.clwydpensionfund.org](http://www.clwydpensionfund.org) or contact the Clwyd Pension Fund at:

Clwyd Pension Fund  
County Hall  
Mold  
Flintshire  
CH7 6NA

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

### Transactions Relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the

Council Fund and Housing Revenue Account via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the Council Fund Balance via the Movement in Reserves Statement during the year:

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000
<b>Comprehensive Income and Expenditure Statement</b>				
<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
<b>Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services</b>	<b>20,644</b>	<b>27,459</b>	<b>272</b>	<b>202</b>
<i>Other Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement</i>				
<i>Remeasurement of the net defined benefit liability comprising:</i>				
• *Return on Plan Assets (excluding the amount included in the Net Interest Expense) (A)	(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
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>82,305</b>	<b>(6,166)</b>	<b>862</b>	<b>81</b>
<b>Movement in Reserves Statement</b>				
• Reversal of net charges made to the Surplus or Deficit on the Provision of Services for Post Employment Benefits in accordance with the Code	(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)				
<b>Net liability arising from defined benefit obligation</b>	<b>265,388</b>	<b>241,685</b>	<b>8,470</b>	<b>7,774</b>

#### 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		
<b>Closing fair value of scheme assets</b>	<b>389,051</b>	<b>407,992</b>

## 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				
<b>Closing balance at 31 March</b>	<b>654,439</b>	<b>649,677</b>	<b>8,470</b>	<b>7,774</b>



## Local Government Pension Scheme Assets Comprised:

	Fair value of scheme assets	
	2016/17 £000	2017/18 £000
<b>Cash and cash equivalents</b>	<b>3,501</b>	<b>4,896</b>
<b>Equities</b>		
• 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
<b>Sub-total Equity</b>	<b>54,078</b>	<b>62,014</b>
<b>Bonds</b>		
• Overseas Other Bonds	46,297	46,511
• LDI	90,649	92,206
<b>Sub-total Bonds</b>	<b>136,946</b>	<b>138,717</b>
<b>Property:</b>		
• UK	17,507	20,808
• Overseas	8,948	5,304
<b>Sub-total Property</b>	<b>26,455</b>	<b>26,112</b>
<b>Alternatives:</b>		
• 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	80,599
<b>Sub-total Alternatives</b>	<b>168,071</b>	<b>176,253</b>
<b>Total Assets</b>	<b>389,051</b>	<b>407,992</b>

**Basis for Estimating Assets and Liabilities**

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been estimated by Mercer Human Resource Consulting, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 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			
	<b>Total</b>			<b>12,600</b>	<b>12,600</b>			

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

### Liquidity Risk

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

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

	Years	31 March 2017 £000	31 March 2018 £000	%
<b>Short Term Borrowing</b>	Less than 1 year	(4,533)	(30,390)	14.74
<b>Long Term Borrowing</b>	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
<b>Total Long Term Borrowing</b>		<b>(180,193)</b>	<b>(175,802)</b>	<b>85.26</b>
<b>Total Borrowing at Nominal Amount</b>		<b>(184,726)</b>	<b>(206,192)</b>	<b>100.00</b>
Accrued Interest		(1,451)	(1,454)	
Deferred Premium		952	941	
<b>Total Borrowing at Amortised Cost</b>		<b>(185,225)</b>	<b>(206,705)</b>	

**Market Risk****(1) Interest Rate Risk:**

The Council is exposed to risks arising from movements in interest rates. The Treasury Management Strategy aims to mitigate these risks by setting an upper limit of 40% on external debt that can be subject to variable interest rates. At 31 March 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:

	<b>Scheduled Ancient Monument £000</b>	<b>Plas Newydd £000</b>	<b>Ruthin Gaol £000</b>	<b>Nant Clwyd Y Dre £000</b>	<b>Total Heritage Assets £000</b>
Cost or Valuation 1 April 2017	361	1,122	4,460	2,969	8,912
Additions	0	0	0	0	0
Impairment Losses recognised in the Revaluation Reserve	0	0	0	0	0
Depreciation	0	(8)	(33)	(15)	(56)
<b>31 March 2018</b>	<b>361</b>	<b>1,114</b>	<b>4,427</b>	<b>2,954</b>	<b>8,856</b>

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

### **Scheduled Ancient Monuments**

Castell Dinas Bran is a medieval castle standing high on a hill above the town of Llangollen. It is also the site of an Iron Age Hill fort. It has been valued at cost. 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 14<sup>th</sup> Century House extended substantially. The property is a grade 1 listed structure with a registered historical garden, a grade 1 listed gazebo and listed garden walls. The majority of items on display are either replica or purchased from an unknown source outside Denbighshire. 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
	<b>Expenditure</b>		
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	9,350
32	Debt management costs		39
84	Movement in bad debt provision		96
<b>10,447</b>	<b>Total Expenditure</b>		<b>16,463</b>
	<b>Income</b>		
(13,605)	Dwelling Rents (Gross)		(14,158)
(166)	Non-Dwelling Rents (Gross)		(172)
<b>(13,771)</b>	<b>Total Income</b>		<b>(14,330)</b>
<b>(3,324)</b>	<b>Net Expenditure of HRA Services as included in the Comprehensive Income and Expenditure Statement</b>		<b>2,133</b>
58	HRA Share of Corporate Expenditure		58
<b>(3,266)</b>	<b>Net Expenditure of HRA Services</b>		<b>2,191</b>
	<b>HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement</b>		
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)
<b>(2,223)</b>	<b>(Surplus) or deficit for the year on HRA services</b>		<b>3,274</b>

## 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	3,274	
2,137	Adjustments between accounting basis and funding basis under statute (see below)	(2,993)	
(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)

	<b><u>Adjustments between accounting basis and funding basis under statute:</u></b>		
	<b>Adjustments primarily involving the Capital Adjustment Account</b>		
	<u>Reversal of items debited or credited to the Comprehensive Income &amp; Expenditure Statement</u>		
(4,106)	Charges for depreciation and impairment of non-current assets	(9,350)	
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)	(7,269)
	<u>Insertion of items not debited or credited to the Comprehensive Income &amp; 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	
	<b>Adjustments primarily involving the Capital Receipts Reserve</b>		
971	Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the HRA Income & Expenditure Statement	328	
	<b>Adjustments primarily involving the Financial Instruments Adjustment Account</b>		
(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	
	<b>Adjustments primarily involving the Pensions Reserve</b>		
(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	
	<b>Adjustments involving the Accumulated Absence Account</b>		
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	<b>Total Adjustments</b>		(2,993)

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

The Council's total housing stock was as follows:

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

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.

<b>2016/17 £000</b>	<b>Housing Capital Expenditure</b>	<b>2017/18 £000</b>
7	Quality Performance Management - IT Project	87
1,724	Acquisitions	3,007
6,250	Improvement Works	5,906
<b>7,981</b>	<b>In-year Expenditure</b>	<b>9,000</b>
	<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
<b>7,981</b>	<b>Total</b>	<b>9,000</b>

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

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

The total depreciation charges and impairment and revaluation losses for 2017/18 are shown below:

2016/17 £000	HRA Depreciation Charges & Impairment Losses	2017/18 £000
2,099	Operational Assets – Dwellings	2,103
63	Operational Assets – Communication Systems	63
<b>2,162</b>	<b>Total Depreciation</b>	<b>2,166</b>
<b>1,944</b>	<b>Impairment and Revaluation Losses</b>	<b>7,184</b>
<b>4,106</b>	<b>Total HRA Depreciation &amp; Impairment Losses</b>	<b>9,350</b>

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

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



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## Section 6: Annual Governance

### Statement 2017-18

## What is the Annual Governance Statement for?

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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 show 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.

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## 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

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## Summary of our governance arrangements

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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.

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## 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:

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- 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

- 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

How we do this

## 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

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



## 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	Timescale	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 <b>Complete</b>
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. <b>Complete</b>
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"> <li>Income policy was approved by Cabinet and forms part of the budget process;</li> <li>Risk rating of savings has been incorporated into the budget process for 2018/19.</li> </ul> <b>Complete</b>
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"> <li>Version 2 of the Well-Being Impact Assessment contains strengthened analysis of Equality Impacts. This has not been published as yet.</li> <li>Scrutiny Committees will be updated with the Actions agreed at Service Challenges.</li> </ul>

Improvement Area	Timescale	Progress as at March 2018
		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	<p>The Personal Data Policy has been drafted and is currently being consulted on with services through the Information Governance Group.</p> <p>The policy is awaiting formal approval by Joint Trade Union Committee.</p> <p>In the meantime the draft policy will be placed on the Council's Intranet and commence awareness raising thereafter.</p>

## Significant governance issues

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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

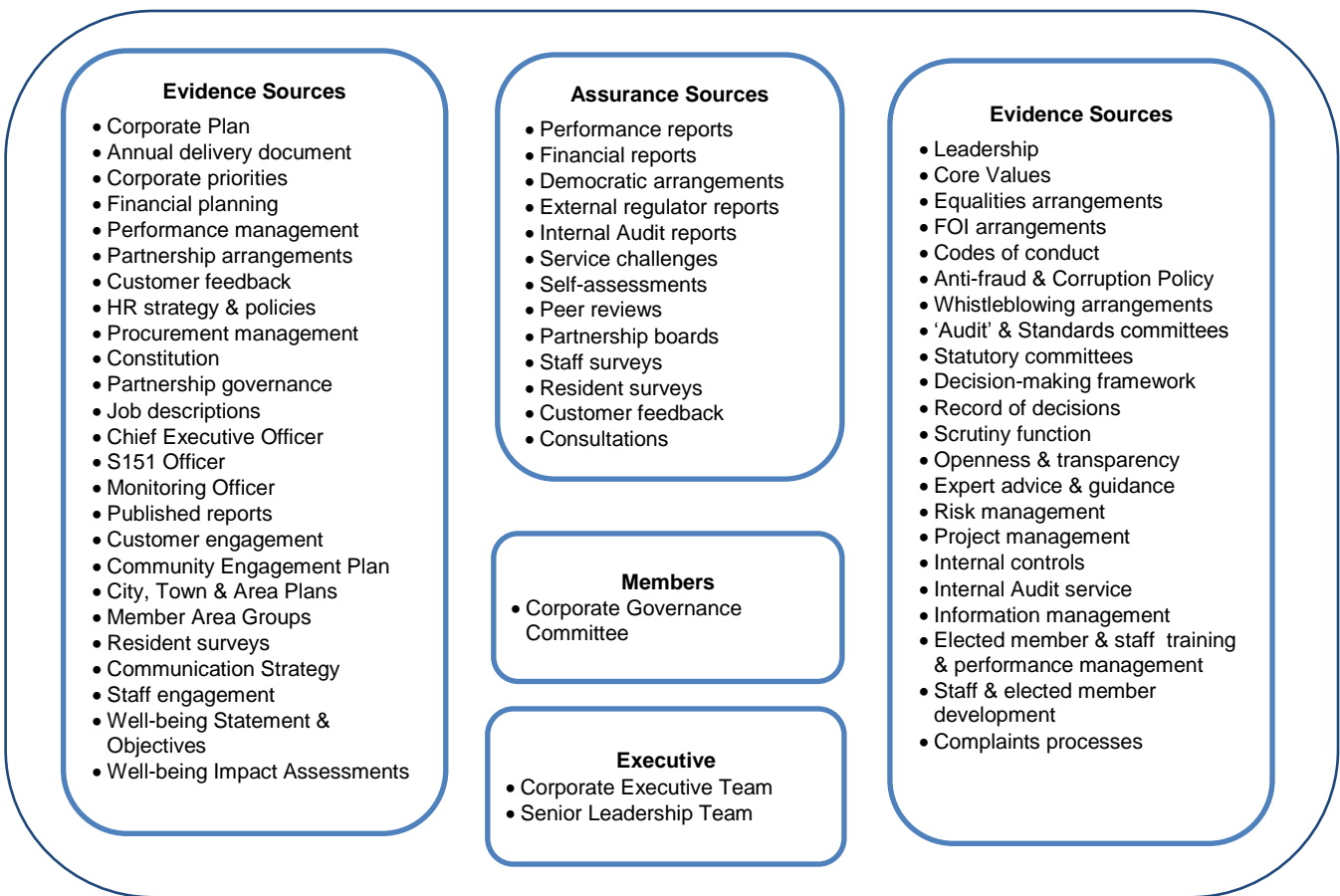
Improvement Area	Action	Responsibility	Timescale
Increased reliance on partners to work with the Councils to deliver key services requires robust arrangements for overseeing and monitoring to ensure that they are effective.	Review Partnership Governance Manual and SLT to be made aware so that partnerships apply the requirements.	Strategic Planning Team Manager & SLT	31 March 2019
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



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



**Governance Improvement Action Plan monitored by Corporate Governance Committee**

## 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.

DRAFT

<b>Report To:</b>	Corporate Governance Committee
<b>Date of Meeting:</b>	11 July 2018
<b>Lead Member / Officer:</b>	Cllr Julian Thompson-Hill
<b>Report Author:</b>	Richard Weigh, Head of Finance
<b>Title:</b>	<b>1. Annual Treasury Management (TM) Report 2017/18 (Appendix 1)</b> <b>2. TM Update Report 2018/19 (Appendix 2)</b>

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

- 1.1 The Annual TM Report 2017/18 (Appendix 1) is about the Council's investment and borrowing activity during 2017/18. It also provides details of the economic climate during that time and shows how the Council complied with its Prudential Indicators. The TM Update Report (Appendix 2) provides details of the Council's TM activities during 2018/19 to date.
- 1.2 The term 'treasury management' includes the management of the council's borrowing, investments and cash flow. Approximately £0.5bn passes through the council's bank accounts every year. The council's outstanding borrowing at 31 March 2018 was £206.19m at an average rate of 4.41% and the council held £12.6m in investments at an average rate of 0.28%.

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

- 2.1 It was agreed by Council on 27 October 2009 that the governance of TM be subjected to scrutiny by the Corporate Governance Committee. Part of this role is to receive an update on the TM activities twice a year and to review the enclosed Annual TM Report for 2017/18.
- 2.2 **Role of Corporate Governance Committee**
  - 2.2.1 The TM team will provide reports to the Corporate Governance Committee in accordance with the timetable below:

<b>Committee</b>	<b>Date</b>	<b>Report Title</b>	<b>Report Content</b>
Corporate Governance	January	TM Update	- External environment - Risks - Activity - Controls - Future Activity
Corporate Governance	January	TM Strategy	- Policy - Strategy - Prudential Indicators
Council	February	TM Strategy	As above
Corporate Governance	July	TM Update	As TM Update above
Corporate Governance	July	TM Review	- Review of TM activities during the preceding year - Performance of TM function
Cabinet	September	TM Review	As above

2.2.2 TM is a complex area which takes time to understand fully and regular updates are provided. It was deemed therefore that the Corporate Governance Committee was more appropriate than Council to receive these updates so that the required amount of time and commitment could be devoted to this area.

2.2.3 The Committee is required to have a certain level of understanding in this area and this is achieved through regular updates.

2.2.4 The role of the Committee includes the following:

- To understand the Prudential Indicators
- To understand the impact of borrowing on the revenue position
- To understand the wider drivers impacting on the Council's TM activities
- To ensure that the Council always acts in a prudent manner in relation to its TM activities

### **3 What are the Recommendations?**

3.1 That members note the performance of the Council's Treasury Management function during 2017/18 and its compliance with the required Prudential Indicators as reported in the Annual TM Report 2017/18 (Appendix 1).

3.2 That members note the TM update report (Appendix 2) for performance to date in 2018/19.

3.3 That the Committee confirms that it has read, understood and taken account of the Well-being Impact Assessment (Appendix 3) as part of its consideration.

## **4 Report details**

4.1 The purpose of the Annual TM Report (Appendix 1) is to:

- present details of capital financing, borrowing, debt rescheduling and investment transactions in 2017/18;
- report on the risk implications of treasury decisions and transactions;
- confirm compliance with treasury limits and Prudential Indicators.

4.3 The TM update report (Appendix 2) provides details of the following:

- External economic environment
- Risks
- Activity
- Controls
- Future Activity

## **5 How does the decision contribute to the Corporate Priorities?**

5.1 Good investment and borrowing decisions allow additional resources to be directed to other Council services.

## **6 What will it cost and how will it affect other services?**

6.1 Not applicable.

## **7 What are the main conclusions of the Wellbeing Impact Assessment?**

7.1 Financial planning and decision making should ensure that proper regard is given to the requirements of the Wellbeing of Future Generations Act and in particular, proper consideration of the long term impact of financial decisions, including the payback period and whole life costs of capital investment decisions, properly impact assessed budget proposals and long term debt and investment (treasury management) strategies. The principles of prudence, affordability and sustainability are already enshrined within the requirements of the Prudential Code and should underpin financial planning and decision making.

7.2 In the context of treasury management, the existing requirements to assess and report on the long term financial consequences of investment and borrowing decisions using prudential indicators and long-term debt planning support the sustainability goals of the Wellbeing Act.

7.3 The Wellbeing Impact Assessment report is included in Appendix 3 which shows how an efficient Treasury Management strategy promotes the wellbeing goals of the Act.

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

8.1 The Council has consulted with its treasury advisers, Arlingclose Ltd.

## **9 Chief Finance Officer Statement**

- 9.1 TM involves looking after significant sums of cash so it is a vital part of the Council's work. It requires a sound strategy and appropriate controls to safeguard the Council's money, to ensure that debt is effectively and prudently managed and reasonable returns on investments are achieved.
- 9.2 CIPFA published its new 2017 edition of the Code of Practice on TM at the end of 2017. It is a requirement of that Code for this committee to receive an update on the TM activities twice a year and to review an Annual TM Report.
- 9.3 The Council has ongoing commitments to the Corporate Plan approved in 2012. While the plan was expected to run for 5 years, some of the projects will finish in 2020/21 and it is expected that the Council will need to borrow to fund this investment.
- 9.4 The Council approved the new Corporate Plan for 2017 to 2022 in October 2017. Any new proposals have been considered in the TM strategy because it is vital that the Council has a robust and effective TM function underpinning this investment and all other activities.

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

- 10.1 Treasury Management is inherently risky but the Council is monitoring and controlling these risks as outlined in the main report. However, it is impossible to eliminate these risks completely. The council's treasury management strategy and procedures are audited annually and the latest internal audit review was positive with no significant issues raised.

## **11 Power to make the Decision**

- 11.1 The Local Authorities (Capital Finance and Accounting) (Wales) Regulations require local authorities to have regard to the Chartered Institute of Public Finance and Accountancy's Code of Practice on Treasury Management which determines the requirement for the Council to prepare regular TM updates and an annual report on treasury activities for the previous financial year.



# Appendix 1

## DENBIGHSHIRE COUNTY COUNCIL

### ***ANNUAL TREASURY MANAGEMENT REPORT 2017/18***

**Richard Weigh  
Head of Finance**

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Section	Title
1	Background
2	Economic Background
3	Borrowing Activity
4	Investment Activity
5	Compliance with Prudential Indicators
6	Money Laundering Update
	Annex A - PWLB borrowing rates and UK Money Market rates
	Annex B – Compliance with Prudential Indicators 2017/18
	Annex C – Glossary

## **1. Background**

- 1.1 The Council's treasury management activity is underpinned by CIPFA's Code of Practice on Treasury Management ("the Code"), which requires local authorities to produce Prudential Indicators annually and a Treasury Management Strategy Statement on the likely financing and investment activity. The Code also recommends that members are informed of treasury management activities at least twice a year. Reports are presented twice a year to the Corporate Governance Committee which is the committee with responsibility for the scrutiny of the Council's treasury policy, strategy and activity, as well as the annual report made to cabinet and the report to full council for approval of the annual treasury strategy.
- 1.2 Treasury management is defined as: "The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."
- 1.3 The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. This report covers treasury activity and the associated monitoring and control of risk.

## **2. Economic Background**

- 2.1 The outlook for the UK economy remained uncertain, however, latest estimates showed that GDP, helped by an improving global economy, grew by 1.8% in 2017, the same level as in 2016. This was a far better outcome than the majority of forecasts following the EU Referendum in June 2016, but it also reflected the international growth momentum generated by the increasingly buoyant US economy and the re-emergence of the Eurozone economies.
- 2.2 The inflationary impact of rising import prices, a consequence of the fall in sterling associated with the EU referendum result, resulted in year-on-year CPI rising to 3.1% in November before falling back to 2.7% in February 2018. Consumers felt the squeeze as real average earnings growth, i.e. after inflation, turned negative before slowly recovering. The labour market showed resilience as the unemployment rate fell back to 4.3% in January 2018. The inherent weakness in UK business investment was not helped by political uncertainty following the surprise General Election in June and by the lack of clarity on Brexit.
- 2.3 The Bank of England's Monetary Policy Committee (MPC) increased Bank Rate by 0.25% in November 2017. It was significant in that it was the first rate rise in ten years, although in essence the MPC reversed its August 2016 cut following the referendum result. The February *Inflation Report* indicated the MPC was keen to return inflation to the 2% target over a more

conventional (18-24 month) horizon with 'gradual' and 'limited' policy tightening.

### **3. Borrowing Activity**

3.1 The table below shows the level of the Council's borrowing from the Public Works Loan Board (PWLB) at the start and the end of the year.

	Balance at 01/04/2017 £000	Maturing loans £000	Premature repayments £000	New Borrowing £000	Balance at 31/03/2018 8£000
Fixed rate loans – Public Works Loan Board (PWLB)	184,726	4,534	0	0	180,192
<b>Total borrowing</b>	<b>184,726</b>	<b>4,534</b>	<b>0</b>	<b>0</b>	<b>180,192</b>

3.2 The Council's strategy in 2017/18 was to internally borrow to fund its borrowing requirement.

3.3 The Council has also been accessing temporary borrowing from other local authorities at very low rates to cover short-term cash flow requirements.

3.4 As a result of this temporary borrowing, the average rate on the Council's debt decreased from 4.94% at 1 April 2017 to 4.41% at 31 March 2018.

3.5 Annex A shows how interest rates for borrowing have moved over the course of the year.

### **4. Investment Activity**

4.1 The Council held cash balances of £12.6m at the end of 2017/18. These represent the Council's Balances and Reserves (after internal borrowing and working cash balances are accounted for) and also where money has been borrowed before capital expenditure is incurred.

4.2 The Welsh Government's Investment Guidance requires local authorities to focus on security (keeping the money safe) and liquidity (making sure the Council never runs out of cash) as the primary objectives of a prudent investment policy. The Council's aim was to achieve a return on investments in line with these principles. The return is important but is a secondary consideration and the priority is the security of the sums invested.

4.3 The table below shows the level of the Council's investments at the start and the end of the year.

	Balance at 01/04/2017 £000	Investments Raised £000	Investments Repaid £000	Balance at 31/03/2018 £000
<b>Investments</b>	<b>1,200</b>	<b>223,700</b>	<b>212,300</b>	<b>12,600</b>

- 4.4 The Council's investment income for the year was £0.017m compared to £0.032m in 2016/17 which meant that the low interest rates available in the market continued to have a significant impact on the investment return earned by the Council.
- 4.5 Security of capital remained the Council's main investment objective. This was maintained by following the Council's counterparty policy as set out in its Treasury Management Strategy Statement for 2017/18 which defined "high credit quality" organisations as those having a long-term credit rating of A- or higher if domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher.

### **Unsecured Bank Deposits**

- 4.6 Conventional bank deposits have become riskier because of a lower likelihood that the UK and other governments will support failing banks. As the Banking Reform Act 2014 was implemented in the UK from January 2015, banks were no longer able to rely on government bail-outs if they got into difficulty. They would be required instead to bail themselves out by taking a proportion of investors' deposits to build up their capital. This new risk has been termed 'bail-in' risk and is potentially a greater risk to investors than the 'bail-out' risk of the past.
- 4.7 Given the increasing risk and continued low returns from short-term unsecured bank investments, the Council has only held a minimal amount of investments for short-term cash flow purposes and has placed a far greater emphasis on investing with the UK Government's Debt Management Office and other local authorities in order to minimise these risks.

### **Credit Risk Management**

- 4.8 Counterparty credit quality was assessed and monitored with reference to the following:
- credit ratings (minimum long-term counterparty rating of A- across rating agencies Fitch / S&P / Moody's);
  - analysis of funding structure and susceptibility to bail-in;
  - credit default swap prices;
  - financial statements;
  - information on potential government support;
  - share prices.

### **Liquidity Management**

- 4.9 In keeping with the WG's Guidance on Investments, the Council maintained a sufficient level of liquidity through the use of overnight deposits and instant access call accounts. The Authority uses purpose-built cash flow forecasting software to determine the maximum period for which funds may prudently be

committed.

## **Yield**

- 4.10 The Council sought to achieve the best return balanced against its objectives of security and liquidity. The UK Bank Rate was increased from 0.25% to 0.50% on 2 November 2017. Short term money market rates also remained at very low levels which had a significant impact on investment income.
- 4.11 All investments made during the year complied with the Council's agreed Treasury Management Strategy, Prudential Indicators, Treasury Management Practices and prescribed limits. Maturing investments were repaid to the Council in full and in a timely manner.

## **5. Compliance with Prudential Indicators**

- 5.1 The Council can confirm that it has complied with its Prudential Indicators for 2017/18, which were set in February 2017 as part of the Council's Treasury Management Strategy Statement. Details can be found in Annex B.
- 5.2 In compliance with the requirements of the CIPFA Code of Practice this report provides members with a summary report of the treasury management activity during 2017/18. None of the Prudential Indicators have been breached and a prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield.

## **6. Money Laundering Update**

- 6.1 The Council is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it maintains procedures for verifying and recording the identity of counterparties and reporting suspicions, and will ensure that relevant staff are properly trained.
- 6.2 The Head of Finance has been appointed as the Money Laundering Reporting Officer. There haven't been any cases of money laundering reported since the start of Denbighshire to date and the risk to the Council is considered to be minimal.

**Interest Rates 2017/18**

Public Works Loan Board (PWLB) borrowing rates and UK Money Market rates during the year were:

Example PWLB Borrowing rates (The rate at which the Council could borrow money from the Government)

<b>Start Date</b>	<b>Length of Loan</b>		
	<b>1yr %</b>	<b>19½-20 yrs %</b>	<b>49½-50 yrs %</b>
03-Apr-17	1.06	2.75	2.56
29-Sep-17	1.34	2.94	2.72
29-Mar-18	1.67	2.75	2.49

Example Bank Rate, Money Market rates (The rate at which the Council could invest with banks)

<b>Date</b>	<b>Bank Rate %</b>	<b>7-day Investment Rates %</b>	<b>1-month Investment Rates %</b>	<b>6-month Investment Rates %</b>
03-Apr-17	0.25	0.11	0.13	0.37
29-Sep-17	0.25	0.11	0.13	0.37
29-Mar-18	0.50	0.36	0.39	0.70

## Compliance with Prudential Indicators 2017/18

### 1 Estimated and Actual Capital Expenditure

- 1.1 This indicator is set to ensure that the level of proposed investment in capital assets remains within sustainable limits and, in particular, to consider the impact on the Council Tax and in the case of the HRA, housing rent levels.

Capital Expenditure	2017/18 Estimated February 2017 £000	2017/18 Revised February 2018 £000	2017/18 Outturn March 2018 £000
Non-HRA	30,477	41,026	38,604
HRA	10,058	11,045	9,000
<b>Total</b>	<b>40,535</b>	<b>52,071</b>	<b>47,604</b>

- NB The figures for the February estimate were produced early in January but due to the nature of capital expenditure, some of the major schemes have slipped and this expenditure will now be incurred in 2018/19.

### 2 Estimated and Actual Ratio of Financing Costs to Net Revenue Stream

- 2.1 This is an indicator of affordability and demonstrates the revenue implications of capital investment decisions by highlighting the proportion of the revenue budget required to meet the borrowing costs associated with capital spending. The financing costs include existing and proposed capital commitments.

Ratio of Financing Costs to Net Revenue Stream	2017/18 Estimated February 2017 £000	2017/18 Revised February 2018 £000	2017/18 Outturn March 2018 £000
Financing Costs	12,864	12,962	12,965
Net Revenue Stream	189,252	189,252	189,252
<b>Non-HRA Ratio</b>	<b>6.80%</b>	<b>6.85%</b>	<b>6.85%</b>
Financing Costs	6,602	6,261	5,985
Net Revenue Stream	14,864	14,566	14,566
<b>HRA Ratio</b>	<b>44.42%</b>	<b>42.98%</b>	<b>41.09%</b>

### 3 Capital Financing Requirement

- 3.1 The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose. In order to ensure that over the medium term net borrowing will only be for a capital purpose, the Council ensures that net external borrowing does not, except in the short term, exceed the CFR in the preceding year plus the estimates of any additional CFR for the current and next two financial years. Performance during 2017/18 is demonstrated in the following table:



<b>Capital Financing Requirement</b>	<b>2017/18 Estimated February 2017 £000</b>	<b>2017/18 Revised February 2018 £000</b>	<b>2017/18 Outturn March 2018 £000</b>
Non-HRA	186,054	181,333	182,589
HRA	74,215	71,769	69,931
<b>Total</b>	<b>260,269</b>	<b>253,102</b>	<b>252,520</b>
<b>Borrowing</b>	<b>205,192</b>	<b>205,192</b>	<b>206,192</b>

NB The outturn figures are taken from the pre-audited Statement of Accounts 2017/18 so they may be subject to change.

#### 4 **Authorised Limit and Operational Boundary for External Debt**

##### **Summary Table:**

<b>2017/18</b>	<b>31/03/2018 £000</b>
<b>External Borrowing</b>	206,192
<b>Internal Borrowing</b>	46,328
<b>Operational Boundary</b>	235,000
<b>Authorised Limit</b>	240,000

- 4.1 **Operational Boundary:** This limit is set to reflect the Council's best view of the most likely prudent (i.e. not worst case) levels of borrowing activity.
- 4.2 **Authorised Limit:** This is the maximum amount of external debt that can be outstanding at one time during the financial year. The limit, which is expressed gross of investments, is consistent with the Council's existing commitments, proposals for capital expenditure and financing and with its approved treasury policy and strategy and also provides headroom over and above for unusual cash movements.
- 4.3 The levels of debt are measured on an ongoing basis during the year for compliance with the Authorised Limit and the Operational Boundary. The Council maintained its total external borrowing and other long-term liabilities within both limits; at its peak this figure was £207.2m. In addition to external borrowing, the Council uses its own reserves and balances to fund capital expenditure and this is known as internal borrowing as shown in the table above.

## 5 Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure

- 5.1 These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates. The exposures are calculated on a net basis i.e. fixed rate debt net of fixed rate investments. The upper limit for variable rate exposure allows for the use of variable rate debt to offset exposure to changes in short-term rates on the portfolio of investments.

	<b>2017/18 Estimated %</b>	<b>2017/18 Actual Peak Exposure %</b>
<b>Upper Limit for Fixed Rate Exposure</b>	100	100
<b>Upper Limit for Variable Rate Exposure</b>	40	0

## 6 Maturity Structure of Fixed Rate borrowing

- 6.1 This indicator is to limit large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates and is designed to protect against excessive exposures to interest rate changes in any one period, in particular in the course of the next ten years.
- 6.2 It is calculated as the amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate.

<b>Maturity structure of fixed rate borrowing</b>	<b>Upper limit %</b>	<b>Lower limit %</b>	<b>Actual Borrowing as at 31/03/2018 £000</b>	<b>Percentage of total as at 31/03/2018 %</b>
under 12 months	30	0	30,390	14.74
12 months and within 24 months	30	0	4,372	2.12
24 months and within 5 years	30	0	12,455	6.04
5 years and within 10 years	30	0	12,804	6.21
10 years and above	100	50	146,171	70.89
<b>Total</b>			<b>206,192</b>	<b>100.00</b>

**7 Total principal sums invested for periods longer than 364 days**

- 7.1 This indicator is set in order to allow the Council to manage the risk inherent in investments longer than 364 days. For 2017/18 this limit was set at £10m. The Council did not have any investments which exceeded 364 days during 2017/18 because the policy was to limit investments to a shorter period than 1 year.

**8 Adoption of the CIPFA Treasury Management Code**

- 8.1 The Council confirms its adoption of the CIPFA Code of Treasury Management at its Council meeting on 26 March 2002. The Council has incorporated the changes from the revised CIPFA Code of Practice into its treasury policies, procedures and practices.

**GLOSSARY - Useful guide to Treasury Management Terms and Acronyms**

<b>BANK OF ENGLAND</b>	UK's Central Bank
<b>BANK RATE</b>	Bank of England Interest Rate (also known as Base Rate)
<b>CPI</b>	Consumer Price Index – a measure of the increase in prices
<b>RPI</b>	Retail Price Index – a measure of the increase in prices
<b>DMO</b>	Debt Management Office – issuer of gilts on behalf of HM Treasury
<b>FSA</b>	Financial Services Authority - the UK financial watchdog
<b>GDP</b>	Gross Domestic Product – a measure of financial output of the UK
<b>LIBID</b>	London Interbank Bid Rate - International rate that banks lend to other banks
<b>LIBOR</b>	London Interbank Offer Rate – International rate that banks borrow from other banks (the most widely used benchmark or reference for short term interest rates)
<b>PWLB</b>	Public Works Loan Board – a Government department that lends money to Public Sector Organisations
<b>MPC</b>	Monetary Policy Committee - the committee of the Bank of England that sets the Bank Rate
<b>LONG TERM RATES</b>	More than 12 months duration
<b>SHORT TERM RATES</b>	Less than 12 months duration
<b>BOND (GENERAL)</b>	An investment in which an investor loans money to a public or private company that borrows the funds for a defined period of time at a fixed interest rate
<b>GOVERNMENT BOND</b>	A type of bond issued by a national government generally with a promise to pay periodic interest payments and to repay the face value on the maturity date
<b>CORPORATE BOND</b>	A type of bond issued by a corporation to raise money in order to expand its business

**COVERED BOND**

A corporate bond issued by a financial institution but with an extra layer of protection for investors whereby the investor has recourse to a pool of assets that secures or “covers” the bond if the financial institution becomes insolvent

**GILT**

A bond that is issued by the British government which is classed as a low risk investment as the capital investment is guaranteed by the government

**REPO**

A repurchase agreement involving the selling of a security (usually bonds or gilts) with the agreement to buy it back at a higher price at a specific future date  
For the party selling the security (and agreeing to repurchase it in the future) it is a REPO  
For the party on the other end of the transaction e.g. the local authority (buying the security and agreeing to sell in the future) it is a reverse REPO

**FTSE 100**

Financial Times Stock Exchange 100 - An index composed of the 100 largest companies listed on the London Stock Exchange which provides a good indication of the performance of major UK companies

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### Treasury Management (TM) Update Report

#### 1 Changes in the external environment

##### Economic Outlook

- 1.1 The political backdrop to the UK remains uncertain as the Brexit negotiations continue ahead of Britain's planned withdrawal from the EU in March 2019. In view of this uncertainty, the Council will continue to take a cautious approach in relation to its investments.

#### 2 Investment Strategy

- 2.1 Conventional bank deposits have become riskier because of a lower likelihood that the UK and other governments will support failing banks. As the Banking Reform Act 2014 was implemented in the UK from January 2015, banks were no longer able to rely on government bail-outs if they got into difficulty. They would be required instead to bail themselves out by taking a proportion of investors' deposits to build up their capital. This new risk has been termed 'bail-in' risk and is potentially a greater risk to investors than the 'bail-out' risk of the past.
- 2.2 Given the increasing risk and continued low returns from short-term unsecured bank investments, the Council has only held a minimal amount of investments for short-term cash flow purposes and has placed a far greater emphasis on investing with the UK Government's Debt Management Office and other local authorities in order to minimise these risks.

#### 3 Borrowing Strategy

- 3.1 In line with its TM strategy and following advice from its treasury consultants, the Council has locked in a proportion of its debt at very low rates with the Public Works Loan Board (PWLB) to fund the capital programme. In total, two new loans for £20m were undertaken in May 2018 over a 15 year period on an Equal Instalment of Principal (EIP) basis.
- 3.2 This has also enabled the Council to repay many of its temporary loans from other local authorities but it will continue to undertake temporary borrowing from other local authorities if required to cover short-term cash flow requirements in the future as this is a good source of readily available cash at historically low rates.
- 3.3 At the same time, the Council will also continue to monitor its cash position and interest rate levels to ensure that further long term borrowing is undertaken from the PWLB at the optimal time to fund on-going Capital commitments.

## 4 Controls

### 4.1 Prudential Indicators

The Council sets prudential indicators which set boundaries within which its treasury management activity operates. The indicators are calculated to demonstrate that the Council's borrowing is affordable and include measures that show the impact of capital and borrowing decisions over the medium term. The Council has remained within all of its borrowing and investment limits for 2018/19 agreed by Council in February 2018. The Council has not deviated from the Capital related indicators either.

### 4.2 Audit Reviews

The Internal Audit review undertaken in November 2017 concluded that the treasury management system continues to be well controlled. The audit report listed the following key points:

- *“Overall, effective controls continue to operate within the Council's Treasury Management function ensuring that risks are well managed, for example;*
  - *Several members of staff within Finance can carry out treasury management activities, which allows for continuity of service and appropriate separation of duties.*
  - *Real-time advice and updates are provided by external treasury management advisers and are followed by members of staff.*
- *Our sample testing confirmed that members of staff continue to adhere to the Council's Treasury Management policies and procedures, which in the main provides a robust framework to ensure the effective management and control of its treasury management activities.*
- *There is an opportunity to further strengthen the controls around daily cash flow management, to ensure that the Council is both receiving returns on investing large surplus balances and avoiding interest charges when balances fall into an overdraft facility.*
- *Regular reconciliations are carried out between the general ledger and the treasury management system (Logotech).*
- *The Council's Treasury Management Strategy Statement and Investment Strategy is scrutinised by the Corporate Governance Committee annually and approved by County Council. This governs the activity of the treasury management function to defined parameters, thereby managing risks.”*



## **5 Future**

### **5.1 TM Strategy for next six months**

As the Corporate Plan is progressing, the Council will continue to review its cash position to ensure that borrowing is undertaken if required. The Council will also monitor market conditions and interest rate levels to ensure that external borrowing is undertaken at the optimal time in line with the TM strategy.

### **5.2 Reports**

This report will be submitted to Cabinet in September following a review by the Corporate Governance Committee. The next reports to the Corporate Governance Committee will be the Treasury Management Strategy Statement and Prudential Indicators 2019/20 and the TM Update Report 2018/19 in January.

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# Annual Treasury Management Report 2017/18

## Well-being Impact Assessment Report

This report summarises the likely impact of the proposal on the social, economic, environmental and cultural well-being of Denbighshire, Wales and the world.

Assessment Number:	148
Brief description:	A review of the Treasury Management activities for 2017/18
Date Completed:	14/06/2018 16:45:56 Version: 7
Completed by:	Rhys Ifor Jones
Responsible Service:	Finance
Localities affected by the proposal:	Whole County,
Who will be affected by the proposal?	Proposals have little or no direct impact on the vast majority of residents as the strategy involves managing the Council's investments and borrowing.
Was this impact assessment completed as a group?	No

# IMPACT ASSESSMENT SUMMARY AND CONCLUSION

Before we look in detail at the contribution and impact of the proposal, it is important to consider how the proposal is applying the sustainable development principle. This means that we must act "in a manner which seeks to ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs."

## Score for the sustainability of the approach

★ ★ ★ ★ ( 3 out of 4 stars ) Actual score : 20 / 30.

## Implications of the score

An efficient Treasury Management strategy ensures that the Council is maximising the use of its resources in order to guarantee the sustainability of the approach in the long term.

## Summary of impact

Well-being Goals

- A prosperous Denbighshire
- A resilient Denbighshire
- A healthier Denbighshire
- A more equal Denbighshire
- A Denbighshire of cohesive communities
- A Denbighshire of vibrant culture and thriving Welsh language
- A globally responsible Denbighshire

- Positive
- Positive
- Neutral
- Neutral
- Neutral
- Neutral
- Neutral



## Main conclusions

An effective Treasury Management strategy ensures that the Council's investment and borrowing decisions will contribute towards the goal of maximising income and minimising costs which supports efficient service delivery.

## Evidence to support the Well-being Impact Assessment

- We have consulted published research or guides that inform us about the likely impact of the proposal
- We have involved an expert / consulted a group who represent those who may be affected by the proposal
- We have engaged with people who will be affected by the proposal

# THE LIKELY IMPACT ON DENBIGHSHIRE, WALES AND THE WORLD

## A prosperous Denbighshire

<b>Overall Impact</b>	Positive
<b>Justification for impact</b>	An effective Treasury Management strategy ensures that the Council's investment and borrowing decisions will contribute towards the goal of maximising income and minimising costs which supports efficient service delivery.
<b>Further actions required</b>	Sound financial planning and efficient long term treasury management strategies ensure that the positive impact of this report on the County's prosperity is maximised.

### Positive impacts identified:

<b>A low carbon society</b>	
<b>Quality communications, infrastructure and transport</b>	Financial planning and decision making ensures that proper consideration of the long term impact of financial decisions is given, including the payback period and whole life costs of capital investment decisions, properly impact assessed budget proposals and long term debt and investment (treasury management) strategies.
<b>Economic development</b>	The Treasury Management strategy and Prudential Indicators ensure that the Council's cash is safeguarded as much as possible by making investments in banks recommended in the annual strategy statement.
<b>Quality skills for the long term</b>	The strategy ensures that the Council's borrowing is monitored and is within set limits and is affordable. It identifies current financing requirements for the Capital Plan and estimates the proposed capital requirements for the next three financial years.
<b>Quality jobs for the long term</b>	Sound investment and borrowing decisions relating to the Council's cash will maximise the Council's income within the guidelines set in the Treasury Management strategy.
<b>Childcare</b>	The Prudential Indicators are a statutory requirement which demonstrate the affordability of our plans and contribute towards the overall financial wellbeing of Denbighshire.

### Negative impacts identified:

<b>A low carbon society</b>	
<b>Quality communications, infrastructure and transport</b>	
<b>Economic development</b>	
<b>Quality skills for the long term</b>	
<b>Quality jobs for the long term</b>	
<b>Childcare</b>	

## A resilient Denbighshire

<b>Overall Impact</b>	Positive
<b>Justification for impact</b>	A sound Treasury Management strategy ensures that the Council's cash is secure and new borrowing is affordable. It also enables the Council to react quickly to market volatility by continual monitoring of the financial institutions throughout the year.
<b>Further actions required</b>	Good investment decisions will help the Council to develop more efficient working practices which will use less resources which will help to maximise the positive impact of this report on the County's resilience.

### Positive impacts identified:

<b>Biodiversity and the natural environment</b>	
<b>Biodiversity in the built environment</b>	
<b>Reducing waste, reusing and recycling</b>	Good investment decisions will help the Council to develop more efficient working practices which will use less resources.
<b>Reduced energy/fuel consumption</b>	The strategy is set at the start of the financial year but it is monitored carefully throughout the year to ensure that the Council reacts quickly to any market volatility and the impact on the banking institutions.
<b>People's awareness of the environment and biodiversity</b>	
<b>Flood risk management</b>	

### Negative impacts identified:

<b>Biodiversity and the natural environment</b>	
<b>Biodiversity in the built environment</b>	
<b>Reducing waste, reusing and recycling</b>	
<b>Reduced energy/fuel consumption</b>	
<b>People's awareness of the environment and biodiversity</b>	
<b>Flood risk management</b>	

## A healthier Denbighshire

<b>Overall Impact</b>	Neutral
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<b>Justification for impact</b>	Proposals have little or no direct impact on the vast majority of residents as the strategy involves managing the Council's investments and borrowing.
<b>Further actions required</b>	The impact of this report is neutral in this particular area so this is not applicable.

**Positive impacts identified:**

<b>A social and physical environment that encourage and support health and well-being</b>	
<b>Access to good quality, healthy food</b>	
<b>People's emotional and mental well-being</b>	
<b>Access to healthcare</b>	
<b>Participation in leisure opportunities</b>	The strategy contributes to the overall financial health of Denbighshire and therefore supports the delivery of the annual budget.

**Negative impacts identified:**

<b>A social and physical environment that encourage and support health and well-being</b>	
<b>Access to good quality, healthy food</b>	
<b>People's emotional and mental well-being</b>	
<b>Access to healthcare</b>	
<b>Participation in leisure opportunities</b>	

**A more equal Denbighshire**

<b>Overall Impact</b>	Neutral
<b>Justification for impact</b>	A good treasury management strategy contributes to the overall financial resilience of the Council and supports the on-going work of the Authority without impacting on residents.
<b>Further actions required</b>	The impact of this report is neutral in this particular area so this is not applicable.

**Positive impacts identified:**

<b>Improving the well-being of people with protected characteristics. The nine protected characteristics are: age; disability; gender reassignment; marriage or civil partnership; pregnancy and maternity; race; religion or belief; sex; and sexual orientation</b>	
<b>People who suffer discrimination or disadvantage</b>	
<b>Areas with poor economic, health or educational outcomes</b>	
<b>People in poverty</b>	An efficient treasury management strategy contributes to the financial resilience of the Council and supports service delivery.

**Negative impacts identified:**

<b>Improving the well-being of people with protected characteristics. The nine protected characteristics are: age; disability; gender reassignment; marriage or civil partnership; pregnancy and maternity; race; religion or belief; sex; and sexual orientation</b>	
<b>People who suffer discrimination or disadvantage</b>	
<b>Areas with poor economic, health or educational outcomes</b>	
<b>People in poverty</b>	



<b>Overall Impact</b>	Neutral
<b>Justification for impact</b>	A good treasury management strategy contributes to the overall financial resilience of the Council and supports the on-going work of the Authority without impacting on residents.
<b>Further actions required</b>	The impact of this report is neutral in this particular area so this is not applicable.

**Positive impacts identified:**

<b>Safe communities and individuals</b>	
<b>Community participation and resilience</b>	
<b>The attractiveness of the area</b>	
<b>Connected communities</b>	

**Negative impacts identified:**

<b>Safe communities and individuals</b>	
<b>Community participation and resilience</b>	
<b>The attractiveness of the area</b>	
<b>Connected communities</b>	

**A Denbighshire of vibrant culture and thriving Welsh language**

<b>Overall Impact</b>	Neutral
<b>Justification for impact</b>	A good treasury management strategy contributes to the overall financial resilience of the Council and supports the on-going work of the Authority. It has no direct impact on the language and the culture because any treasury management decisions are based on the treasury strategy and advice from financial consultants.
<b>Further actions required</b>	The impact of this report is neutral in this particular area so this is not applicable.

**Positive impacts identified:**

<b>People using Welsh</b>	
<b>Promoting the Welsh language</b>	
<b>Culture and heritage</b>	

**Negative impacts identified:**

<b>People using Welsh</b>	
<b>Promoting the Welsh language</b>	
<b>Culture and heritage</b>	

**A globally responsible Denbighshire**

<b>Overall Impact</b>	Neutral
<b>Justification for impact</b>	A good treasury management strategy contributes to the overall financial resilience of the Council and supports the on-going work of the Authority. It has no direct impact on the local area.
<b>Further actions required</b>	The impact of this report is neutral in this particular area so this is not applicable.

**Positive impacts identified:**

<b>Local, national, international supply chains</b>	
<b>Human rights</b>	All investments are undertaken from national institutions in line with the strategy and financial advice. The strategy determines the institutions with the minimum credit rating which the Authority is permitted to invest with.
<b>Broader service provision in the local area or the region</b>	All borrowing is undertaken from central Government as detailed in the strategy and in line with other local authorities.

**Negative impacts identified:**

<b>Local, national, international supply chains</b>	
<b>Human rights</b>	
<b>Broader service provision in the local area or the region</b>	

**Report To:** Corporate Governance Committee  
**Date of Meeting:** 11 July 2018  
**Lead Member / Officer:** Lisa Lovegrove – Chief Internal Auditor  
**Report Author:** Lisa Lovegrove – Chief Internal Auditor  
**Title:** **Internal Audit Update**

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

This report (appendix attached) 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 June 2018 on:

- Internal audit reports recently issued i.e. Learner Transport and Health & Safety in Schools;
- Progress on Internal Audit work to date in 2018-19;
- Progress on implementation of improvement actions; and
- Update on Internal Audit performance against set standards.

Since April 2018, all outstanding internal audit actions and new actions are entered onto the corporate project and performance management system (Verto). There are currently 85 internal audit actions recorded on the system. The system allows senior management and service representatives to monitor progress in addressing outstanding actions and provide an update on progress.

The Strategic Planning & Performance Officers monitor completion of the actions and remind services to update them quarterly in line with corporate performance reporting requirements.

**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

July 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 July 2018 on:
  - Internal Audit reports recently issued
  - Progress on Internal audit work to date in 2018-19
  - 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

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

### Definitions of Risks/Issues

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

## Learner Transport – June 2018

### Learner Transport – Medium Assurance

- |   |                       |
|---|-----------------------|
| 5 | Moderate Risks/Issues |
| 0 | Major Risks/Issues    |
| 0 | Critical Risks/Issues |
4. The School Support and Education Transport teams work well together in providing the learner transport service in terms of consulting and developing the latest Learner Transport policy, with regular communication between the teams on the service provision and any associated issues.
  5. A new Learner Transport policy is due for implementation in September 2018, which was approved by Cabinet in July 2017. Extensive consultation was carried out with key stakeholders such as councillors, parents and schools. Any concerns highlighted with the current policy have been addressed where possible, for example, providing discretionary elements for feeder schools and faith schools.
  6. The School Support team has good processes in place for assessing transport applications to ensure that pupils access free learner transport only if they meet the eligibility criteria, and any discretionary measures were appropriately applied and sufficiently authorised. There is separation of duties for any appeals regarding learner transport applications decisions.
  7. Controls need to be strengthened within the School Support team to ensure that documents are not held for longer than they are needed. The team are already addressing this with the EDRMS (Electronic Document Retention Management System) team.
  8. Transport applications for managed transfers and additional learning needs are not input onto the learner transport system which may hinder effective monitoring. Copies of the applications are retained by the departments that have received them as well as the Education Transport team, causing duplication and potential data protection infringement if not handled properly.
  9. Finance has highlighted that the two biggest risks in terms of the budget are:

- i. The cost of implementing the new policy is not yet known until the contracts are tendered later this year. Finance are reviewing this risk as part of the budget setting discussions; and
    - ii. The discretionary post-16 transport provision. Income for the first two terms of the 2017/18 academic year has not been recharged to colleges despite the efforts of staff. This has budgetary implications now the 2017/18 financial year has closed down, and is an inefficient use of staff resources in terms of attempting to resolve the issues.
  10. The Education Transport team has put in place some good procurement processes for both tender rounds. We have discussed with the team some minor issues where arrangements could be strengthened e.g. within the emergency contracts process.
  11. A number of areas within the procurement system (Proactis) had not been updated, for instance, details of the operators that were awarded a contract. This has meant that the corporate contract register, held within Proactis, has no learner transport contracts recorded.
  12. Additionally, Contract Procedure Rules are applied in certain areas of the procurement process, but not in terms of completing procurement commissioning forms or contract award reports. We consider that these weaknesses are due to the tender process being extremely complex, which has created additional pressure for the Education Transport team.
  13. The Education Transport team is being proactive in implementing a dynamic purchasing system that should reduce the complexities of the tendering process. The system is due for implementation in October 2018, and some current contracts that were due to expire have been extended so they can be tendered under the new system. Contract Procedure Rules state that contracts can be extended before the original expiry date by the contract manager as long as they are not extended by more than 50% of the contract period. By October 2018, some contracts will be near this extension limit and the procurement business partner for learner transport has advised that a variation report should be submitted for approval to formally explain the reason for the contract extensions. This will also be beneficial in case the implementation of the dynamic purchasing system is delayed.
  14. Overall, the Education Transport team manages its contracts well as these had been signed by the operator and the contract content covered key elements
-



such as performance and termination arrangements. We have raised a couple of areas for improvement in terms of some route-specific risk assessments not being received from operators, and the mechanism for applying financial deductions.

15. We have raised five areas for improvement in total, but consider that arrangements in place to manage learner transport operate well hence our overall medium assurance rating.

### Health & Safety in Schools – June 2018

16. This review was given a “low assurance” overall, therefore it is included as a separate agenda item.

Health & Safety in Schools – Low Assurance	
4	Moderate Risks/Issues
1	Major Risks/Issues
0	Critical Risks/Issues

## Progress in delivering the Internal Audit Assurance 2018-19

17. 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.

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

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

- Homelessness
- Welsh Transport Grants
- Section 106 Agreements
- Revenues and Benefits

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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
<b>2018-19 Projects</b>								
Catering	18	20	Fieldwork					
Risk Management	1	10	Fieldwork					
Business Continuity Management	1	12	Fieldwork					
Homelessness	3	30	Scoping					
Housing Rents	26	30	Fieldwork					

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
AONB Grant Certification	2	2	Complete	N/a				
Welsh Government Grant Certification: <ul style="list-style-type: none"> <li>Pupil Deprivation Grant</li> <li>Education Improvement Grant</li> </ul>	0	15	Scoping					
Section 106	3	15	Scoping					
Welsh Transport Grant	1	15	Scoping					
Single Access Route to Housing (SARTH)	1	10	Scoping					
Revenues and Benefits	0	40	Scoping					
<b>Projects Brought Forward from 2017-18</b>								
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	
School Transport	23	25	Final	Medium	0	0	5	
Health & Safety in Schools	6	15	Final	Low	0	1	4	
Travel & Subsistence	1	1	Complete	Medium	0	1	3	

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
CCTV Partnership	1	1	Complete	Medium	0	0	3	
IT Procurement of Resources	4	10	Closing meeting					Nearing completion.
ALN & Inclusion / Recoupment & Out of County Placement / Special Education	24	30	Closing meeting					Nearing completion.
Pooled Budgets	1	5	Fieldwork					
Registrars	1	15	Fieldwork					Initial investigation concluded. Further work planned after office relocation.
Court of protection	22	25	Closing meeting					Nearing completion.
<b>Fraud &amp; Corruption Work</b>								
National Fraud Initiative	1	40	Ongoing					
Housing Tenancy Fraud	5	20	Scoping					
General fraud enquiries and counter fraud work	15	50	Ongoing					
<b>Follow-up Reviews</b>								
IA project follow-ups	13	30	Ongoing					Includes devising new follow up process

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
Management of follow-ups	7	20						
<b>Other Areas of Work</b>								
School Fund admin & audits	10	40	In progress					New school fund guidance now in place
Corporate Governance Framework	3	10	2017-18 complete					
Corporate working groups	6	35	In progress					
Consultancy & corporate areas	12	70	In progress					
<b>IA Support &amp; Management</b>								
Team Meetings / 1:1s	21	50						
Management	8	40						
Training & development	4	40						
<b>Total Days</b>	<b>256</b>	<b>786</b>						

## Progress with Improvement Actions Arising From Internal Audit Assurance Work 2018-19

20. Responsibility to resolve issues and manage agreed actions lies with management. The International Internal Audit Standards require internal audit to monitor what is happening to the results of audit engagements to ensure that actions have been implemented effectively or that management has accepted the risk of not taking action. The table below summarises progress as at the end June 2018. The current status of each action is detailed in Appendix A of this report.

Service	Number of Actions Raised (includes actions from 2017/18)	Number of Actions Due	Actions Implemented Since April 2018	% Actions Completed to Date (of those that are due)	Actions Exceeding Original Due Date
Business Improvement & Modernisation	11	8	4	50%	3
Community Support Services	6	6	0	0%	6
Communications Customers & Marketing	4	2	2	100%	0
Education & Children's Services	11	8	6	75%	3
Facilities Assets & Housing	5	5	4	80%	1
Finance	15	10	3	30%	8
Highways & Environmental Services	6	6	2	33%	3

<b>Legal, HR &amp; Democratic Services</b>	23	15	4	27%	7
<b>Planning &amp; Public Protection</b>	4	1	1	100%	0
<b>Total</b>	<b>85</b>	<b>61</b>	<b>26</b>	<b>43%*</b>	<b>31</b>

\* Performance is cumulative and should improve as the year progresses.

## Internal Audit performance standards

21. 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.

22. 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)	4
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%	43%*

\* This is a cumulative figure and performance should improve during the course of the year.



## Appendix A – Status of Improvement Actions (as at June 2018)

# Internal Audit Actions

### Business Improvement & Modernisation

Activities				
IAABIM01a	<b>D171802f - Modernising Council: Strategic Planning Team will work with Heads of Service and Lead Members to identify appropriate success criteria at the beginning of the new corporate plan. These will be periodically reviewed by the programme board</b>	01/06/17	31/05/18	
	The Performance Management Framework for the Corporate Plan has gone to SLT, and is going to Cabinet and Performance Scrutiny during late Q4 and / or early Q1 for 2018 / 2019.	Carol A Evans	07/03/18	
IAABIM02a	<b>D171802f - Modernising the Council: Strategic planning team will prompt services to consider fraud risk when they're updating their service risk registers; and refer to the fraud risk in their individual service plans, where appropriate.</b>	31/01/18	30/06/18	
	Strategic Planning & Performance officers have prompted the services they support to consider fraud risk when they're updating their service risk registers as part of the current Service Planning process 2018/19. Where appropriate services have reference the fraud risk in their individual service risk register. (Finance)	Heidi Barton-Price	02/03/18	
IAABIM03a	<b>D151642f - AD Access - Public Sector Network (PSN) guidance has recently changed to reflect concerns over password strength and ICT will act on the new guidance and issue information to service users</b>	01/03/17	30/06/18	
	As of 05.03.18 this work is was thought this work was complete. Internal Audit have advised that this is now yellow - experiencing obstacles.	Carol A Evans	05/03/18	
IAABIM04a	<b>D151642f - AD Access Management: We are currently updating the Council's Information Security Policies and, as part of this, we will include latest guidance on passwords</b>	01/08/16	30/06/18	
	Policy due to go to Cabinet for approval in June 2018.	Lisa Lovegrove	28/03/18	
IAABIM06a	<b>D171801f - Corporate Document Review: Promote and raise awareness and accessibility of Corporate Document Retention and the use of the Corporate Retention Schedule</b>	01/06/18	31/07/18	
	Work has been carried out in the making the Corporate document schedule more user friendly. The revised version has been demonstrated to the officers on the Information Governance panel, who have been asked to provide feedback on the revised version by 11th May. The re-launch of the schedule was carried out week commencing 14th May through Denbighshire's intranet page. The revised version of the document retention schedule has be relocated on the intranet to the Apps link on the home page of Denbighshire's Intranet, making it easier for staff to locate the document.	Lisa Lovegrove	14/05/18	
IAABIM07a	<b>D171801f - Corporate Document Review: Services will be encouraged to highlight any gaps in the Corporate Retention Schedule. The Schedule will then be amended accordingly</b>	01/03/18	31/12/18	
	The revised Corporate Document Schedule has been reformatted into a database format, which will allow staff to filter and search for the relevant document type. As part of the launch due to be carried out week commencing 14th May staff will be made aware of the document. Services are still encouraged to highlight any gaps in the retention schedule. Further highlighting of any gaps in the schedule have been raised through the information governance	Lisa Lovegrove	14/05/18	

	group Through the Information Governance group the Business Information Team Manager has asked officers to feed back any gaps in the retention schedule. In terms of reviewing the associated policies the following policies have now been removed from the intranet for staff to access as they are no longer relevant: -		
	<ul style="list-style-type: none"> <li>• Networks Drive Policy April 2014</li> <li>• The paper Housekeeping policy January 2014.</li> </ul>		
IAABIM08a	<b>D171801f Corporate Document Review: A trawl of network drives will be undertaken and the results shared with Heads of Service for them to raise awareness of the issue with their teams. A day will be identified and promoted as a "Tidy Denbighshire" day</b>	01/05/18	31/03/19
	A trawl of the network drives within Business, Improvement and Modernisation (BIM) service was completed as a pilot to establish how quick the exercise had taken. The exercise took longer than predicted but identified a number of duplicate files on the shared drives. No further progress has been carried out since, which is down to having staff capacity within the team to review other services network drives. The Business Information Team Manager has asked for the timescale of the completion of this issue to be extended to March 2019 as there are resources issues within their team.	Lisa Lovegrove	14/05/18
IAABIM09a	<b>D171801f- Corporate Document Review: ICT will amend contract procurement procedure and tender documents in association with Corporate Procurement to include reference to Document Retention</b>	01/04/18	30/04/18
	Activity is on target and will be reported upon in 2018 - 2019 Service Business Plan	Carol A Evans	05/03/18
IAABIM10a	<b>D151642F - IT Access Management : Remote support agreement for iTrent</b>	03/06/16	31/08/18
	The remote support agreement is still not in place. The current contract with Midland has been extended, but there is still a lack of clarity as to whether the contract sufficiently covers remote support responsibilities. When the contract is renewed in August 2018, the content should be checked to ensure that the contract adequately reflects this and that it complies with the requirements of the new General Data Protection Regulation (GDPR)	Lisa Lovegrove	28/03/18
IAABIM11a	<b>D151642F - IT Access Management : Management of all ICT systems re: providers, remote support agreements and renegotiations</b>	01/03/17	28/02/18
	Complete with the exception of iTrent (See IAABIM10a for more information of this action)	Lisa Lovegrove	28/03/18
IAABIM12a	<b>D151642F - IT Access Management : Review and distribute the relevant policy to systems administrators (protective monitoring in relation to detecting actual or potential security incidents)</b>	01/03/17	30/06/18
	Policy has been drafted. Due to go to cabinet for approval in June 2018.	Lisa Lovegrove	28/03/18
IAABIM13a	<b>D171814f Project Management Risk 1.1: Prepare Guidance Notes for Project Executives to mitigate risk within Project Management</b>	25/05/18	29/06/18

## Community Support Services

### Activities

IAACSS01a	<b>D151621F - POVA : Quality Audit results will be a standing agenda item for the regular DLM Meeting. The Audit tool will be shared with DLMs as part of this process.</b>		30/06/18
	The audit tool is now in use and was used for Q1. However, this has yet to be shared with Designated Lead Managers and as such they are yet to carry out an audit themselves using this tool.	Lisa Lovegrove	07/03/18
IAACSS02a	<b>D151620F - PARIS Financials: Presentation on late of incomplete movement forms and output errors to Practice Improvement &amp; Commissioning Alliance (PICA) emphasising importance of timely movement forms.</b>	01/03/16	30/04/18

	<b>Business Support Officers to be informed at the end of each week about new/ending/ respite placements to ensure movement forms are completed. Monitoring via Quaterly Performance Reports at Service Managers Meetings.</b>		
	Although there have been improvements in the completion, monitoring and retaining of movement forms, the review has identified movement forms are still being completed after the child has moved placement. The Service Manager LAC now sample checks records throughout the month and her testing has seen an improvement in the number of forms being completed prior to the child moving placement. The Family Placement team also now ensure that movement forms are completed at the time a placement is agreed, movement forms now form part of the placement paperwork.	Lisa Lovegrove	27/03/18
<b>IAACSS03a</b>	<b>D151620F - PARIS Financials:</b> A report of overpayments to be provided to the service manager at each payment run. Service manager to decide on whether to recover money and how this will be done. A case note will be added to record the decision.	<b>01/03/16</b>	<b>30/04/18</b>
	Review of overpayment has reduced the amounts. Biggest challenge is making placement officers/business support officers of the need for timely movement forms (above issue).	Lisa Lovegrove	27/03/18
<b>IAACSS04a</b>	<b>D151620F - PARIS Financials:</b> Payment for Skills can now be automated but this functionality needs testing. This needs to be debated and agreed by managers in terms of priority for this piece of work against other developments, including implementation of changes to reflect the Social Services and Wellbeing Act and Adult Finance requirements. The authorisation of changes of carers Tiers is clearly defined and on Paris. This is not the issue that caused this overpayment.	<b>01/03/16</b>	<b>30/04/18</b>
	Still errors with Payment for skills. Paris upgrade not yet taken place.	Lisa Lovegrove	27/03/18
<b>IAACSS05a</b>	<b>D151620F - PARIS Financials:</b> The Special Guardianship Register is being updated to include details of the financial payments made, including start and finish dates if the allowance is for a set period of time. For this particular case, we have written to the carer concerned to give notice of us ceasing payments and inviting her to request a new assessment if she wishes	<b>01/03/16</b>	<b>30/04/18</b>
	Testing identified issues with inaccurate Special Guardianship Order allowances.	Lisa Lovegrove	27/03/18
<b>IAACSS06a</b>	<b>D151620F - PARIS Financials:</b> All court orders for existing cases are on Paris. Historic cases are being updated.	<b>01/03/16</b>	<b>30/04/18</b>
	The majority of SGOs are now on Paris. There is still some work to be done regarding the historic SGOs and making them available on the system. The team are trying to ensure that all information around a new SGO case are scanned into Paris and the information saved into the relevant area of Paris. However, the backlog is a work in progress and will take time to enter all the information onto Paris due to time / resources.	Lisa Lovegrove	27/03/18

## Customers, Communication & Marketing

### Activities

<b>IAACCM01a</b>	<b>D171711F - Corporate Communications: Develop a Business Case for a new Council website which is fully accessible (by September 2018) and make necessary changes to the website if Business Case is approved. (Formerly CCM316a)</b>	<b>01/11/17</b>	<b>30/09/18</b>
	This project has now been amalgamated into a wider Corporate Plan Project in order to secure funding to be able to undertake the development of a new site. The work done on the project brief to date remains in line with the objective of producing a business case by September	Sian Owen	03/05/18
<b>IAACCM02a</b>	<b>D171811F - Corporate Communications: Create formal protocol &amp; guidance for services for updating information on Linc intranet platform (following</b>	<b>01/11/17</b>	<b>28/02/18</b>

	<b>evaluation of implementation phase of this new platform) and on all Council web platforms. (Formerly CCM317a)</b>		
	This protocol is now in place and appears on linc for staff to reference	Sian Owen	03/05/18
<b>IAACCM03a</b>	<b>D171811F - Corporate Communications: Support HR to launch and promote the Council's social media policy to ensure all personnel are fully aware of their individual responsibilities with regard to personal use of social media. (Formerly CCM318a)</b>	<b>01/11/17</b>	<b>31/03/18</b>
	This project is completed and is just awaiting Welsh translation before being published	Sian Owen	03/05/18
<b>IAACCM04a</b>	<b>D151630f-Housing Enforcement: Modernisation of the payment process for Houses in Multiple Occupancy licences.</b>	<b>01/04/18</b>	<b>31/03/19</b>

## Education & Children's Services

<b>IAAECS01a</b>	<b>D131433F - Governance : Produce an induction pack and extensive training support programme for new governors and clerks.</b>	<b>01/01/15</b>	<b>30/04/18</b>
	The actions have been implemented. There is a planned review of the Governance in 2018-19, which we review the effectiveness of the controls in place from our previous review.	Lisa Lovegrove	19/06/18
<b>IAAECS02a</b>	<b>D131443F - Governance : Produce a checklist for new governors to ensure that all necessary checks, forms, and training are completed at the appropriate time.</b>	<b>01/12/14</b>	<b>30/04/18</b>
	The actions have been implemented. There is a planned review of the Governance in 2018-19, which we review the effectiveness of the controls in place from our previous review.	Lisa Lovegrove	19/06/18
<b>IAAECS03a</b>	<b>D131443F - Governance : Review existing Instruments of Government to ensure that they comply with current legislation and are signed off by the local authority.</b>	<b>01/01/15</b>	<b>31/12/18</b>
	The legislative changes are still unknown at this point.	Lisa Lovegrove	19/06/18
	There is a planned review of the Governance in 2018-19, which we review the impact on the Instruments of Governance to ensure compliance.		
<b>IAAECS04a</b>	<b>D131443F - Governance : Work with HR to develop an integrated system of recording/maintaining Criminal Records Bureau (CRB) / Disclosure and Barring Service (DBS) for governors</b>	<b>01/01/15</b>	<b>31/05/18</b>
	Work is progressing in the issue highlighted. There is a planned review of the Governance in 2018-19, which we assess the progress made in the actions raised from our previous review.	Lisa Lovegrove	19/06/18
<b>IAAECS05a</b>	<b>D151633F - Information Management &amp; IT mangement: The Education Support team will produce a key contact list so that schools know who to contact for certain events.</b>	<b>01/09/16</b>	<b>30/04/18</b>
	Since the last follow up the Education Support team has revisited the contact list and have now included the service aims, outline of what the service provides and the current priorities and initiatives. This information will be provided to all head teachers in September 2018 at their meeting and then placed on the Council's Intranet for schools to access. It is the intention of the JMT to update this information on an annual basis.	Lisa Lovegrove	06/06/18
<b>IAAECS06a</b>	<b>D151633F - IT &amp; Information Management in schools: Where internal templates are available (to adapt and fill any gaps in policy framework or understanding), these will be put on the Knowledge Hub (web-based information portal).</b>	<b>01/09/16</b>	<b>30/04/18</b>
	All policy templates have been completed and have been loaded into the Knowledge Hub (web-based information portal). Head teacher and Business and finance managers have been	Lisa Lovegrove	06/06/18

	provided with a link to the Knowledge Hub, which they can then navigate to view all policy templates. Once they have selected the relevant policy, they can download it and amend as required.		
IAAECS07a	<b>D151633F - IT &amp; Information Management in Schools: An ICO training session for governors, head teachers and business and finance managers has been provided and subsequent training sessions will be offered to maintain awareness of DPA &amp; FOI requirements.</b>	01/04/17	31/05/18
	The ICO was meant to carry out training in early May for all Education staff, but unfortunately the training was cancelled at the last minute. However the Legal Services Manager has agreed to carry out the relevant training for all head teachers and Business / Finance Managers on the 8th June. Training will then be arranged for the Governors in the Autumn term, but it has not yet been decided if the training will take place in one venue, or whether the training will be put on in two or three venues to encourage as many governors to attend.	Lisa Lovegrove	06/06/18
IAAECS08a	<b>D151633F: Develop a matrix of training needs for policies and guidance for all areas of schools ICT (through the SWGFL 360 self-evaluation tool)</b>	01/01/17	30/04/18
	The new web based tool kit is fully operational and once a school has completed the self-evaluation form, it colour codes the response ROYG and provides the school with a visual picture. As part of the follow up we confirmed that the self-evaluation form is being completed by schools and the Education team are monitoring the outcomes.	Lisa Lovegrove	06/06/18
IAAECS09a	<b>D151633F - IT &amp; Information Management in Schools: Make schools aware of e-learning training that is available to them so that they can disseminate training more broadly to teachers and administrative staff.</b>	01/09/16	31/05/18
	Training session for head teacher and finance staff has been agreed for the 8th June to be carried out by the Legal Services Manager. A Task and Finish group was set up to explore an SLA with DCC to carry out training and guidance work. The group has agreed in principle to the SLA and has now rolled out the SLA to the school clusters. For the SLA to go ahead, all schools need to agree and initial feed-back is very promising and the team are hopeful that the SLA will be sent to each school by middle of June.	Lisa Lovegrove	06/06/18
IAAECS11a	<b>D151633F - IT &amp; Information Management in Schools: Review existing ICT Admin Contract with Gaia where supplier agreed to encrypt mobile devices and provide certification of data destruction as part of the original Invitation to Tender.</b>	01/05/17	31/08/18
	New provider will be in place and will fully complying with the action by September 2018.	Lisa Lovegrove	06/06/18
IAAECS12a	<b>D171814 Project Management Risk 2.1: Review the remit and capacity of the new Corporate Programme Boards to provide the required scrutiny of large, high value and complex projects such as those which form the Modernising Education programme.</b>	25/05/18	01/09/18

## Facilities, Assets & Housing

### Activities

IAAFAH01a	<b>D151617F - Industrial Estates : Programmed schedule of inspections for properties</b>	01/04/16	30/06/18
<p>In order to address the Audit requirement of informing tenants of their duties under their management agreements, all tenants have been contacted by phone with their e-mail address requested, along with their consent to be contacted by email regarding all tenancy matters. A communication* detailing tenant's obligations has been sent by email to tenants. Tenants have been asked to respond with the certificates requested (Electrical Wiring Test certificate, Gas Safety Check certificate, Fire Risk Assessment certificate).</p> <p><i>*Note - this communication excludes fourteen tenants that have been not been contactable by phone, therefore a letter was post out instead.</i></p> <p>Regarding the recording of inspections and whether they have been carried out, inspections are now underway. The Property Health &amp; Safety Manager and Valuation &amp; Estates Team Manager have reached agreement about how these will be recorded on the departments TF Cloud system. Since 1st March 2018, 20 have been completed.</p> <p>The programme of inspections has been drafted and is currently being monitored via a spreadsheet, which details inspections carried out. This is being proactively managed by the Valuation &amp; Estates Team Manager.</p> <p>It's anticipated this process will migrate onto the TF Cloud system before the end of June 2018, with data currently held in the aforementioned spreadsheet migrating onto the system. This will enable monitoring of completion rates, and ensure all compliance documentation is centrally held.</p> <p>The programme of inspections will be staggered over a 2 year period. The TF Cloud system automatically generates the next inspection when the existing record is closed down. This allows for progress to be monitored periodically (dependant on the requirements of the KPIs) but at a minimum on a quarterly basis. In addition automated reports will be produced monthly which will inform managers of current completion rates and compliance performance to ensure internally set targets are met.</p>		Andy Moreland	30/05/18
IAAFAH02a	<b>D161740F -Housing Voids &amp; Allocations: More robust monitoring of spend to be introduced to ensure that CPR limits are not exceeded use of Exemption Forms where appropriate. Longer term, a framework is being developed and will be in place later in 2017.</b>	01/11/16	31/03/18
No progress from previous update. Item was due to be presented to Cabinet for approval in May 2018. Meeting has been delayed until end June 2018. Further progress to be made following approval.		Andy Moreland	19/06/18
IAAFAH03a	<b>D171801F - Corporate Documentation Retention : Deletion of files from housing network drives</b>	01/09/17	31/03/18
Drive has now been removed and the contents deleted.		Lisa Lovegrove	27/03/18
IAAFAH04a	<b>D171801F - Corporate Document Retention : Appropriate access and restrictions are applied to drives and folders and cleansing activities carried out</b>	01/08/17	31/03/18
<ol style="list-style-type: none"> <li>1. Access to folders on shared drives relating to Bowls and Coastal Services has been restricted to appropriate staff and cleansed appropriately.</li> <li>2. Access to the 'Cascade' folder which contains confidential information has also been restricted to appropriate staff.</li> <li>3. Access to the Ruthin and Denbigh Leisure Centre folders has been restricted. Cleansing has taken place. An internal review of the cleansing was also completed during April. This confirmed the cleansing completed was correct and appropriate. Restrictions have now been placed across the remaining Leisure sites in the 'Leisure Centre' folder, to ensure a uniform approach. This completes the original action from the services perspective.</li> </ol>		Andy Moreland	08/05/18
IAAHESFAH01a	<b>D171802f: Head of Highways and Environmental Services and the Head of Facilities, Assets &amp; Housing to agree a robust methodology that can be applied through the lifetime of the Corporate Plan to measure the reduction of the Council's carbon emissions.</b>	01/01/18	31/05/18
Methodology has now been agreed through Corporate Plan board submission in May.		Andy Moreland	25/06/18

<p>Clear objectives have been developed for the project in order to achieve a reduction of 15% in carbon emissions from council assets by 31/3/2022, namely:</p> <ol style="list-style-type: none"> <li>1. Reduce energy consumption within council buildings (where we pay the bills) through more effective, proactive energy management</li> <li>2. Improve the energy efficiency of council buildings (where we pay the bills)</li> <li>3. Increase the amount of energy we use from renewable sources; and</li> <li>4. Reduce the amount of fossil fuel consumption in our fleet vehicles</li> </ol> <p>Clear performance measures have been drawn up spanning the lifetime of the plan to include baselines and targets</p> <p>Progress against targets will be monitored quarterly through project team meetings.</p>		
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## Finance

Activities			
IAAFIN01a	<b>D161756f - Corporate Petty Cash Review: Internal Audit to meet with School Finance and Business managers to clarify which Accounts Payable accounts relate to petty cash and which relate to Voluntary School Funds.</b>	<b>31/12/17</b>	<b>31/05/18</b>
	Received list of accounts held by the schools, which has been circulated to Senior Payments Officer (Accounts Payable), Senior Financial Systems Officer and the Business and Risk Manager to update the required records.	Lisa Lovegrove	04/05/18
IAAFIN02a	<b>D161756f - Corporate Petty Cash Review: Review all bank accounts to identify any dormant accounts and close them, where necessary, and update all out of date petty cash signatories.</b>	<b>01/12/17</b>	<b>31/05/18</b>
	There is evidence that the dormant accounts have been closed. Some of the signatories are still incorrect.	Lisa Lovegrove	27/03/18
IAAFIN03a	<b>D171805f: CAD: Chief Internal Auditor, Head of Finance and Head of Legal, HR &amp; Democratic Services to meet and review existing ASP Framework document, looking at the type of arrangements that it applies to and then the reporting frequency requirements</b>	<b>01/03/18</b>	<b>30/04/18</b>
	Meeting took place and agreed the reporting arrangement to comprise of an annual report of ASPs to Chairs and Vice Chairs for them to decide the appropriate committee to monitor. A larger piece of work is also required to assess existing ASPs, Partnership etc to ensure mechanism in place for scrutiny by the appropriate committee or level of management. A report will be produced for Corporate Governance Committee by the November meeting outlining the agreed mechanism	Peter York	07/06/18
IAAFIN04a	<b>D161756f - Corporate Petty Cash Review: The Senior Payments Officer will reconcile the bank accounts against the information held on the Accounts Payable System and amend the account names accordingly</b>	<b>31/12/17</b>	<b>31/05/18</b>
	Corporate bank accounts have been reconciled to the Accounts Payable system and account names amended accordingly. However, the school account names have not yet been reconciled. This is dependent on the information being sent through from the schools, as in agreed action below.	Lisa Lovegrove	27/03/18
IAAFIN05a	<b>D161756f - Corporate Petty Cash: Changes have been identified within the Proactis system, which will provide consistency and enhanced control in processing of petty cash claims. These changes will feed into guidance documents and communicated to all petty cash users.</b>	<b>28/02/18</b>	<b>31/07/18</b>

	The Senior Payments Officer has completed his action in terms of renaming the Creditor records. There are still further actions on the project that are being completed by Finance and Audit. The date for the completion of the finance section of the guidance has been rolled on, a new completion date of July has been agreed.	Peter York	05/06/18
IAAFIN06a	<b>D161756f - Corporate Petty Cash: Seek approval from the corporate executive team to modernise the petty cash process and administer all petty cash payments via Proactis systems</b>	01/12/17	31/05/18
	It has been agreed that all petty cash accounts will be administered via the Proactis system. Once all information has been received by Internal Audit a series of demonstrations with all relevant parties will be arranged and carried out by the Financial Systems Officer.	Lisa Lovegrove	27/03/18
IAAFIN07a	<b>D171806f - Revs &amp; Bens: Internal Audit will carry out a review of debts under £25 to ensure that the current Financial Regs are being complied with now the new system is more embedded</b>	01/09/17	30/06/18
	Internal Audit have reviewed debts under £25 and found that a large number are issued for good reason. Several are annual payments and are carried forward from year to year. Services who are still issuing a significant volume of invoices under £25 have been contacted requesting them to review their processes in this respect. Work is continuing with the Business Support Manager to take this further.	Peter York	07/06/18
IAAFIN08a	<b>D170806f - Revs &amp; Bens: Credit balances are being reviewed on a quarterly basis. A new software release will be available shortly that will mean that the process is paperless and will enable us to get accreditation to take BACs details over the phone.</b>	01/04/17	31/05/18
	No follow up due yet.	Lisa Lovegrove	27/03/18
IAAFIN09a	<b>D171806f - Revs &amp; Bens: The sundry debt standards will be completed and put forward to the Operations Board in June 2016 for consideration. Once discussed a change control will be raised.</b>	01/07/17	31/05/18
	Confirmed that the measures are now incorporated into the Key Performance Indicators.	Lisa Lovegrove	22/06/18
IAAFIN10a	<b>D161721f - Risk of Fraud &amp; Corruption: A corporate anti-fraud plan is to be developed initially. An annual review will then be completed to assess how effectively the council performs against the plan.</b>	01/06/18	30/06/18
	This is underway. CIA is capturing fraud referrals and time spent on them and met with HR Manager to understand their involvement with referrals. A process has been put in place to ensure coordination between CIA and HR on any potential investigations. CIA to meet with Head of Finance this week to discuss before producing the Annual Fraud Report.	Peter York	07/06/18
IAAFIN11a	<b>D171801f - Corporate Document Retention : Activity to ensure Payroll and Accounts Payable - data is retained in line with the Retention Schedule</b>	01/05/18	31/05/18
	This has been completed. The initial removal of the old data was done last week. We are running a manual task every week for the time being to remove incrementing data. Once we are satisfied that all of the programs are running correctly we are going to automate the process to run once a week.	Peter York	07/06/18
IAAFIN12a	<b>D171815F - Travel &amp; Subsistence: Develop procedures and automate the expenses paid process</b>	01/04/18	31/05/18
IAAFIN13a	<b>D171815F - Travel &amp; Subsistence: Ensure the expenses process allows sufficient separation of duty</b>	01/04/18	31/07/18
IAAFIN14a	<b>171807F - Re-circulate the existing guidance notes showing how VAT should be coded to all the users in Proactis</b>	01/03/18	30/04/18
IAAFIN15a	<b>171807F - Reviewed and amend Financial Regulations to reflect reality with regard to retrospective purchase orders</b>	01/03/18	31/07/18



# Highways & Environmental Services

Activities			
IAAHES01a	<b>D171803f: We will deliver the annual capital highway maintenance programme. We will report progress in three categories; work completed, work not done due to third party issues and work not done due to issues within our control.</b>	<b>01/04/18</b>	<b>31/03/19</b>
	Further detail on reasons for deferred work will also be included on a quarterly basis.	Heidi Barton-Price	23/02/18
IAAHES02a	<b>D171803f: We will give an annual condition score for those roads not covered by the Scanner survey</b>	<b>01/04/18</b>	<b>31/03/19</b>
	2018/19 - In addition to the independent road condition surveys of the A, B & C roads, we have devised a method whereby we can also accurately give a six monthly Road Condition Score for around 75% of the remaining network (some C roads and almost all unclassified roads). This would equate to coverage of nearly 90% of the entire network. See indicator HESRCSI above.	Heidi Barton-Price	23/02/18
IAAHES03a	<b>D161748f: Passenger Transport : Review of documentation following full implementation of Proactis e-sourcing solution (too paper intensive). Issue particularly with monitoring checks</b>	<b>01/03/17</b>	<b>30/12/18</b>
	Monitoring checks are now carried out and recorded electronically. The transport officer (standards) has been issued with a phone that allows him to record all monitoring.	Lisa Lovegrove	06/06/18
IAAHES04a	<b>D151624f: Street Works : We will arrange with the Corporate GIS Team to address any overlap/gaps between the Street Gazateer and the Council's Asset Register</b>	<b>01/02/16</b>	<b>30/04/18</b>
	A meeting has been held with DCC's Mapping team and this flagged up issues that need to be discussed with Conwy's Symology team and a new meeting will be arranged soon. This is a complex issue that may take a while to resolve unless a decision can be made that the differences in the two systems are of little consequence.	Lisa Lovegrove	19/06/18
IAAHES05a	<b>D151627f: Fleet: business case for a new system will be developed (ICT procurement). Funding streams will be investigated to cover the purchase cost. If agreed, a new fleet management system will be implemented.</b>	<b>01/04/17</b>	<b>31/10/18</b>
	The Fleet Manager has advised that this work has not moved on as fast as he would have liked due to resource pressures within the department. The specification for the new system has now been reviewed and agreed by both ICT and Procurement. The next stage is for the tendering advert to be formatted so that it can be advertised on the Sell to Wales website, after which the formal tendering selection process will commence. The Fleet Manager expects the new system will be procured by October 2018.	Heidi Barton-Price	02/03/18
IAAHESFAH01a	<b>D171802f: Head of Highways and Environmental Services and the Head of Facilities, Assets &amp; Housing to agree a robust methodology that can be applied through the lifetime of the Corporate Plan to measure the reduction of the Council's carbon emissions.</b>	<b>01/01/18</b>	<b>31/05/18</b>
	Methodology has now been agreed through Corporate Plan board submission in May. Clear objectives have been developed for the project in order to achieve a reduction of 15% in carbon emissions from council assets by 31/3/2022, namely: <ol style="list-style-type: none"> <li>1. Reduce energy consumption within council buildings (where we pay the bills) through more effective, proactive energy management</li> <li>2. Improve the energy efficiency of council buildings (where we pay the bills)</li> <li>3. Increase the amount of energy we use from renewable sources; and</li> <li>4. Reduce the amount of fossil fuel consumption in our fleet vehicles</li> </ol> Clear performance measures have been drawn up spanning the lifetime of the plan to include baselines and targets.	Andy Moreland	25/06/18

Progress against targets will be monitored quarterly through project team meetings.		
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## Legal, HR & Democratic Services

### Activities

<b>IAALHRD01a</b>	<b>D151632f - HR Management in Schools: Arrange for all Business &amp; Finance Officers to have EDRMS access for their cluster. Investigate whether schools would be able to have access to EDRMS.</b>	<b>01/12/16</b>	<b>30/05/18</b>
	<p>The Principal Manager – Modernising Education advised that all schools have been given the link to corporate document retention schedules to ensure all schools are aware of the retention period for the various documents held on the school sites.</p> <p>As part of the on-going monitoring the team have introduced the following steps within their 'donut' system as part of the continued awareness of the retention modules for the various documents on site: -</p> <ul style="list-style-type: none"> <li>• Questions and responses analysed to see which schools are complying with the Data Protection Act and the impending GDPR legislation. The schools have now responded twice on the retention of documents.</li> </ul> <p>Based on the on-going work carried out and the planned work there are now effective controls in place to address the risk originally raised.</p>	Lisa Lovegrove	14/05/18
<b>IAALHRD02a</b>	<b>D151632f - HR Management in schools : Incorporate schools into work undertaken on improving the application of the corporate leaver process, which includes automatic reminders to managers.</b>	<b>30/09/16</b>	<b>28/02/18</b>
	Schools now incorporated into the leavers' process and automatic reminders set to prompt on the steps in complying with the leavers process.	Lisa Lovegrove	27/03/18
<b>IAALHRD03a</b>	<b>D161748f - Corporate Procurement : Dun &amp; Bradstreet checks carried out at tendering stage are to be saved into the attachments section of the project (as a private attachment for Council staff only to view) on the Proactis system.</b>	<b>01/06/17</b>	<b>30/06/18</b>
	<p>It has been agreed that Finance checks carried out by Dun &amp; Bradstreet (D&amp;B) should be completed by the Finance Teams in DCC/FCC. The Procurement Team have been in discussion with the Welsh Government who fund the cost of D &amp; B to explore the possibility of receiving e-mail alert on daily basis to highlight any changes in a company financial standing.</p> <p>A second issue has been highlighted by the Procurement Team who would require 20 staff to be set up to receive the daily e-mail alert.</p>	Lisa Lovegrove	27/03/18

IAALHRD04a	<b>D161748f - Corporate Procurement: Review Proactis portal user activity and user permission settings to ensure that those officers set up on the system are using it and have access to appropriate modules of the system.</b>	01/06/17	30/06/18
	The Procurement Systems Officer & Data Analyst, has reviewed portal user activity and removed all staff off Proactis who have not accessed the system in the last 18 months. Going forward, the Procurement Systems Officer & Data Analyst will run the portal user activity report on a quarterly basis and remove all users who have not accessed Proactis within the last 18 months.	Lisa Lovegrove	27/03/18
IAALHRD05a	<b>D161748f - Corporate Procurement: Review current set up of project templates on the Proactis system to simplify processes where we able to and therefore alleviate issues we may have further into the project, i.e. at the scoring stage.</b>	01/08/17	30/06/18
	Follow up not yet due.	Lisa Lovegrove	27/03/18
IAALHRD06a	<b>D161748f - Corporate Procurement: Create an e-procurement system 'Quick Guides' to enable officers to become self-sufficient in the using the system. Develop a training programme for officers to follow on from CPR training around general procurement</b>	01/03/18	30/06/18
	Follow up not yet due.	Lisa Lovegrove	27/03/18
IAALHRD07a	<b>D171801f - Corporate Document Retention - HR to ensure that documents are disposed of in line with the corporate document retention schedule - ITrent</b>	01/01/18	31/05/18
	Purchase of GDPR module from ITrent will address retention issues highlighted in review.	Lisa Lovegrove	28/03/18
IAALHRD08a	<b>D151632f - HR Management in Schools: HR is reviewing the leaver process to make improvements; however, HR relies on managers to provide information on staff moving service areas. This is a corporate issue, which needs input from ICT, Payroll and HR</b>	01/06/16	28/02/18
	Middle Managers now receiving email through Itrent of the leavers process.	Lisa Lovegrove	28/03/18
IAALHRD09a	<b>D171815f - Travel &amp; Subsistence: Send a DVLA form to all employees who have claimed mileage within the last 12 months.</b>	01/04/18	30/09/18
IAALHRD10a	<b>D171815f - Travel &amp; Subsistence: Check the declaration on Proactis to ensure that it complies with the requirements of the policy.</b>	01/04/18	30/05/18
IAALHRD11a	<b>D171815f - Travel &amp; Subsistence: Add a separate declaration relating to the completion of the DVLA form in the last 12 months</b>	01/04/18	30/05/18
IAALHRD12a	<b>D171815f - Travel &amp; Subsistence: Check the capability of Proactis to see whether it can store information regarding the date the DVLA form was completed</b>	01/04/18	30/05/18
IAALHRD13a	<b>D171815f - Travel &amp; Subsistence: Incorporate a process for the monitoring of the return of completed DVLA forms and ensure forms received are checked within 48 working hours of being received by the Council.</b>	01/04/18	31/12/18
IAALHRD14a	<b>D171815f - Travel &amp; Subsistence: Update the Travel and Subsistence Policy to reflect the changes in the process for claiming mileage.</b>	01/04/18	30/04/18
IAALHRD15a	<b>D171815f - Travel &amp; Subsistence: To provide a link to the revised policy to the Proactis Team, who will create a link on the P2P Expenses module to the "Travel and Subsistence" policy on the intranet.</b>	01/04/18	30/04/18
IAALHRD16a	<b>D171814f – Procurement: Provide regular updates to Corporate Governance, Audit and Scrutiny and an annual report to Cabinet</b>	01/06/18	31/03/19
IAALHRD17a	<b>D171814f – Procurement: Update the procurement strategy</b>	01/06/18	31/03/19
IAALHRD18a	<b>D171814f – Procurement: Agree a methodology to capture efficiency savings and non-financial savings</b>	01/06/18	30/09/18
IAALHRD19a	<b>D171814f – Procurement: Review contract procedure rules relating to extensions, variations and direct awards to ensure markets are regularly</b>	01/06/18	31/10/18

	tested and the most competitive price obtained (and remind staff of good practice in relation to these)		
IAALHRD20a	D171814f – Procurement: Consider options for a time recording system and review time spent working on regional procurement	01/06/18	31/03/19
IAALHRD21a	D171814f – Procurement: Raise the profile of the Joint Corporate Procurement Unit to highlight procurement and the need to collaborate	01/06/18	31/03/19
IAALHRD22a	D171814f – Procurement: Promote the Joint Corporate Procurement Unit and attend SLT/CET six monthly	01/06/18	31/03/19
IAALHRD23a	D171807F - Review and amend the disclaimer allowing staff to opt out of information sharing in line with General Data Protection Regulation.	01/03/18	31/05/18

## Planning & Public Protection

### Activities

IAAPPP01a	D151630F - Housing Enforcement: The process for applying and paying for a HMO licence would benefit from modernisation to ensure that it is simplified, efficient and provides customers with opportunities for on-line application and payment.	01/07/16	31/03/18
	The Public Protection Business Manager advised that the service has recently received a new card reader, which has improved the process. Further work is possible and the Digital Futures Programme Manager has confirmed that this forms part of their workload, but it has yet to be scheduled. See CCM04a for update on the actions to address the issue originally raised.	Lisa Lovegrove	27/03/18
IAAPPP02a	D171817- CCTV Partnership: The Denbighshire CCTV Partnership will develop and agree a risk register for the partnership and keep it under review on a regular basis.	01/04/18	31/07/18
IAAPPP03a	D171817- CCTV Partnership: Agree with NWP a method of them providing the CCTV Partnership Board with a crime update on a quarterly basis. One option could be for NWP to provide an update at each quarterly Board meeting.	01/04/18	31/07/18
IAAPPP04a	D171817 - CCTV Partnership: The Board will consult with all partners and CWAC to agree a set of suitable performance indicators and measures to be incorporated into the SLA and monitored on a regular basis.	01/04/18	31/07/18

# Agenda Item 9

Report To: Corporate Governance Committee  
Date of Meeting: 11 July 2018  
Lead Member / Officer: Lisa Lovegrove – Chief Internal Auditor  
Report Author: Lisa Lovegrove – Chief Internal Auditor  
Title: Internal Audit of Health & Safety in Schools

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1. What is the report about?  
This report (appendix attached) provides details of a recent Internal Audit report on Health & Safety in School that received a 'Low' Assurance rating.
2. What is the reason for making this report?  
Corporate Governance Committee has agreed that it will receive and discuss all Internal Audit reports receiving a 'Low' Assurance rating so that they can discuss the outcome and receive assurance that improvements will be made.
3. What are the Recommendations?  
The Committee comments on the report and decides whether it requires any further update reports on progress with the improvement action plan.
4. Report details  
The full Internal Audit report is included as Appendix 1.  
  
The review of Health and Safety in Schools covered: policies & procedures, risk assessment in schools, training and awareness, accident and incident reporting and reactive reporting. Our review concludes that given the nature of the issues identified and the potential impact of any adverse consequences, we give a 'low' assurance rating overall.  
  
We received a positive response to our review and action is already underway to address some of the issues we raise.
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 of proposal for change associated 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?  
The work of internal audit gives assurance to the council on the adequacy and effectiveness of controls in place to manage and mitigate risks. Internal Audit will follow up the agreed actions to ensure that necessary improvements are undertaken to reduce the risks identified. Corporate Governance Committee may request update reports to monitor progress with the implementation of the improvement action plan.
11. Power to make the Decision  
Not applicable - there is no decision required with this report.



# Health & Safety in Schools

June  
2018



Low  
Assurance

## Purpose & Scope of Review

We carried out this review to inform the annual internal audit report and annual governance statement.

During this review we covered the following health and safety arrangements in schools:

- Policy and procedures;
- Risk assessments in schools (safety and fire)
  - Health & safety gap analysis in schools;
- Training and awareness;
- Accident and incident reporting;
- Reactive reports.

Our review included sample testing of five schools, namely:

- Ysgol Caer Drewyn,
- Ysgol Henllan,
- Christchurch C.P. School,
- Prestatyn High School,
- Ysgol Bryn Clwyd.

Records held by Corporate Health & Safety and the Councils HR system (iTrent) allowed us to test training provision and accident and incident reporting across all schools.

## Context

It is the responsibility of the schools and their governing bodies to have effective governance and controls in place to ensure that any health and safety issues are addressed, school staff are suitably trained and the arrangements for health and safety are robust.

The Corporate Health and Safety team provides support to schools as set out in the Service Level Agreement (SLA) for Health & Safety that all schools have opted into.

This includes: –

- Annual inspections of schools, e.g. themed review for 2017–18 covering health and safety arrangements in schools. Reports are issued to schools including an action plan detailing issues, actions and timescales.



- Fire risk assessments for all schools. Reports are sent to the schools including an action plan detailing issues, actions and timescales.
- Provide and facilitate health and safety training for school-based staff.
- Support and guidance for reactive works and reports as required.
- The team work closely with Occupational Health (who do the medical assessment of staff) before minibus driver assessments are carried out to ensure designated staff are safe to drive minibuses.

## Audit Opinion

Our review of Health and Safety in Schools has identified a number weaknesses that need strengthening to minimise the risk of harm, injury or fatality to staff, children and other users of school buildings.

Testing a sample of five schools confirms that the following health and safety related documents are in place: –

- Up to date health & safety policies which cover key areas such as risk assessments, first aid and fire evacuation arrangements as well as monitoring.
- Four of the five schools tested had an asbestos management plan and/or risk assessment in place identifying areas where asbestos was present at the schools.
- Relevant emergency response plans appropriate for each individual school's needs.
- Only two out of the five schools had an infection control plan in place.

The Corporate Health and Safety team raise schools' awareness of issues within their reports, and they follow up priority issues according to their significance and the resources available. While the school is responsible for implementing the agreed actions, there is no central system in place to record when the required actions have been implemented. A measured approach is required to ensure that any inaction does not put users of school buildings at risk of harm, injury or fatality. See Risk/Issue 1 for more information.

Although fire risk assessments are in place, our testing highlighted 10 school sites where a fire risk assessment had not been updated within the last three years. The Corporate Health & Safety team is undergoing a programme of visits to schools to update their fire risk assessments to comply with Article 9 (2) of the Regulatory Reform (Fire Safety) Order 2005 which states that a risk assessment must be reviewed and updated by a responsible person on a regular basis or where there has been a significant change affecting the premises. It is a concern that out of date school fire risk assessments could mean that fire safety measures are not adequate which may put the safety of staff and children at risk. Also, in the event of a fire, the school and Council may be investigated by the Fire & Rescue Authority or the Health and Safety Executive (HSE) and enforcement action taken if the school or Council is deemed negligent. See Risk/Issue 2 for details.

While many schools are using the corporate system to record accidents and incidents, and the Health & Safety team promote its use, our testing confirms that some schools have never recorded an accident or incident on the corporate system. Our sample testing confirms that schools do maintain their own manual records on site which the legislation allows. However, lack of data centrally makes it difficult for the Corporate Health & Safety team and/or Corporate Health & Safety Committee to monitor and take action if there are emerging trends across schools and to ensure that all serious accidents and incidents are reported to the Health and Safety Executive under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) 2013 (see Risk/Issue 3 for more details).

The Corporate Health and Safety team promotes and facilitates health and safety training courses for staff, some mandatory and others advisory. Analysis of the training records kept on the Council's HR system (iTrent) highlighted a few schools where none of their staff were showing as having attended a health and safety training course. While most schools have a trained representative, some staff have not attended the relevant health and safety course for their role. Head teachers from the sample of five schools tested, confirmed that school-based staff had received some training (e.g. induction where health and safety is covered); however, only one school had evidence to demonstrate this (see Risk/Issue 4).

The Healthy Schools Co-ordinator is currently working with schools and raising the importance of having an infection control plan in place. This is a key document for identifying various infections that could impact the school and ensure that controls are put in place to users of school buildings where possible. Although a plan is not mandatory, it is advisable, particularly given the recent outbreaks in a few of Denbighshire's schools. See Risk/Issue 5 for more information.

The review has identified a number of weaknesses that need strengthening within the school environment to ensure compliance with health & safety legislation and to minimise the risk of harm to users of school buildings. For this to be effective, it will require a co-ordinated approach from schools, Education Support Services and the Corporate Health and Safety team. Given the nature of the issues identified, and the potential impact of any adverse consequences, we are providing a 'Low' assurance overall.

**Low Assurance**

Significant weaknesses in management of risks and/or controls that put achievement of objectives at risk.

# Action Plan

**Audit Review of:** Health & Safety in Schools

**Date:** June 2018

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

<b>Risk Issue 1</b>	There is no formal mechanism in place corporately for recording the status of actions raised as part of the inspections and assessments carried out by the Corporate Health and Safety team.		
Page 220 Background Detail	<p>The Corporate Health and Safety team carry out the following inspections and assessments of school premises: –</p> <ul style="list-style-type: none"> <li>• General health and safety inspections with involvement from the schools. These cover different themes i.e. in 2017/18 focused on policies and procedures and in 2018/19 the focus will be on cleaning standards.</li> <li>• Fire Risk Assessments.</li> </ul> <p>Although improvement actions which are identified to address any issues are formally reported to the school, there is no process/system in place centrally to record that the necessary actions have been implemented. Although the school has a role to address the actions, the Council, as landlord, also has a role to maintain school buildings. The Health &amp; Safety team follow up priority issues based on their significance and the resources available but are not currently recording any progress or updates.</p>		
<b>Action (Ref)</b>	<b>Agreed Management Action</b>	<b>Responsibility</b>	<b>Deadline</b>
1.1	Meet with ICT to discuss and implement an action tracking system for the recording of “recommended actions” with the agreed timescales. The recipients of the “recommended actions” to respond to the Corporate Health and Safety Team within a given timescale. The system will include iterative reminders from the system and escalation triggers as part of the process.	Corporate Health & Safety Manager & ICT Business Partner for Service	30/03/2019
1.2	Internal Audit to attend a future Business and Finance Managers meeting to highlight the responsibility of the schools for updating the status of actions arising from inspections.	Internal Audit Services	30/09/2018

1.3	Schools to advise Corporate Health and Safety on the progress/status of actions resulting from the Corporate Health and Safety inspections.	All School Head teachers	30/03/2019
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Risk Issue 2	Some schools' fire risk assessment may no longer be relevant as they have not been reviewed within the last three years. As a result, there is potential that fire safety measures are inadequate.
Background Detail	<p>The Regulatory Reform (Fire Safety) Order 2005 states that fire risk assessment must be reviewed and updated by a responsible person on a regular basis or where there has been significant changes to the premises. Although the legislation does not specify the frequency of fire risk assessments, the Corporate Health &amp; Safety team aim to carry out a fire risk assessment every three years. The team is undergoing a programme of updating schools' fire risk assessment; however, testing shows that there are a number of schools who have not had their fire risk assessment updated within the set target period. At the time of our review, of the 65 school sites<sup>1</sup>:</p> <ul style="list-style-type: none"> <li>• 5 were assessed in 2018.</li> <li>• 25 were assessed in 2017.</li> <li>• 11 were assessed in 2016.</li> <li>• 11 were assessed in 2015.</li> <li>• 10 were last assessed in 2014. Although four of these school sites are due to be updated this year, at the time of our review there were no planned dates for the remaining seven schools.</li> </ul>

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<sup>1</sup> Although there are 58 schools in Denbighshire, some have more than one site, giving a total of 65 school sites.

	<ul style="list-style-type: none"> <li>3 relate a new school sites or classroom that have not yet been assessed.</li> </ul> <p>Where fire risk assessments are not up-to-date and adequate and appropriate fire safety measures are not put in place (see Risk Issue 1 above), there could be greater risk of injury or loss of life in the event of a fire.</p>		
Action (Ref)	Agreed Management Action	Responsibility	Deadline
2.1	We will add extra resource into the process to bring all school FRA's within a three year period. This resource will be taken from other activities in a balanced manner. We will maintain our target of three yearly FRA reviews where resources permit.	Corporate Health & Safety Manager	30/03/2019

<b>Risk Issue 3</b>	<b>Some schools are not using the corporate system for recording accidents or incidents which have occurred on school premises.</b>		
<b>Background Detail</b>	<p>Analysis of the corporate system for recording accidents and incidents shows that 20 out of 58 schools (34%) have not recorded any accidents or incidents. Our sample testing confirms that schools are recording accident &amp; incidents locally which complies with legislation as it does not specify how accidents and incidents should be recorded. However, this means that the Corporate Health &amp; Safety team has difficulty monitoring all accidents and incidents that have occurred on school premises to gauge any emerging trends, enable monitoring by the Corporate Health &amp; Safety Committee and ensure that serious accidents and incidents are reported to the HSE under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) 2013.</p> <p>The Corporate Health and Safety team as part of their role has advised the schools but cannot force the schools to record accidents and incidents on the corporate system.</p>		
<b>Action (Ref)</b>	<b>Agreed Management Action</b>	<b>Responsibility</b>	<b>Deadline</b>
3.1	School Support team to include “accident incident reporting” to the self-assessment reporting tool for schools used by Education.	Principal Manager– Modernising Education	30/03/2019
3.2	We will continue to regularly communicate the requirements for accident incident reporting to school responsible persons through training, Health and Safety attended, Education Health and Safety committee and Business & Finance Managers meetings.	Corporate Health & Safety Manager	30/03/2019

<b>Risk Issue 4</b>	<b>Not all schools were able to demonstrate that staff have attended the required Health and Safety training courses.</b>		
<b>Background Detail</b>	<p>Analysis of iTrent (HR system) and discussion with a sample of Head teachers identified that not all schools are using iTrent as the recording mechanism for recording training courses, in particular health and safety courses. There was evidence on iTrent that school representatives have attended a range of health and safety courses (53 out of 58 schools); however, records show that some school employees had not attended the relevant courses for their role, for example a Head teacher is required to attend the ‘Managing Safely’ course. The only other mandatory course that all staff should attend is the induction course, which covers Health and Safety.</p> <p>The sample of five schools tested confirmed that they all provide the mandatory induction training course which includes Health and Safety; however, only one school was able to evidence this.</p> <p>The Corporate Health and Safety team advises the schools of the available courses but it is each school’s responsibility to ensure that the relevant staff attend the recommended courses.</p>		
<b>Action (Ref)</b>	<b>Agreed Management Action</b>	<b>Responsibility</b>	<b>Deadline</b>
4.1	School Support team to include “Health & Safety course” to the self-assessment tool ‘School Management Review’. This is monitored by the Education Support team and highlight any schools that have not attended the appropriate training.	Planning & Resources Manager (Education)	30/3/2019
4.2	Schools to use the corporate induction template provided by HR and incorporate the Health and Safety checklist template provided by Corporate Health and Safety to devise their own in-house induction for all new staff within their schools. This document will also assist with ensuring that all corporate mandatory training is covered during the induction period.	All School Head teachers	30/03/2019
4.3	Internal Audit presented the results of this review at the Heads of Clusters meeting in May 2018 and each Head teacher that was in attendance at the meeting was required to feedback to their school clusters that all staff must attend the relevant Health & Safety training and maintain formal training records.	All School Head teachers	30/03/2019

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<b>Risk Issue 5</b>	<b>Some schools have not implemented an infection control plan which sets out controls to address associated risks.</b>		
<b>Background Detail</b>	<p>Our sample testing highlighted some schools without an infection control plan in place. The purpose of an infection control plan is to identify various infections and illnesses and the controls required to address the associated risks. This is particularly advisable given the recent outbreaks at a few schools within Denbighshire.</p> <p>The Healthy Schools Co-ordinator is in the process of working with schools to raise awareness of the importance of having infection control plans in place.</p> <p>Note: The Corporate Health &amp; Safety team in co-ordination with the Council's Cleaning Services team and the Healthy Schools Co-ordinator will review the risk of infection at schools in 2018/19.</p>		
<b>Action (Ref)</b>	<b>Agreed Management Action</b>	<b>Responsibility</b>	<b>Deadline</b>
5.1	Create relevant questions relating to infection control plans and cleanliness. The questions will be available for all schools to answer on the self-assessment tool 'School Management Review' in terms of what arrangement are in place. The information will then be analysed and a minimum level of quality assurance will be agreed for relevant officers to carry out spot checks of a sample of schools.	Principal Manager - Modernising Education and Healthy Schools Co-Ordinator.	30/12/2018

## Report Recipients

- Chef Executive Officer
- Corporate Director: Economy and Public Realm
- Corporate Director Communities
- Head of Facilities, Assets & Housing
- Head of Education & Children Services
- Head of Finance / Section 151 Officer
- Corporate Health & Safety Manager
- Programme Manager – Business Change
- Principal Manager – Modernising Education
- Planning & Resources Manager (Education)
- Healthy Schools Co-ordinator
- Scrutiny Co-Ordinator
- Chair – Performance Scrutiny Committee
- Lead Member for Finance, Corporate Plan & Performance
- Corporate Governance Committee
- Lead Officer – Operations & Business Support
- Strategic Planning & Performance Officer





## Internal Audit Team

Samantha Davies	Auditor	01824 708086 Samantha.davies@denbighshire.gov.uk
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## Key Dates

Review commenced	January 2018
Review completed	March 2018
Reported to Corporate Governance Committee	11 July 2018
Proposed date for 1st follow up review	April 2019

## Appendix 1 – Assurance Definition

Assurance Rating (based on areas reviewed)		
	High Assurance	Risks and controls well managed and objectives being achieved.
	Medium Assurance	Minor weaknesses in management of risks and/or controls but no risk to achievement of objectives.
	Low Assurance	Significant weaknesses in management of risks and/or controls that put achievement of objectives at risk.
	No Assurance	Fundamental weaknesses in management of risks and/or controls that will lead to failure to achieve objectives.

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<b>Report To:</b>	Corporate Governance Committee
<b>Date of Meeting:</b>	11 <sup>th</sup> July 2018
<b>Lead Member / Officer:</b>	Barry Mellor, Chair of Corporate Governance Committee/ Gary Williams, Head of Legal, HR and Democratic Services
<b>Report Author:</b>	Gary Williams, Head of Legal, HR and Democratic Services
<b>Title:</b>	<b>Annual Report of Corporate Governance Committee</b>

## 1. What is the report about?

This report is about the annual report of the Committee to Council.

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

To seek Members' approval of a draft report to be submitted to Council in respect of the Committee's work for the municipal year 2017/2018.

## 3. What are the Recommendations?

That the Committee consider the draft report attached as Appendix 1 and approve it's submission to Council subject to any amendments suggested and agreed by Members.

## 4. Report details

The Constitution requires that the Committee prepares and submits a report each year to the Council on the Committee's performance and effectiveness.

The draft report attached seeks to set out the main issues that the Committee has considered during the Municipal Year 2017/18 and the recommendations made by the Committee.

The draft report explains the role of the Committee, the standing items that it considers, and some of the important issues that it has considered during this period.

Members are asked to consider whether the content of the report reflects the work of the Committee and make any suggestions to improve the style and content of the report.

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

The Committee's work in scrutinising the Council's financial affairs, risk management and corporate governance controls assists the Council in delivering the Corporate Priorities.

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

There are no direct costs associated with this report.

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

An impact assessment is not required for this report.

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

This report is seeking Members' views on the content of the Annual report. No other consultation is required.

**9. Chief Finance Officer Statement**

The Committee is a key part of the Council's governance arrangements. Effective scrutiny of significant financial processes, systems and transactions is a vital element of internal control and provides a level of assurance to the wider Council and other stake holders.

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

The risk of not having an effective Corporate Governance or Audit Committee is that there is no oversight of the Council's corporate governance which is a key component of good performance. Weak corporate governance can contribute to failures in service delivery.

**11. Power to make the Decision**

Section 13 Council Constitution.

**Report To:** County Council

**Date of Meeting:** 11<sup>th</sup> September 2018

**Lead Member / Officer:** Barry Mellor, Chair Corporate Governance Committee

**Report Author:** Gary Williams, Head of Legal, HR and Democratic Services

**Title:** **Annual Report of the Corporate Governance Committee**

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

The report is about the work of the Corporate Governance Committee (the Committee) for the Municipal Year 2017/18

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

To inform all Members of the work of the Committee.

**3. What are the Recommendations?**

3.1 That Members note the content of the report.

**4. Report details**

4.1 The Council is statutorily required under the provisions of the Local Government Wales Measure 2011 to have an Audit Committee. The Committee is the Council's designated committee for this purpose. The statutory role of the Audit Committee is to review and scrutinise the authority's financial affairs, make reports and recommendations in relation to the authority's financial affairs, review and assess the risk management, internal control and corporate governance arrangements of the authority and make reports and recommendations to the authority on the adequacy and effectiveness of those arrangements. The Committee is required to oversee the authority's internal and external audit arrangements, and review the financial statements prepared by the authority. The Committee is also the body that is responsible for keeping the Constitution under review.

4.2 The Council's Constitution provides that the membership of the Committee is made up of six elected Members on a politically balanced basis. There is no statutory requirement for the Committee to be politically balanced. There is a statutory requirement to have at least one independent lay member of the Committee and the current lay member is Mr. Paul Witham.

4.3 Each meeting of the Committee is attended by the Council's s151 Officer, Monitoring Officer and Head of Internal Audit or their representatives. In addition each meeting is attended by officers of the Wales Audit Office.

4.4 During the period covered by this report, the Committee has received a number of internal annual reports on matters relating to governance. These have included:

- 4.4.1 Annual Governance Statement Report - this report provides the self-assessment report on the Council's governance and improvement arrangements for 2016-17, which incorporates the Council's 'annual governance statement'. There were no significant governance issues to report. Any less significant issues were included in the Governance Improvement Action Plan which is monitored by the Committee.
- 4.4.2 Corporate Health and Safety Annual Report – this is a report from the Corporate Health and Safety Officer to provide assurance to the Committee that accidents and incidents are reported and monitored; that activity is planned in line with information provided by service hazard and gap analysis; and that training is delivered as required. 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.
- 4.4.3 Senior Information Risk Officer (SIRO) Annual Report – the Senior Information Risk Owner (SIRO) has an explicit responsibility to ensure that information held by the Council is managed safely, effectively and in accordance with legislation. This report provides Members with information as to any data protection breaches that may have occurred and whether there are any issues or trends that require further action to be taken. The report sets out statistical data regarding requests for information under the Freedom of Information legislation and the number of complaints made to the Information Commissioner's Office. There had been no serious breaches during the reporting period.
- 4.4.4 Whistleblowing Annual Report – the Council's Whistleblowing Policy requires that an annual report be provided to the Committee on the number and outcome of concerns raised under the policy and whether there are any trends or issues that require further action to be taken. There were no concerns raised under the policy during the reporting period.
- 4.4.5 Regulation of Investigatory Powers Act (RIPA) Annual Report – the Council's RIPA policy deals with the conduct of surveillance activity by the Council and requires an annual report on the number of authorisations issued for directed surveillance activity covered by the relevant legislation in order that the Committee can be assured that the Council is operating within the parameters set by legislation. No authorisations had been issued for directed surveillance activity during the reporting period.
- 4.5 The Committee also receives a number of reports relating to financial matters each year. These have included:
- 4.5.1 Statement of Accounts – each year the Committee is required to approve the Council's statement of accounts in order that they may be signed off by the Chair of the Committee and the s151 Officer. There is a large amount of information involved in the accounts and the draft is presented to the



Committee in one meeting before summer recess and the final statement of accounts is presented for approval in September each year in order that the committee has sufficient opportunity to examine the documentation and scrutinise it. The accounts were approved.

4.5.2 Treasury Management – the Committee receives two reports each year on the treasury management functions of the Council. The reports present details of capital financing, borrowing, debt rescheduling and investment transactions during the reporting period. The reports also deal with the risk implications of treasury decisions and transactions and compliance with treasury limits and Prudential Indicators. The Committee reviews the Annual Treasury Management Strategy prior to its approval by Council.

4.5.3 Schools in Financial Difficulty – the Committee received a report to explain the Council's policy and approach to working with schools in financial difficulty. The policy follows a number of escalation steps, one of which is for individual schools and governors to report to the Committee.

4.6 The Committee also receives external regulatory reports. During this reporting period the Committee has received the following reports:

4.6.1 Wales Audit Office Annual Improvement Report - this report was presented to the Committee and Full Council and is a summary of audit work by the WAO, including studies on Governance, Information management and the use of resources. No significant recommendations for change were made, and the report was overall very positive about the Council. There were six 'proposals for improvement', which were presented to Council together with the actions in respect of each of these.

4.6.2 WAO Annual Audit Letter – the Committee received the WAO's annual audit letter, the key messages in which were that Denbighshire County Council complied with its responsibilities relating to financial reporting and use of resources, that WAO was satisfied that the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources and that their work to date on certification of grant claims and returns had not identified significant issues that would impact on the 2016-17 accounts or key financial systems.

In addition the Committee receives reports on the WAO's programme of work.

4.6.3 Domiciliary Care Services Actions update – the Committee received an update on the response to the Denbighshire County Council report following the CSSIW National Review of Domiciliary Care in Wales, an external regulatory report that had been presented in the previous municipal year.

4.6.4 Homelessness Prevention Action Plan Update – The Committee received an information report on the progress of the Homelessness Prevention Action Plan, incorporating actions required by the Denbighshire Homelessness Strategy 2017-21; the Denbighshire Supporting People /

Homelessness Prevention Annual (Commissioning) Plan, and the recommendations of the Welsh Audit Office report: 'How Local Government Manages Demand – Homelessness' (January 2018) to provide assurance that the service had responded to recommendations received from the WAO.

4.7 The Committee also receives regular reports from the Chief Internal Auditor on the progress made against the Internal Audit Plan which is approved by the Committee. Members of the Committee also receive copies of internal audit reports. The reports which have “low” assurance are considered at Committee and the action plans to address any concerns are scrutinised and monitored by the Committee. Audit reports that have been considered, or have had action plans monitored by the Committee during the reporting period include, Corporate Safeguarding, Information Management and IT Management in Schools, Corporate Fleet Management and Public Conveniences.

4.8 The Committee has also received reports reviewing other corporate issues including the Strategic Risk Management Framework and the Council's preparations for the introduction of the General Data Protection Regulation (GDPR)

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

The Committee's work in scrutinising the Council's financial affairs, risk management and corporate governance controls assists the Council in delivering the Corporate Priorities.

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

There are no direct costs associated with this report.

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

This report contains no proposal but is, rather, a report on the work done by the Committee over the past year. There is therefore no impact assessment required.

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

The Committee has received and commented upon a draft of this report.

**9. Chief Finance Officer Statement**

The Committee is a key part of the Council's governance arrangements. Effective scrutiny of significant financial processes, systems and transactions is a vital element of internal control and provides a level of assurance to the wider Council and other stake holders.

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

The risk of not having an effective Corporate Governance or Audit Committee is that there is no oversight of the Council's corporate governance which is a key

component of good performance. Weak corporate governance can contribute to failures in service delivery.

**11. Power to make the Decision**

There is no decision required as a result of this report.

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WALES AUDIT OFFICE  
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru  
Auditor General for Wales

# Overview and Scrutiny – Fit For the Future? – **Denbighshire County Council**

Audit year: 2017-18

Date issued: June 2018

Document reference: 587A2018-19

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This document is also available in Welsh.

The team who delivered the work comprised Charlotte Owen, Paul Goodlad and Jeremy Evans directed by Huw Rees.

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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.

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# Summary report

## Summary

- 1 This review explored with each of the 22 councils in Wales how ‘fit for the future’ their scrutiny functions are. We considered how councils are responding to current challenges, including the Well-being of Future Generations (Wales) Act 2015 and how councils are beginning to carry out scrutiny of Public Service Boards. We also examined how well placed councils are to respond to future challenges such as continued pressure on public finances and the possible move towards more regional working between local authorities.
- 2 As part of this review we also reviewed the progress that councils have made in addressing the recommendations of our earlier National Improvement Study **Good Scrutiny? Good Question?** (May 2014) (see [Appendix 2](#)). We also followed up on the proposals for improvement relevant to scrutiny that we issued in local reports. These included those issued to councils as part of our 2016-17 reviews of Savings Planning and Governance Arrangements for Determining Significant Service Changes.
- 3 Our review aimed to:
  - identify approaches to embedding the sustainable development principle into scrutiny processes and practices to inform practice sharing and future work of the Auditor General in relation to the Well-being of Future Generations (Wales) Act 2015;
  - provide assurance that scrutiny functions are well placed to respond to current and future challenges and expectations;
  - help to embed effective scrutiny by elected members from the start of the new electoral cycle; and
  - provide insight into how well councils have responded to the findings of our previous Scrutiny Improvement Study.
- 4 To inform our findings we based our review method around the Outcomes and Characteristics for Effective Local Government Overview and Scrutiny. These were developed and agreed by scrutiny stakeholders in Wales following our previous National Improvement Study **Good Scrutiny? Good Question?**
- 5 During January 2018 we carried out document reviews, interviewed key officers and ran focus groups with councillors to understand their views on Denbighshire County Council’s (the Council) current scrutiny arrangements. In particular we reviewed how the Council is approaching and intending to respond to the challenges identified above.
- 6 We observed a sample of scrutiny meetings and reviewed relevant meeting documentation provided to members to support their scrutiny role, such as reports and presentations.
- 7 In this review we concluded 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. We came to this conclusion because:

- a. 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;
- b. 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
- c. 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 scrutiny discussions.

## Proposals for improvement

8 The table below contains our proposals for ways in which the Council could improve the effectiveness of its overview and scrutiny function to make it better placed to meet current and future challenges.

### Exhibit 1: proposals for improvement

Proposals for improvement
P1 Review the adequacy of support arrangements, in terms of both the amount and type of support that overview and scrutiny committees may need.
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 <sup>1</sup> .

<sup>1</sup> National Assembly for Wales, **Guidance For County And County Borough Councils In Wales On Executive And Alternative Arrangements 2006**, July 2006, Paragraph 2.4.4

# Detailed report

**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**

**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**

- 9 The Council clearly defines the role of overview and scrutiny in its constitution and annual overview and scrutiny reports. Role descriptions for chairs and members of committees clearly set out the responsibilities of councillors in the overview and scrutiny function.
- 10 The Council has three overview and scrutiny committees, supported by task and finish groups when needed. Overview and scrutiny committee members also carry out scrutiny work outside the formal committee structure. For example, representatives from each overview and scrutiny committee sit on service performance challenge groups, taking an active role in reviewing and challenging service performance. Overview and scrutiny committee members also help develop and monitor Council policies through their roles on various internal groups and programme boards. These less formal activities complement and feed into formal scrutiny, with committee members providing regular feedback at committee meetings. They also help raise the profile and value of scrutiny among officers, while providing committee members with greater insight into the workings of the Council.
- 11 Both officers and councillors view the overview and scrutiny function as effective and having a valuable role in the Council's governance arrangements. Cabinet members told us that overview and scrutiny helps to strengthen decision making at the Council by providing useful insight and challenge. Overview and scrutiny committee members also felt their role was valued, and both cabinet and scrutiny committee members could cite several examples where scrutiny had added value.
- 12 The Council provides a comprehensive induction programme for new councillors and has a councillor development programme for ongoing training. Internal and external trainers provide the training, for example the Welsh Local Government Association. As part of the 2017 induction councillors received an introductory session on scrutiny, as well as training on chairing overview and scrutiny committees. The Council ran a training course on examining education data in

early 2018, and has scheduled a session on effective scrutiny questioning later in the year. Councillors are positive about the training, although not all sessions were well attended.

- 13 The Council has reviewed its training provision in light of some key future challenges. For example, it has run several awareness-raising sessions with councillors on the Well-being of Future Generations (Wales) Act 2015 and how to scrutinise with the Act in mind. The Council has also developed a well-being impact assessment tool, and councillors have received training on it. The Council uses the tool widely, and it has updated the scrutiny report template to include the main conclusions of any well-being impact assessment. In addition, the Scrutiny Chairs and Vice-Chairs Group has been monitoring the Council's efforts to embed the Well-being of Future Generations (Wales) Act 2015's goals and principles.
- 14 However, councillor training on the Public Services Board has been limited and scrutiny members would benefit from training to prepare to scrutinise regional working. The 2017 councillor induction programme included a session on the role of the Public Services Board but so far there has been no training focused on Public Services Board scrutiny. The Council is developing a choices paper with Conwy County Borough Council to explore future arrangements to scrutinise the joint Conwy and Denbighshire Public Services Board. The paper will go to Scrutiny Chairs and Vice-Chairs Group early in the new financial year. The Council intends to provide Public Services Board scrutiny training for councillors after arrangements are agreed. Meanwhile, the Council's Partnerships scrutiny committee is responsible for scrutinising the Public Services Board.
- 15 Following a successful pilot, all three overview and scrutiny committees have adopted pre-committee meeting briefing sessions. The pre-meetings help committee members to prepare for the committee meeting and to develop questioning strategies. Officers and committee members were supportive of the arrangements and scrutiny chairs commented that it had helped raise the quality of questioning and remove ward focus.
- 16 Committee members spoke highly of the support they received from officers. However, the Council has only one Scrutiny Coordinator. This limits capacity to carry out independent research and analysis. The Scrutiny Coordinator supports the three committees as well as providing administrative support to scrutiny task and finish groups. This support is supplemented by officers from relevant services, who also provide support to task and finish groups.
- 17 It is not yet clear what impact changes to the scrutiny of the Public Services Board will have on the Council's current capacity to support scrutiny. But an assessment of the support needs will be part of the Public Services Board scrutiny options paper currently being developed. The Council has previously assessed the level of scrutiny support needed as part of its budget setting. However, the future challenges of regional scrutiny and the Council's plans to increase the scrutiny function's focus on public engagement are likely to place further pressure on existing support capacity going forward. So the Council needs to consider whether

the amount and type of scrutiny support it currently has is sufficient to meet 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

- 18 Each overview and scrutiny committee has a well-defined forward work programme, and the Scrutiny Chairs and Vice-Chairs Group meets regularly to review and update the programme. The Scrutiny Chairs and Vice-Chairs Group ensures that scrutiny work links with the Cabinet forward work programme and also reviews scrutiny topic request forms that can be submitted by Councillors, officers or the public. Overview and scrutiny chairs feel that committee members own, and take the lead on developing, the forward work programmes. For example, the number of topic requests put in by members is increasing. The forward work programme is a standing agenda item at each committee meeting and created reasonable discussion at the meetings we observed. Updates on the work programme were also provided at these meetings, and committee members were also encouraged to submit topic request forms.
- 19 The Scrutiny Chairs and Vice-Chairs Group follows a structured process to filter and prioritise scrutiny topic requests. Topics are added to the forward work programme if they are a matter of public interest, linked to corporate priorities, or if there are clear opportunities for scrutiny to have an impact. After the group approves a topic, the Scrutiny Chairs and Vice-Chairs Group consider the intended outputs and decide on the scope, extent and method of scrutiny activity. Topics that don't get on to the agenda are referred elsewhere, for example to Member Area Groups<sup>2</sup>, or are followed up with a relevant officer.
- 20 Overview and scrutiny committees carry out their prescribed roles in a balanced way, involving a mix of both pre- and post-decision scrutiny. The Council favours pre-decision scrutiny for contentious issues as it helps to ensure that decision-making takes account of a broader range of views. Overview and scrutiny committees use post-decision scrutiny to monitor the implementation of policies and assess the impact of budget cuts.
- 21 The Council has arrangements to ensure that overview and scrutiny committees are aware of the work of audit, inspection and regulation. The Chair and Vice Chair of the Corporate Governance Committee sit on the Scrutiny Chairs and Vice-

<sup>2</sup> The Council has six Member Area Groups (MAG) which allow councillors to meet regularly to discuss local issues and engage with local communities. Issues of a local nature which are not suitable for discussion at scrutiny committees can instead be discussed at MAG meetings. Conversely, issues raised at MAG meetings which may have county-wide relevance can feed into scrutiny committee work programmes.

Chairs Group. This arrangement promotes regular conversation and flow of information between the Council's scrutiny and corporate governance functions. Corporate Governance Committee routinely considers audit and inspection reports, and national reports of the Auditor General for Wales and reports from other inspectorates are also reported to overview and scrutiny committees at officers' request.

- 22 Scrutiny of the Public Services Board is currently undertaken through the Council's existing overview and scrutiny committee structure. In March and December 2017, the Partnerships scrutiny committee considered the Public Services Board's well-being needs assessment and draft well-being plan. The Council intends to contact Public Services Board members annually to find out whether they intend to introduce or consult on any plans or strategies that year. Scrutiny Chairs and Vice-Chairs Group will then decide whether to include them in the committees' forward work programmes. Future arrangements for the scrutiny of the joint Conwy and Denbighshire Public Services Board will become clearer in May 2018 following consideration of the options paper noted above.
- 23 The committee meetings we observed were generally well run, with most committee members contributing to discussions. The Council was concerned about scrutiny attendance levels under the previous administration, it is positive to see that committee member attendance has improved since May 2017. Our review identified the average attendance across all three committees was about 76%, up from 61% over the preceding six months. The level of challenge at meetings varies but we saw examples of robust and well-informed debate. Effective chairing of the meetings helped to ensure that debate and questioning was focused and arrived at clear conclusions. Less experienced scrutiny committee members told us they have benefited from the recently introduced pre-meetings, which help to refine lines of enquiry in preparation for the main meeting. Committee meetings usually include between two and four main agenda items; this reflects the Council's policy of limiting the number of reports considered at any one overview and scrutiny meeting to a maximum of four, plus the Committee's own work programme report. This policy was introduced to facilitate detailed and effective debate on each topic.
- 24 Overview and scrutiny committees are largely informed by officer reports. The reports presented to scrutiny are comprehensive, but some members commented that some reports can be lengthy and time-consuming to read. Scrutiny committees also make use of other sources of evidence. For example, task and finish groups carry out more detailed scrutiny and produce well-evidenced findings that contribute positively to policy development. External bodies also attend scrutiny meetings to provide information or to respond to concerns or queries raised by members; recent examples include North Wales Police, Betsi Cadwaladr University Health Board, and British Telecom.
- 25 The Council tries to engage the public in scrutiny activity and is actively exploring ways it can improve public involvement. The public can access information on how to get involved in scrutiny on the Council's website and in its scrutiny annual report.

The Council has also produced a useful leaflet for members of the public attending scrutiny committee meetings. This explains the role of scrutiny, how residents can involve themselves, and includes a scrutiny topic request form. Agendas for scrutiny committee meetings are available on the Council website and are promoted on social media. Many councils webcast some or all of their scrutiny committee meetings and make them available to view online; the Council has not done this until recently. As well as demonstrating openness and transparency, webcasting meetings makes it easier for the public to observe meetings. It is therefore encouraging that the Council began webcasting selected scrutiny committee meetings, it considered of higher public interest, in March 2018, although the Council currently has no plans to webcast all committee meetings.

- 26 The Council told us that public interest in scrutiny's work is increasing. In 2016-17, more members of the public attended scrutiny committee meetings than in previous years, thanks in part to several high-profile issues on the committee agendas. The public were also invited to give evidence to inform a scrutiny task and finish group review of the impact of recent budget cuts. However, both members and officers recognise they could do more to improve public involvement in the scrutiny process. Scrutiny Chairs and Vice-Chairs Group are exploring ways to raise the profile of scrutiny among the public. They will work with the Council's new Public Engagement Officer in 2018 to develop a new approach to public engagement.

## 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 scrutiny discussions

- 27 Scrutiny committee members regularly provide challenge in committee meetings. While cabinet members regularly attend scrutiny meetings and introduce reports, officers usually provide the detail of reports and answer questions from the committee. Although experienced portfolio holders often take a more active role in presenting information and responding to challenge, there is scope for this approach to be adopted more consistently, in line with statutory guidance<sup>3</sup>.
- 28 Both members and officers provided us with examples of scrutiny providing solutions to recognised problems. They highlighted the work of scrutiny task and

<sup>3</sup> "Overview and scrutiny committees are able to require officers to attend to answer questions about, and discuss the discharge of executive or non-executive functions. The executive and overview and scrutiny committees should always bear in mind that it is for the elected executive to answer questions about its policies and decisions. When officers appear to answer questions, their contribution should, as far as possible, be confined to questions of fact and explanation relating to policies and decisions....." National Assembly for Wales, Guidance For County And County Borough Councils In Wales On Executive And Alternative Arrangements 2006, July 2006, Paragraph 2.4.4

finish groups as being particularly valuable. A recent example involved a review of the Council's in-house care services by a task and finish group. Following a detailed service review, the group made recommendations about commissioning care services from external partners. Although the recommendations were accepted, the group was asked to do further work prior to implementation. Members also told us about the impact that overview and scrutiny had on proposals to charge blue badge holders using Council car parks. The proposals were subsequently modified to provide badge holders with additional parking time, following input from the overview and scrutiny committee.

- 29 The Council is active in seeking to improve its scrutiny function and regularly evaluates its effectiveness. The Council carries out an annual survey based on the characteristics of effective scrutiny. The results inform the Council's annual scrutiny report. Any issues highlighted then feed into a scrutiny improvement action plan<sup>4</sup>. This plan highlights actions taken to improve the scrutiny function through regular monitoring. Work to strengthen public engagement and to further develop scrutiny of external bodies, such as the Public Services Board, is scheduled for spring 2018.
- 30 Officers and councillors showed awareness of the future challenges the scrutiny function faces. They described continuing decreases in public spending and increased focus on regional working as key challenges. However, the Council considers its current scrutiny structure is adaptable enough to meet these future challenges. For example while it awaits Welsh Government guidance on regional scrutiny it continues to explore how a joint approach (with Conwy County Borough Council) to Public Services Board scrutiny could work.

<sup>4</sup> The Council initially developed the action plan in response to our 2014 national improvement study, *Good Scrutiny? Good Question*.

# Appendix 1

## Outcomes and characteristics for effective local government overview and scrutiny

Exhibit 2: outcomes and characteristics for effective local government overview and scrutiny

Outcomes	Characteristics
<p><b>What does good scrutiny seek to achieve?</b></p>	<p><b>What would it look like? How could we recognise it?</b></p>
<p><b>1. Democratic accountability drives improvement in public services. 'Better Services'</b></p>	<p><b>Environment</b></p> <ul style="list-style-type: none"> <li>i) Scrutiny has a clearly defined and valued role in the council's improvement arrangements.</li> <li>ii) Scrutiny has the dedicated officer support it needs from officers who are able to undertake independent research effectively, and provide Scrutiny members with high-quality analysis, advice and training.</li> </ul> <p><b>Practice</b></p> <ul style="list-style-type: none"> <li>iii) Overview and Scrutiny inquiries are non-political, methodologically sound and incorporate a wide range of evidence and perspectives.</li> </ul> <p><b>Impact</b></p> <ul style="list-style-type: none"> <li>iv) Overview and scrutiny regularly engages in evidence based challenge of decision makers and service providers.</li> <li>v) Scrutiny provides viable and well evidenced solutions to recognised problems.</li> </ul>



Outcomes	Characteristics
<p><b>What does good scrutiny seek to achieve?</b></p>	<p><b>What would it look like? How could we recognise it?</b></p>
<p><b>2. Democratic decision making is accountable, inclusive and robust. 'Better decisions'</b></p>	<p><b>Environment</b></p> <ul style="list-style-type: none"> <li>i) Scrutiny councillors have the training and development opportunities they need to undertake their role effectively.</li> <li>ii) The process receives effective support from the Council's Corporate Management Team which ensures that information provided to scrutiny is of high quality and is provided in a timely and consistent manner.</li> </ul> <p><b>Practice</b></p> <ul style="list-style-type: none"> <li>iii) Scrutiny is Member led and has 'ownership' of its work programme taking into account the views of the public, partners and regulators whilst balancing between prioritising community concerns against issues of strategic risk and importance.</li> <li>iv) Stakeholders have the ability to contribute to the development and delivery of scrutiny forward work programmes.</li> <li>v) Overview and scrutiny meetings and activities are well-planned, chaired effectively and make best use of the resources available to it.</li> </ul> <p><b>Impact</b></p> <ul style="list-style-type: none"> <li>vi) Non-executive Members provide an evidence based check and balance to Executive decision making.</li> <li>vii) Decision makers give public account for themselves at scrutiny committees for their portfolio responsibilities.</li> </ul>
<p><b>3. The public is engaged in democratic debate about the current and future delivery of public services.</b></p>	<p><b>Environment</b></p> <ul style="list-style-type: none"> <li>i) Scrutiny is recognised by the Executive and Corporate Management team as an important council mechanism for community engagement.</li> </ul> <p><b>Practice</b></p> <ul style="list-style-type: none"> <li>ii) Scrutiny is characterised by effective communication to raise awareness of, and encourage participation in democratic accountability.</li> <li>iii) Scrutiny operates non-politically and deals effectively with sensitive political issues, tension and conflict.</li> <li>iv) Scrutiny builds trust and good relationships with a wide variety of internal and external stakeholders.</li> </ul> <p><b>Impact</b></p> <ul style="list-style-type: none"> <li>v) Overview and scrutiny enables the 'voice' of local people and communities across the area to be heard as part of decision and policy-making processes.</li> </ul>

# Appendix 2

## Recommendations from the report of the Auditor General's national improvement study 'Good Scrutiny? Good Question?' (May 2014)

Exhibit 3: recommendations from **Good Scrutiny? Good Question?** Scrutiny Improvement Study

Recommendation	Responsible Partners
R1 Clarify the role of executive members and senior officers in contributing to scrutiny.	Councils, Welsh Government, Welsh Local Government Association
R2 Ensure that scrutiny members, and specifically scrutiny chairs, receive training and support to fully equip them with the skills required to undertake effective scrutiny.	Councils, Welsh Government, Welsh Local Government Association
R3 Further develop scrutiny forward work programming to : <ul style="list-style-type: none"> <li>• provide a clear rationale for topic selection;</li> <li>• be more outcome focussed</li> <li>• ensure that the method of scrutiny is best suited to the topic area and the outcome desired; and</li> <li>• align scrutiny programmes with the council's performance management, self-evaluation and improvement arrangements.</li> </ul>	Councils
R4 Ensure that scrutiny draws effectively on the work of audit, inspection and regulation and that its activities are complementary with the work of external review bodies.	Councils, Staff of the Wales Audit Office, CSSIW, Estyn
R5 Ensure that external review bodies take account of scrutiny work programmes and the outputs of scrutiny activity, where appropriate, in planning and delivering their work.	Staff of the Wales Audit Office, CSSIW, Estyn

Recommendation	Responsible Partners
R6 Ensure that the impact of scrutiny is properly evaluated and acted upon to improve the function's effectiveness; including following up on proposed actions and examining outcomes.	Councils, Welsh Government, Welsh Local Government Association
R7 Undertake regular self-evaluation of scrutiny utilising the 'outcomes and characteristics of effective local government overview and scrutiny' developed by the Wales Overview & Scrutiny Officers' Network.	Council
R8 Implement scrutiny improvement action plans developed from the Wales Audit Office improvement study.	Councils
R9 Adopt Participation Cymru's 10 Principles for Public Engagement in improving the way scrutiny engages with the public and stakeholders.	Councils

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## Corporate Governance Committee Forward Work Programme

<b>26 SEPT 2018</b>		<b>Standing Items</b>	
	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
		<b>Reports</b>	
	5	Approval of Statement of Accounts	Head of Finance – Richard Weigh
	6	WAO – Annual Audit enquiries	Head of Finance – Richard Weigh/ WAO
	7	Update report – Public Conveniences	Chief Internal Auditor – Lisa Lovegrove
	8	Annual H&S Report	Head of H&S –Gerry Lapington
Page 253	9	External assessment- Gwynedd County Council’s Chief Audit Executive- Report and Improvement plan	Chief Internal Auditor – Lisa Lovegrove
	10	WAO Annual improvement report	WAO/ Head of Business Improvement & Modernisation– Alan Smith
	11	WAO Report on Service users	WAO/ Head of Business Improvement & Modernisation– Alan Smith
<b>21 NOV 2018</b>		<b>Standing Items</b>	
	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
		<b>Reports</b>	
	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

## Corporate Governance Committee Forward Work Programme

	7	Overview of Alternative Service Provider Framework	Head of Legal, HR and Democratic Services / Gary Williams/ Head of Finance – Richard Weigh/ Nicola Kneale
	8	Annual report on the Constitution	Head of Legal, HR and Democratic Services - Gary Williams / Chief Internal Auditor – Lisa Lovegrove
<b>23 JAN 2019</b>		<b>Standing Items</b>	
	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	Head of Internal Audit – Lisa Lovegrove
	4	Forward Work Programme	Democratic Services
		<b>Reports</b>	
	5	Update Report – joint Procurement Unit	Head of Internal Audit – Lisa Lovegrove
<b>26 MAR 2019</b>		<b>Standing Items</b>	
	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	Head of Internal Audit – Lisa Lovegrove
	4	Forward Work Programme	Democratic Services
		<b>Reports</b>	
<b>10 APRIL 2019</b>		<b>Standing Items</b>	
	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	Head of Internal Audit – Lisa Lovegrove
	4	Forward Work Programme	Democratic Services

## Corporate Governance Committee Forward Work Programme

		<b>Reports</b>	
<b>05 JUNE 2019</b>		<b>Standing Items</b>	
	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	Head of Internal Audit – Lisa Lovegrove
	4	Forward Work Programme	Democratic Services
		<b>Reports</b>	
<b>10 JULY 2019</b>		<b>Standing Items</b>	
	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	Head of Internal Audit – Lisa Lovegrove
	4	Forward Work Programme	Democratic Services
		<b>Reports</b>	
	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
<b>11 SEPT 2019</b>		<b>Standing Items</b>	
	1	Issues Referred by Scrutiny Committees (if any)	Scrutiny Coordinator – Rhian Evans

## Corporate Governance Committee Forward Work Programme

	2	Recent External Regulatory Reports Received (if any)	Head of Business Improvement & Modernisation– Alan Smith, Nicola Kneale
	3	Internal Audit Update	Head of Internal Audit – Lisa Lovegrove
	4	Forward Work Programme	Democratic Services
		<b>Reports</b>	
	5	Approval of Statement of Accounts	Head of Finance – Richard Weigh
	6	Annual H&S Report	Head of H&S –Gerry Lapington
<b>20 NOV 2019</b>		<b>Standing Items</b>	
	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	Head of Internal Audit – Lisa Lovegrove
	4	Forward Work Programme	Democratic Services
		<b>Reports</b>	
	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.

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